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BMA

Rt Hon Kwasi Kwarteng MP
Chancellor of the Exchequer
HM Treasury

Sent via email

21 September 2022

Dear Chancellor,

Firstly, please accept my congratulations on your appointment as Chancellor of the Exchequer. As you know, the Health and Social Care system is facing unprecedented levels of pressure, with a record backlog of care, and severe workforce shortages. The combination of these workforce pressures and the punitive pensions taxation rules are exacerbating these challenges as doctor colleagues are forced to leave the NHS or reduce their hours, with morale of NHS staff after years of real terms pay cuts at rock bottom. Pension taxation rules mean that senior NHS workers are being taxed multiple times on the same income, and high inflation is then seeing more tax applied to non-existent pseudogrowth solely because of anomalies in the Finance Act. The result is they are often better off reducing hours, or in some cases even leaving the NHS entirely. Indeed, the recent report from the Health and Social Care Committee stated as fact that the NHS is facing the greatest workforce crisis in its history. A healthy population with timely access to essential healthcare services is crucial for economic recovery and it is vital that you take urgent action. I call on you as our new Chancellor to ensure these issues are addressed as part of the emergency fiscal statement.

In an NHS already struggling from decades of underfunding and investment, doctors came together during the COVID-19 pandemic and made huge personal sacrifices to continue caring for patients and deliver the life-saving vaccine programme. However, we now feel taken for granted by the same Government that encouraged the nation to clap for us but presided over continued erosion to our pay and a failure to fix longstanding problems with NHS pension taxation. The Prime Minister's new Government now has an opportunity to put this right.

The Government must find a solution to the ongoing pension taxation trap forcing doctors out of the NHS. While we were encouraged by the Prime Minister's commitment to "sort out" the problems with NHS pensions during the leadership campaign, the Government must do more than tinker with existing policies. Proposals such as suspending "retire and return" restrictions, suspending abatement rules, or suggesting flexibilities, have twice now been rejected at consultation because they will not solve the problem. These approaches will have minimal impact on the overall numbers of doctors leaving the NHS and will not address the wider issues of huge unfair tax bills faced by senior doctors.

The immediate priority to resolve this NHS pensions crisis, which we hope you will announce at the upcoming fiscal statement, must be to amend the Finance Act to address the perverse impact of rising inflation. The annual allowance is supposed to only apply to growth that is above inflation. Anomalies within the Finance Act mean that not only will doctors be taxed on non-existent pension growth if inflation normalises, but this tax will remain payable despite the value of the pension falling in real terms. This unintended impact of the Finance Act will result in tens of thousands of senior doctors incurring unexpectedly large tax bills, with the only way to mitigate this being to retire in this financial year. NHS Employers, the Association of Independent Specialist Medical Accountants and the NHS Scheme Advisory Board share these concerns and have also made representations to the Treasury. This would be a significant signal from the Government of its commitment to value and retain the most experienced medical expertise within the NHS to provide treatment for patients often in desperate need.

Longer term, we propose that a tax unregistered scheme for NHS staff impacted by these tax policies, similar to that already provided to the judiciary, should be introduced next year to end this problem once and for all, allowing doctors to stay working for the NHS for longer. Not only would this enable doctors to provide more care for patients, it is a fair solution for the taxpayer. Modelling from the BMA suggests that this will increase cashflow to Treasury as a result of delaying retirements and pension payments together with cutting costs to the NHS by reducing the need for agency and locum staff. Further detail of our long and short term solutions to addressing the NHS pensions crisis, proposed by the BMA's pensions committee is included as an addendum alongside this letter.

The pay award given to doctors this year is, in reality, yet another real-terms pay cut. Junior doctors in England, GP partners and a significant proportion of staff and associate specialist (SAS) doctors were excluded from the pay award of 4.5% and held to lower value multi-year pay deals. These agreements were made in good faith prior to the exceptional circumstances of a global pandemic and the highest inflation rates the UK has seen for 40 years. The Government made this decision despite the Review Body on Doctors and Dentists Remuneration (DDRB) warning this would "have a significant effect on motivation, affecting retention, productivity, and ultimately patient care". The fact that the DDRB's warnings can simply be ignored is one of the reasons that the BMA believes the DDRB is not fit for purpose and must be reformed.

The Government seems set on a collision course with junior doctors who have made clear that they will ballot for industrial action if a commitment to full restoration of junior doctors' pay to levels equivalent to 2008/09 is not made by the end of September. The BMA's Junior Doctors Committee has requested a meeting with the new Health Secretary to discuss this. However, it is vital that the Treasury leads from the front and works with DHSC to address almost 15 years of real-terms cuts to doctors' pay. This can, of course, still be averted should the Government be minded to do so.

It is no surprise that the NHS is facing a workforce crisis. There are over 130,000 vacancies in the NHS in England in secondary care alone, with 11,000 of those medical roles. General practice continues to face significant and growing pressures. GPs are delivering record numbers of appointments - over a million each day - with 1,857 fewer fully qualified full-time GPs than in 2015 for a population that continues to grow in numbers and health needs. If immediate action on retention is not taken (like addressing pay erosion and fixing doctors' pension taxation) the situation will get even worse, with significant implications for the safety of care. Doctors' workloads are already rising as their colleagues leave and those remaining will increasingly be undervalued and underpaid. They will find their pension becomes either a tax liability or diminishes in value to such an extent that they leave the job they once loved to seek better paid work, or retire at the earliest opportunity. This is happening now, and the exodus must be halted.

The new Health Secretary, who is copied into this letter ahead of her Health statement this week, has recognised the need to make improvements quickly to ensure the healthcare system delivers for patients. The NHS, like the rest of the country, is being hit hard by the current levels of inflation. It has often been asked to do more with less, now it is being asked to even more with even less. The NHS cannot hope to clear the backlog without additional funds made available in the face of rising costs. In primary care, high levels of inflation and higher than expected wage costs have placed extreme pressures on GP practices, which are struggling with retention and recruitment whilst coping with high levels of demand. For many a GP practice the energy crisis will become a question of financial viability. To help relieve some of the pressure on practices, it is vital the Government extends the energy bill support scheme for GP practices beyond the six months promised currently.

The Health and Social Care Levy made funds available to the NHS and to social care. If the levy is cancelled, funding for health and social care must come from elsewhere, and also take account that inflation is now much higher than when the levy was announced. It would also be a grave mistake to think that money could be taken from the NHS to fund social care; this would be robbing Peter to pay Paul. Both systems must be adequately resourced to meet their own challenges.

The issues set out in this letter must receive immediate attention and the BMA calls on you as Chancellor to ensure they are addressed as part of any emergency fiscal statement.

Thank you in advance.

Yours sincerely,

Professor Phil Banfield
Chair, BMA Council

Cc **Rt Hon Dr Thérèse Coffey MP**
Secretary of State for Health and Social Care