

# AN UNNECESSARY DIVIDE

## The impact of pensions taxation on NHS trust leaders

### Key messages

- Almost half of all clinical and non-clinical trust executive directors (44%) responding said they are planning to leave or are considering leaving the NHS in the next two years due to pension taxation.
- Echoing findings by the British Medical Association (BMA) and NHS Employers, only 7% of directors are confident that the 2019/20 tax reimbursement policy will encourage clinical staff to work additional shifts again, while only 31% of clinicians responding say they intend to take up the solution.
- Over a third (37%) of respondents said fewer staff in their trust are seeking or accepting promotions, while 60% said clinicians are less willing to take on leadership roles, at a time when strong clinical leadership will be an essential part of driving service transformation.
- 14% of clinical executives responding have turned down a promotion or additional responsibilities as a result of the issue, and 55% say they would consider doing so.
- A large majority (77%) of surveyed directors who are members of the NHS pension scheme, said they have considered leaving the scheme due to annual allowance taxation.
- Respondents were almost unanimous in the view that senior non-clinical staff should be eligible for pension contribution flexibilities (97%). Almost as many (95%) felt that the flexibilities should be available to all NHS staff including Agenda for Change (AfC), very senior manager (VSM) and other non-AfC staff groups.
- While the link between consultants' working hours and clinical capacity is more overt and has been widely reported, there is also a direct link between the roles of other directors and managers and team productivity, quality of care and the effectiveness of the leadership provided by senior members of staff.
- 91% of respondents said they or their board are concerned about the impact on culture or morale of offering differential arrangements to different groups of NHS staff.
- There is a need to restore the incentive for doctors to work extra shifts, and to create a fair solution for all staff affected by these punitive taxes. A fair solution has to include both a change to the taper and address the impact of annual allowance for all staff moving into senior roles or through pay increments.
- A lasting solution to the pension problem must include a commitment to review flexibilities for lower paid staff who can struggle to afford high contribution rates.

## Introduction

The impact of annual allowance and lifetime allowance pensions tax charges on clinical capacity in the NHS is well documented, with evidence of large numbers of consultants reducing their hours or the number of additional sessions they are willing to do, creating a significant effect on the effective running of NHS services.

While some trusts have implemented local flexibilities and made them available to all staff affected by tax bills regardless of role, both recently announced 2019/20 tax reimbursements through Scheme Pays and national level flexibilities are currently only available to clinicians.

The pensions taxation issue must be seen within a wider context of low morale, high and stressful workloads, and growing pressure on staff wellbeing. The dispute about pensions and the consequent impact on clinical capacity, as consultants reduce their working hours, has highlighted a wider issue about the significant pressure NHS services are under, and has revealed how heavily services rely on the additional discretionary efforts of staff who regularly work beyond their hours to keep services running. The situation has been exacerbated by the already fragile morale of the workforce, and there is a growing sense that recent concerns over pensions taxation have acted as the 'final straw' for many in the NHS, triggering decisions to leave the workforce, reduce hours or draw back from career progression. This underlines the importance of addressing wider workforce challenges, and taking a holistic and longer term approach to managing these issues.

NHS Providers has long been calling for a comprehensive solution to the issue that takes into account all NHS staff. We remain very concerned both about the effectiveness of the proposals on the table to mitigate the impact for clinicians, and about the impact of the current pension arrangements for leaders and managers within the NHS. There is a real risk of divisiveness and a further impact on staff morale if a comprehensive solution is not agreed.

The government and national bodies have told us they are keen to further understand the evidence of the effect of tax bills issued to managers and non-clinical board level roles on frontline services, and operational performance, before determining whether scheme flexibilities should be extended to these groups. We welcome this and hope that the survey results within this briefing will support further constructive discussions.

This briefing summarises the findings of a survey sent to all executive directors of the 223 trusts within the provider sector, and describes the evidence of the significant impact of annual allowance taxation on managers, on morale within the NHS and the consequent impact on services and frontline care.

## Methodology

- The survey was open between 20 December 2019 and 9 January 2020 and was sent to all trust executive directors.
- Despite being open over the Christmas break the survey received a very strong response, with 437 individuals submitting a response. These came from approximately 188 trusts (84% of all trusts). Given the confidential nature of the information requested, respondents were not asked to identify themselves or their trust in the survey. Therefore, in estimating the total number of trusts represented in the results we cannot take into account responses from directors who have roles in more than one trust, or the small number of respondents who may have used the generic survey link after not being included in the original distribution.
- The highest number of responses came from those in HR, workforce and organisational development roles (18%), with chief executives (17%) and those in finance and commercial roles (16%) also well represented.
- All trust types including ambulance, community, mental health and acute trusts, and all regions are covered in the survey, and response rates by these attributes are broadly in line with the wider proportions throughout the country.

## Viability of solutions currently available

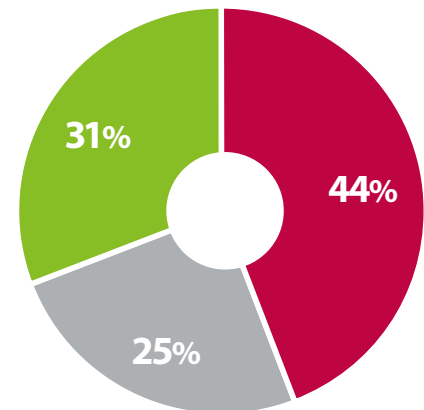
A minority of clinically qualified directors (31%) intend to take up the proposed solution reimbursing clinicians for tax bills incurred in 2019/20. Just under half (44%) said they did not intend to take up the solution and around a quarter didn't know.

**Figure 1**

**Do you intend to take up the national solution recently communicated by NHS England and Improvement (whereby the NHS will compensate clinicians for tax bills and interest received in 2019/20 via Scheme Pays)?**

■ Yes  
■ No  
■ Don't know

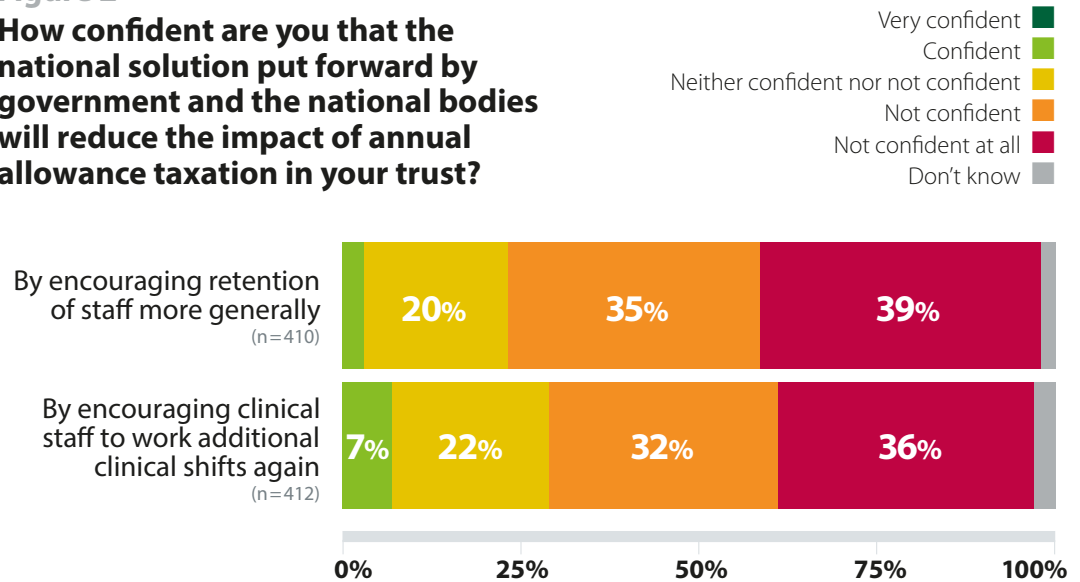
(n=138)



There is a widespread view among respondents that the policy being implemented for 2019/20 tax liabilities, as well as future flexibilities designed to mitigate the risk of senior clinicians receiving tax bills related to pension contributions, are unlikely to lead to senior clinicians taking up additional shifts that they had dropped, or support retention of clinicians more generally in the NHS.

Just 7% of respondents felt confident that the national solution would encourage clinical staff to work additional clinical shifts again, and 3% were confident that it would encourage the retention of staff more generally. Doctors working in challenging roles in overstretched services have, in the words of one respondent, made a lifestyle decision to achieve a different work/life balance in the context of the pensions taxation issue, which they are now reluctant to give up even when financial risk is removed.

**Figure 2**  
**How confident are you that the national solution put forward by government and the national bodies will reduce the impact of annual allowance taxation in your trust?**



Trust leaders described a lack of trust among their senior clinical staff in the most recent policy offered up by the government, despite assurances that the policy would be honoured at retirement regardless of the time elapsed. This may be due to the cumulative effect of the issue over a period of months and the consequent erosion of trust among senior clinicians in the NHS. This is coupled with the perceived divisiveness of the new scheme, which differentiates between different groups of staff involved in delivering the same services, whether that is frontline care or the leadership which supports clinicians to deliver that frontline care.

## Impact on board turnover and directors' pensions

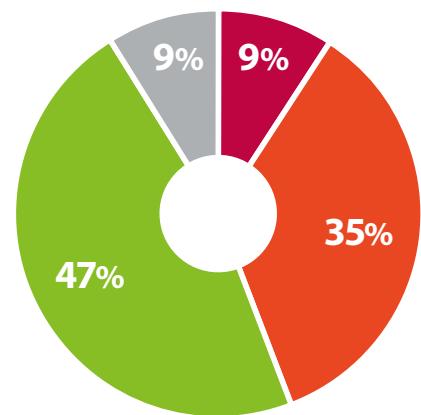
A large proportion of directors are reconsidering their employment in the NHS as a result of pension taxation. Just under half – a combined 44% – said that they had either decided to leave the NHS in the next two years as a result of the current arrangements for pension taxation (9%), or are considering doing so (35%). These respondents cited uncertainty around the impact of annual allowance and lifetime allowance, the cumulative impact of repeated tax bills, and the decision to retire early as reasons for this.

**Figure 3**

### Are the current arrangements for pension taxation affecting your decision to continue working in the NHS?

- No
- Yes – I'm considering leaving the NHS in the next two years due to pension taxation
- Yes – I've decided to leave the NHS in the next two years due to pension taxation
- Don't know

(n=413)



While the majority of respondents to the survey were members of the NHS pension scheme, many are reconsidering their membership of the scheme. Among clinically qualified managers who were still paying into the scheme, most have considered leaving (77%). Among non-clinically qualified staff, two thirds (66%) of those who are current members of the NHS pension scheme have considered opting out.

Among respondents who had left the NHS pension scheme since 2011, nine in ten (88%) named the impact of annual allowance taxation and the taper as the main or a major reason for doing so.

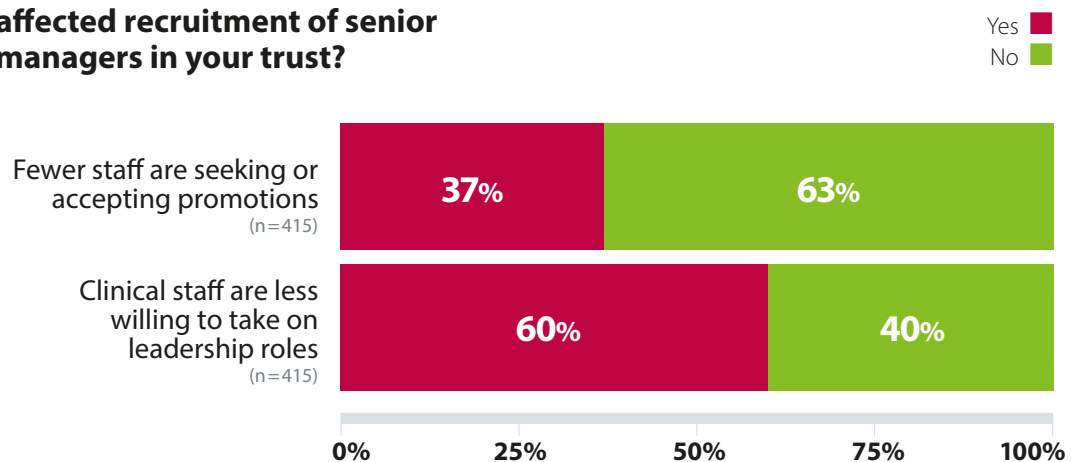
## Impact on recruitment to senior posts

In the absence of a clear understanding of which circumstances might lead to a tax bill, there is evidence that NHS staff are becoming risk averse about taking on more responsibilities or accepting promotions, as they struggle to predict whether a pay rise may affect their pension. This is coupled with a perception that the incentive to pursue more senior roles is diminished in light of tax arrangements which threaten to eat into the overall reward package of taking on executive posts.

Trust leaders have concerns about the future pipeline of staff to fill vacancies in senior posts, given the impact of pay rises on potential tax liabilities, with 37% of directors saying that fewer staff are seeking or accepting promotions and 60% seeing clinical staff become less willing to take on leadership roles. This is likely to be impacted by the fact that taking on a leadership role now carries the risk of senior clinicians' forfeiting their eligibility for proposed pension flexibilities, based on the extent to which the role retains 'clinical duties'.

**Please note:** when talking about 'promotions' to senior roles within the NHS, we are referring to staff moving into specific, different roles at a more senior level – many of which will have been vacant for a period of time – or taking on an additional formal level of responsibility in their organisation(s) attached to their current job. We are not referring to title changes or pay rises negotiated between individuals and their employer, but instead specific leadership positions that are vital to the effective delivery of NHS services. In the case of the following question, these may be at or slightly below board level.

**Figure 4**  
**How has annual allowance taxation affected recruitment of senior managers in your trust?**



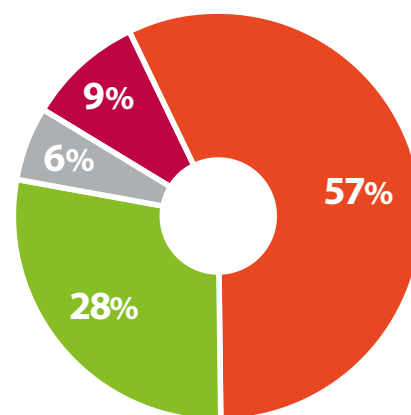
Among non-clinically qualified respondents still paying into the scheme, over half (57%) indicated they would consider turning down or avoiding a promotion or additional responsibilities, and one in ten (9%) indicated they had actually turned down or avoided a promotion or additional responsibilities.

Figure 5

### Has the potential impact of annual allowance taxation affected your decision to seek or accept a promotion or additional responsibilities? (non-clinicians)

- No – I would not consider turning down or avoiding a promotion or additional responsibilities
- Yes – I would consider turning down or avoiding a promotion or additional responsibilities
- Yes – I have turned down or avoided a promotion or additional responsibilities
- Don't know

(n=233)



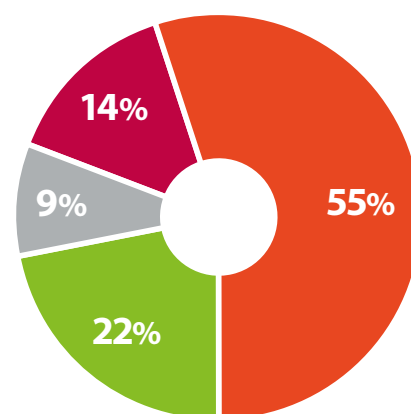
This trend is echoed among clinically qualified respondents, among whom over half (55%) indicated they would consider turning down or avoiding a promotion or additional responsibilities, and 14% said they had actually turned down or avoided a promotion or additional responsibilities. Given policy ambitions to encourage clinical leadership in the NHS in recognition of the skills clinicians bring to leadership roles, this is concerning.

Figure 6

### Has the potential impact of annual allowance taxation affected your decision to seek or accept a promotion or additional responsibilities? (clinicians)

- No – I would not consider turning down or avoiding a promotion or additional responsibilities
- Yes – I would consider turning down or avoiding a promotion or additional responsibilities
- Yes – I have turned down or avoided a promotion or additional responsibilities
- Don't know

(n=105)



It is worth noting that respondents to this survey comprise existing executive directors who are already working at the most senior levels in their trust. Comments from some of these respondents however indicate that, had they known the impact of their promotion to VSM level on their pension and tax arrangements, they would not have taken the promotion in the first place.



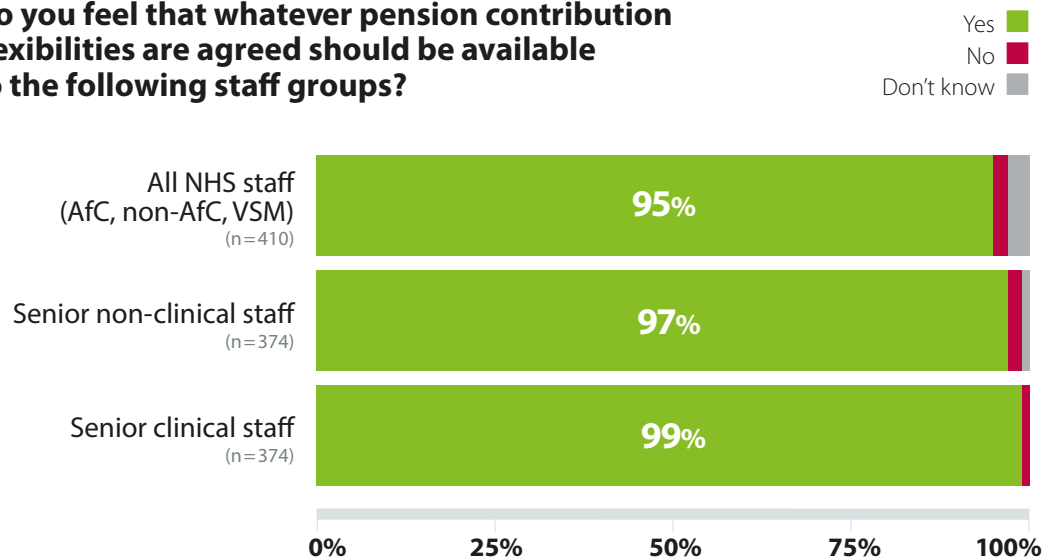
## Impact of excluding managers

### Culture and morale

Respondents were almost unanimous in the view that senior non-clinical staff should be eligible for pension contribution flexibilities (97%). Almost as many (95%) felt that the flexibilities should be available to all NHS staff including AfC, VSM and other non-AfC staff groups.

**Figure 7**

**Do you feel that whatever pension contribution flexibilities are agreed should be available to the following staff groups?**

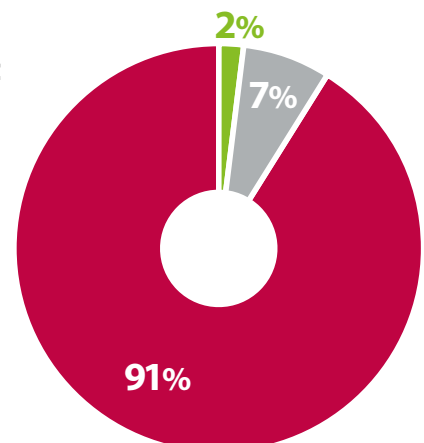


Respondents were also unequivocal in their concern at the equity implications of offering pensions flexibilities only to clinicians in active clinical roles, particularly for its impact on culture and morale across the workforce. Nine in ten respondents (91%) said that they or their boards are concerned about the impact on culture and morale of offering differential arrangements to different groups of staff.

**Figure 8**

**Do you or your board have concerns about the impact of offering differential arrangements to different groups of NHS staff on culture or morale?**

■ Yes  
■ No  
■ Don't know  
 (n=411)



Trust leaders are responsible for instilling the core NHS values of equality and fairness within their organisations, while playing a critical role in the development of system working. Respondents felt strongly that offering differential arrangements to groups of staff based on their specific role runs counter to these efforts.

Trust leaders also expressed concern that a loss of morale may diminish the willingness of staff across the sector to offer up additional discretionary effort to sustain stretched services, while a divisive policy which favours one group over another may undermine individual relationships and general cohesion within teams, with a knock-on impact on the effective delivery of services.

## Impact on frontline services

Respondents strongly expressed the view that the expertise of senior leaders enables clinicians to deliver high quality care in well designed services, in well supported teams, and with the right facilities they need to do their jobs well.

*'Non-clinical managers provide a hugely valuable service in the day to day operation of patient services – whether corporate services like HR or finance, or operational managers who directly support clinical activities. Hospitals and community services can't function without non-clinical managers and staff working as part of a single team with clinical colleagues. This solution creates a dividing line in that team that does not fairly recognise the 24/7 contribution of those non-clinical staff.'*

FINANCE DIRECTOR, COMBINED ACUTE AND COMMUNITY TRUST

While the link between consultants' working hours and clinical capacity is more overt and has been widely reported, there is also a link between the roles of other directors and managers and team productivity, quality of care and the effectiveness of the leadership. The leadership and governance at trust board and executive level plays a central role in setting an organisation's culture, vision and strategy, approach to management at all levels, recruitment and staff wellbeing. All of these factors underpin the provision of high quality frontline care with substantial implications for patient outcomes.

*'It is the efficiency and affordability of [frontline] services that suffers as the work done to make sure they are being managed effectively is compromised.'*

STRATEGY DIRECTOR, COMBINED ACUTE AND COMMUNITY TRUST

*'Positive work atmosphere and visible leadership are key ingredients for staff recruitment and retention. All leaders face being penalised if they take on more senior roles, or responsibilities. This leads to more vacancies, interim/agency working etc, which is corrosive for well led organisations. Poorly led organisations have higher mortality rates. Senior managers do on-call, and work seven days a week. Vacancies lead to operational decisions, especially around emergency care, becoming ever more difficult.'*

OPERATIONS DIRECTOR, ACUTE TRUST

Not only is there potential for attrition of senior leaders in the provider sector if these roles continue to carry a risk of incurring large and unpredictable tax bills, but there is also evidence that difficulties are beginning to emerge in encouraging new staff to take up these challenging and important roles where vacancies do arise. Trust leaders raised concerns that this is leading to difficulties filling managerial on-call rotas, driving up agency costs and destabilising transformation efforts.

Others noted that, as additional hours worked among managers are more likely to be unpaid, a loss of discretionary effort would, while not measurable in a number of additional sessions or 'programmed activities', equate to a loss of management capacity across services which rely on leadership to run smoothly. Some have already seen this in the form of managers asking for time off in lieu for additional hours worked, where previously they did not.

*'My concern is that if we don't make the pension flexibilities applicable to all, we run the risk of a very unequal set of arrangements within the workforce which could give rise to tensions and feelings of resentment between clinicians and non-clinicians which in turn could impact on the delivery of frontline services. For example, there may be some non-clinical posts that can't be filled as they are unattractive to those who have the skills and experience but a large pension pot. In turn, these posts may be filled by less experienced candidates who perform less effectively and therefore the delivery of services is affected.'*

GOVERNANCE DIRECTOR, ACUTE SPECIALIST TRUST

Many senior trust leaders have decades of experience of working in the NHS. Recruiting to vacant posts on a 'like for like' basis if they leave for the private sector or retire early is challenging, particularly in light of the evidence that fewer staff are willing to accept promotions into these challenging roles due to the risk of receiving large tax bills. It also costs the NHS many years of investment in their skills and expertise during long periods of NHS service, and increased board turnover leads to a loss of organisational memory.

Stability of leadership is essential to the efforts of trusts to deliver high quality care in a challenging environment, and there is a clear link between the quality of leadership in a trust and the quality of the care that trust provides.

## NHS Providers' view

There is a clear and compelling need to implement a solution to address the issues created by annual allowance taxation for clinicians, and we welcome government and the national bodies' efforts to address the gap in clinical capacity created by this issue, particularly given the substantial impact on frontline care.

The findings of this survey suggest that the current solutions available do not have the full confidence of clinicians, and that trust boards do not expect them to restore capacity in frontline services. As such, we believe there is a need to restore the incentive for doctors to work extra shifts, but also to present a fair offer for all staff affected by what can be viewed as a punitive tax. This has to include both a change to the taper and address the impact of annual allowance for all staff moving into senior roles or through pay increments. A lasting solution to the pension problem must also include a commitment to review flexibilities for lower paid staff who can struggle to afford high contribution rates.

The sustainability of trust leadership is essential to the quality of care provided by the NHS, yet large numbers of respondents to our survey say they are considering leaving the NHS, and a dwindling supply of more junior staff are prepared to take up the mantle of challenging executive roles, given the added risk of unpredictable pension taxation.

In our view, it is counterproductive to the culture of equity in the NHS to make the artificial distinction between the value of clinical and non-clinical staff to patient care. In a pressured working environment, these survey results suggest that the current pensions arrangements risk damaging morale and goodwill. There is however an opportunity now to intervene and strengthen the resilience of the workforce through measures to address workload, burnout and wellbeing, and ensure staff feel valued and motivated.

**Your feedback on this briefing is very welcome. For any comments or questions please contact**  
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[www.nhsproviders.org/an-unnecessary-divide](http://www.nhsproviders.org/an-unnecessary-divide)

Suggested citation:

NHS Providers (January 2020),

*An unnecessary divide: the impact of pensions taxation on NHS trust leaders.*