

Vaughan Gething AC/AM
Y Gweinidog Iechyd a Gwasanaethau Cymdeithasol
Minister for Health and Social Services



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref 00107/20

Nick Ramsay AM
Chair
Public Accounts Committee
National Assembly for Wales

4 February 2020

Dear Nick,

Following your session yesterday with the Permanent Secretary and the Director-General of Health and Social Services about the Ministerial Direction on NHS pension arrangements for 2019-20, I thought I would highlight my correspondence with the Secretary of State for Health and Social Care in England on 22 January outlining my concerns at the approach taken in England. He replied to my letter on 31 January.

You will note that he commits to a review of the UK Government changes that led to this situation with the outcome known in time for the Budget on 11 March.

You will also note that he makes clear that he and the Department of Health and Social Care took the decision not to engage with the devolved administrations on their announcement, which I find unacceptable and disappointing given the impact it had on health services across the UK.

My colleague the Minister Finance and Trefnydd also wrote to the Chief Secretary to the Treasury about this issue on 28 January. We have not yet received a response to this letter.

Yours sincerely,

Vaughan Gething AC/AM
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Minister for Health and Social Services

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.



Rt Hon Matt Hancock MP
Secretary of State for Health and Social Care
Department of Health and Social Care
39 Victoria Street
London
SW1H 0EU

22 January 2020

Dear Mr Hancock,

NHS Pensions and Taxation Allowances

I am writing to you again on this matter to outline the Welsh Government's position on the use of reimbursing clinicians who use scheme pay from their pensions to pay for a tax bill for 2019/20. The position that Welsh Government found itself in before Christmas was totally unacceptable. Intervening in the midst of a UK General Election without notice, let alone discussion with devolved national governments on the impact and application of UK tax rules, gave every impression of being opportunistic. The scheme in England was only brought about due to the fact that the UK Government have still not sorted out the issue of the annual and lifetime allowance charges which is causing unprecedented levels of pressures in our NHS system especially now over the winter months. The Ministerial Direction that we have issued is a sticking plaster not a sustainable long term solution.

The Welsh Government fundamentally disagrees with the solution which has been implemented in England. The tax issue should be resolved by the Treasury, not left to the health budgets of each of the four UK Governments to absorb. However, we were left with no option but to also consider putting in place the same temporary solution while the UK Government is consulting on changes from April 2020. The Welsh Government will also be writing to the Chief Secretary to the Treasury on this matter.

Whilst I have noted that it has recently been confirmed by the Treasury that the outcome of the review into the taper will be announced alongside the budget in March, I am disappointed that to date there has still been no engagement with devolved national governments. Our officials continue to engage on the consultation response to any future legislation changes to the England and Wales Pension Scheme, which I understand you will be responding to in March with any legislation changes backdated to April 2020.

The harm being done to the NHS across the UK by this issue is undeniable. The significant loss of activity is felt by our patients and it is hard to understate the loss of goodwill from our staff. In the period from April to the end of December, Health Boards in Wales have reported they have lost around 3,200 sessions which has affected nearly 27,000 outpatients, inpatients / daycase or diagnostics. It is even more important that a sustainable and transparent solution is found to resolve this issue once and for all, we cannot keep putting temporary measures in place. Given the wider public interest and importance I am making this letter publicly available.

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We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

I am copying this letter to Edward Edgar MP, Minister of State for Health, Jeanne Freeman MSP, Cabinet Secretary for Health and Sport and to Robin Swann MLA, Department of Health in Northern Ireland.

Yours sincerely,

A handwritten signature in black ink that reads "Vaughan Gething". The signature is written in a cursive style with a large initial 'V' and a long, sweeping tail on the 'g'.

Vaughan Gething AC/AM

Y Gweinidog Iechyd a Gwasanaethau Cymdeithasol
Minister for Health and Social Services



Department
of Health &
Social Care

*From the Rt Hon Matt Hancock MP
Secretary of State for Health and Social Care*

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Vaughan Gething AM
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31 January 2020

Dear Vaughan,

Thank you for your letter dated 22nd January regarding the NHS Pension Scheme. You raised three points about the 19/20 NHS England tax payment scheme for high earning clinical staff in the NHS Pension Scheme. First, that the announcement of the scheme for 19/20 was announced during the pre-election period, second you expressed concerns that the NHS England scheme is not a long-term solution to the problem of senior clinicians declining additional work, and third that there was a lack of engagement with the Welsh Government before this announcement was made.

The NHS England tax payment scheme for 19/20 is designed strictly for the 19/20 pension scheme year only.

The Government is aware of problems due to pension tax charges and have a manifesto commitment to urgently review the operation of the annual allowance taper. Work on the review is underway and Health and Treasury Ministers met on 13th January with the Academy of Medical Royal Colleges, the British Medical Association and other key stakeholders to set a long-term solution. The outcome of the review will report at Budget on 11th March.

Alongside this, the review will also consider the findings from the Department's recent consultation on a package of pension flexibility for NHS clinicians who face annual allowance tax charges. The proposed flexibility would help NHS clinicians to adjust their pension saving to fit within their tax-free allowance for pension saving and manage their pension tax liability without reducing their workload. The consultation received over 2,300 responses and I am grateful to the Welsh Government for contributing their views on the proposed flexibility. The Department is currently considering all consultation responses and as you note our respective officials continue to work together on this issue. The Government will publish its consultation response in due course.

Whilst it is unusual to make an announcement such as the NHS England solution in the pre-election period, I considered advice from NHS England and accepted their judgement that it is operationally necessary and urgent to take further action on clinicians' pensions to protect patient care over winter. I also accepted NHS England's judgement that this decision could not wait until after the General Election and I was advised by my officials that the announcement was compatible with pre-election guidance.

Given the importance that must be attached to the NHS and its performance over winter and recognising the particular circumstances within the NHS and necessity of this intervention to address operational capacity at this time, I formally directed NHS England to proceed with their operational proposals. This direction also applies to Chris Wormald in his capacity as Principal Accounting Officer for the Department of Health and Social Care. This approach was subject to agreement across Government and judged to be in line with the principles of the General Election Guidance.

A letter from Simon Stevens, Head of NHS England, setting out the case for the operational proposals and my response is available at;
<https://www.gov.uk/government/publications/senior-clinicians-pensions-letters-between-dhsc-and-nhs-england>

I do appreciate that you would have preferred to have been given prior warning of the announcement. As you know, my officials work closely with yours on pensions matters. Given the speed at which the proposal was developed, the sensitivity of the announcement and the fact it applies only in England, the decision was made not to engage with the Devolved Administrations in advance. However, I can confirm that we intend to work closely with you and your officials going forward.

Yours ever,

A handwritten signature in blue ink that reads "Matt". The signature is written in a cursive, slightly stylized font.

MATT HANCOCK