

# Autumn statement 2023: BMA member briefing

27<sup>th</sup> November 2023

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## 1 Context

On 22nd November 2023, Chancellor Jeremy Hunt gave his Autumn Statement on the government's economic policy for the next five years, and the OBR (Office of Budgetary Responsibility) published its forecasts of the economic outlook for the same period. You can read the statement in full [here](#). This briefing sets out key details and highlights the implications of the government's most recent decisions on tax and public spending for BMA members.

Note: The Statement sets UK-wide policy, but since health spending is devolved across the nations, Wales, Scotland and Northern Ireland can choose how much of their total budget, calculated through the Barnett formula, to spend on health. Where other policies announced do not apply to any particular nation due to devolution, this is stated in the analysis below.

## 2 Summary

Heading into this fiscal statement, the Chancellor had more money to play with (so-called 'fiscal headroom') than had been projected at the March Budget 2023. That is largely because wages were higher than expected, resulting in increased tax revenue.

However, inflation was also persistently higher than had been projected. As such, planned budgets for departments, including the department of health, are no longer worth as much in real terms.

The Chancellor could have used the additional fiscal headroom to ensure departmental budgets were protected from inflation and other cost pressures – but he didn't. This means there was no new health funding, despite the large deficits in the NHS' finances due to higher than expected cost pressures – Nuffield Trust estimates a [£1.7 billion overspend](#) by NHS England by the end of this financial year, compared to available funding.

The majority of additional spending power available was used for tax cuts and welfare payments instead. The biggest areas of spending were:

- National Insurance rates were reduced for employees and the self-employed,

- Businesses can claim tax write-offs against certain forms of investment,
- The state pension and main unemployment benefits were increased, and there were major reforms to the way people with long-term health conditions or disabled will be treated.

It is also worth noting that the Chancellor did not leave much leeway for additional spending. In general Chancellors try and keep some funding available in case of shocks or emergencies, but this Statement left very little available compared to recent historical fiscal events.

### 3 Key points for individual doctors

- There will be cuts to personal National Insurance contributions, but since tax thresholds remain frozen, most taxpayers will still be worse off.
- The triple lock on the state pension will be kept, but the annual allowance for non-state pensions was not uprated to account for inflation.
- Thresholds for childcare support and child benefits were also not uprated (and haven't been since they were introduced).

#### 3.1 There will be cuts to personal National Insurance Contributions (NIC)

The Chancellor announced National Insurance cuts for both employees and self-employed people.

Currently, National Insurance contributions for employees are set at 12% for earnings between £12,570 and £50,268, and 2% on earnings above that (class 1 rates). The Chancellor promised to reduce the initial contribution to 10% from 6<sup>th</sup> January, pending emergency legislation. For self-employed people, national insurance contributions are currently 9% of earnings between £12,570 and £50,270 and 2% of earnings above that (class 4 rates), plus a flat rate of £3.45 per week (class 2 rates). From April, the initial rate will be reduced to 8% and the flat rate will be abolished.

This is good news for doctors, insofar as it results in more take-home pay: employed doctors can expect up to £754 of additional take-home pay per year (those earning less than the upper earnings threshold of £50,268 can expect slightly less), and self-employed doctors can expect up to £556.

However, these cuts do not make up for the effects of frozen tax thresholds for income tax and National Insurance Contributions, announced in the Spring Statement 2022, which mean that pay rises can push workers into higher tax brackets. The [Resolution Foundation](#) has calculated that over the next few years, as tax thresholds remain frozen, nearly all taxpayers will lose out overall compared to a world in which thresholds were not frozen – even with the NICs cuts announced in this Statement.

### **3.2 The triple lock on pensions will be kept, but the Annual Allowance was not uprated**

Members already retired or about to retire will be pleased that the Government has kept their commitment to the Triple Lock. This means they will continue to increase the **state pension** each April in line with whichever of these three measures is highest: CPI inflation (for September of the previous year), the average increase in wages across the UK, or 2.5%. This means that, in April, state pensions will increase by 8.5%, which means pensioners will receive [up to £221.20 a week](#). The NHS pension is also uprated in line with inflation, as is standard practice (this process is determined by the NHS pension scheme itself, outside of the Autumn Statement).

However, the Annual Allowance tax threshold for pensions<sup>i</sup> was not uprated to account for inflation, and it was kept at £60,000. This means that doctors' wage increases may result in some having to pay more tax on their pension savings, if their in-year growth in NHS pension scheme's value exceeds this threshold. The BMA has [called on the government](#) to index the Annual Allowance with inflation, or abolish it altogether.

### **3.3 The thresholds for eligibility for childcare support and child benefits were not uprated**

In the Spring Budget, the Chancellor announced an [expansion of entitlement for working parents for free childcare](#). This promise was reiterated in the Autumn Statement.<sup>ii</sup> Working parents also remain eligible for an additional £2,000 of [tax-free childcare](#) per year for children up to age 11.

However, these entitlements are not available to parents if at least one of the parents in the household has a taxable income over £100,000. This threshold was not uprated in the Statement – and has not been uprated since these entitlements were introduced in 2017. Similarly, the upper threshold at which child benefit can be claimed – £50,000 – was not uprated by inflation and has remained frozen since its introduction in 2013.

The BMA believes these thresholds should be raised in line with inflation, as it impacts the incentives for doctors with children to work or take on extra shifts. We called for this in our [representation to the Treasury](#) in advance of the statement, and will continue to call for these to be uplifted.

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<sup>i</sup> This restricts the amount of pension savings or savings growth you are allowed each year before tax charges apply, depending on the pension scheme.

<sup>ii</sup> Currently, working parents are entitled to 30 hours free childcare a week for children aged three to four, but this will be gradually expanded. From April 2024, 15 hours of free childcare will be available for two-year olds; from September 2024, 15 hours of free childcare will be extended down to the age of nine months; from September 2025, 30 hours free childcare a week will be available for children between the ages of 9 months and 5 years.

## 4 Key points for GP practices

- The Statement had a stated focus on supporting businesses, particularly small businesses, but only some GP practices will benefit from the announced policies.
- Smaller GP practices based in lower value properties will pay the same business rates as before, but those based at higher value properties will see their business rates increased.
- Incorporated GP practices may be able to benefit from full expensing.
- The increase of the National Living Wage may incur additional costs for GP practices employing minimum wage staff.

### 4.1 The government has frozen business rate contributions for lower value properties, but standard rates will increase - benefitting some GP practices

The Statement had a clear stated focus on supporting businesses, and set out policies which may benefit GP practices in England (this section discusses business property taxes which are a devolved matter and so only apply to England).

Besides cuts to National Insurance Contributions for the self-employed ([see above](#)), the Chancellor announced plans to support businesses with property taxes by freezing the *small business multiplier* for a year. This multiplier applies to businesses whose 'rateable value'<sup>iii</sup> is [below £51,000](#), and means qualifying business pay lower business rates. Freezing this multiplier will benefit eligible GP practices – these will likely be smaller practices based outside of London.

However, the *standard multiplier* will rise by 6.4%, resulting in higher business rates for any businesses with a rateable value above £51,000, which may include many GP practices, especially in high-cost areas.

### 4.2 The National Living Wage was raised to £11.44

The decision to raise the National Living Wage from £10.42 to £11.44 per hour is good news for population health ([see below](#)). However, it may incur additional costs for GP practices employing staff on the minimum wage, if they are having to pay the difference out of pocket: practices can expect around £49 in extra costs per week for every full-time employee.<sup>iv</sup> This increase will also likely put pressure on community and social care service providers.

### 4.3 Full expensing was made permanent

The Government has decided to make its currently temporary policy of full expensing permanent. This means limited companies will continue to be able to fully deduct the cost of some capital investments, such as office equipment, from their taxable profit. But full

<sup>iii</sup> Based on an estimate of the open market rental value of the property.

<sup>iv</sup> Based on an employee over 23 years old working 37.5 hours per week, including additional cost incurred through employer's National Insurance and pension contributions.



expensing is only available to incorporated businesses paying corporation tax. As such, it may benefit some GP practices – particularly private ones – but not most.

## 5 Key points for health services

- No new funding was announced for health and care services, and the funding promised in the Spring Budget was not uprated in line with higher inflation than previously projected.
- Pharmaceutical spending in the NHS is set to rise as caps on pricing will be raised.

### 5.1 No further increases for health funding were announced

Despite ongoing inflation – higher than had previously been projected – no new money was announced for health budgets. This means there's nothing to support the NHS with the squeeze to budgets brought on by inflation, nor anything to reverse a decade of public health cuts. According to the [Resolution Foundation](#), total public spending will be £19bn lower in real terms by 2027/28 than was forecast by the OBR in March 2023.

The Chancellor instead reiterated the need for productivity improvements in the NHS and the public sector more generally.

However, it will prove extremely difficult to achieve increased productivity without increasing investment. For example, reducing bureaucratic burden and increasing efficiency will require funding for admin staff support and capital investment into adequate technologies.

### 5.2 Medicines will become more expensive for the NHS

Pharmaceutical spending in the NHS is currently controlled through the VPAS (Voluntary scheme for branded medicines Pricing and Access), which caps annual sales growth for branded medicines. This scheme will expire later at the end of 2023 and will be replaced by the VPAG (Voluntary scheme for branded medicines Pricing, Access, and Growth). Though the Treasury estimates this new scheme will save the NHS money compared to having no scheme, it is more generous to the pharmaceutical industry than the last one: annual sales growth was previously capped at 2%, whilst under the new agreement this cap will be increased to 4% by 2027. As such, the new scheme will be more expensive for the NHS than the last one.

## 6 Key points for population health

- More needs to be done by government to protect and improve population health.
- Whilst duty rates for tobacco will increase, alcohol duty will be frozen and gambling duties will remain frozen.
- Plans to bring more people in ill health into work risk being counterproductive if they end up cutting off people from benefits when they need them.

- The government also failed to announce additional support with the cost of living, at a time prices continue to rise and living standards are set to fall.
- More needs to be done to address the climate crisis and protect the people from its dire consequences on their health and beyond.

### **6.1 There will be a freeze on alcohol duty, but duty rates on tobacco will increase**

Alcohol duty will be frozen until 1<sup>st</sup> August; this is bad news for population health and [the opposite of what the BMA has been calling for](#).

Thresholds for the gambling duty paid by gambling companies on their profits are also being frozen in 2024/25.

However, duty rates on tobacco products will increase by 2% above inflation (RPI), and 12% for hand-rolling tobacco. This will further disincentive the purchase of tobacco products, which is good news for population health. However, these duties do not apply to vapes.

### **6.2 There will be changes to benefits, affecting poverty and health equality**

Several benefits will be uprated in line with inflation, which will help protect the health and wellbeing of the population. (Note: these changes do not apply to Northern Ireland, where social security is a fully devolved matter).

Working age welfare benefits – Universal Credit – will rise in line with September inflation (6.7%, as per September 2023), as is standard practice. This will benefit population health by protecting people against poverty.

Local Housing Allowance rates will also be unfrozen (therefore restoring them to the 30<sup>th</sup> percentile of local rents), meaning more people on low income who are renting in the private sector will be able to afford adequate housing despite rising rental prices.

And, as [described above](#), the triple lock on pensions will be maintained, meaning those eligible for a state age pension will also be more protected from poverty than if the lock had not been maintained.

The Statement also had a raft of proposals intended to bring more people with long-term health conditions into work, citing the record 2.6 million people economically inactive due to long-term sickness and disability. These included:

- Funding to expand NHS Talking Therapies for people with mental health conditions out of work – with the aim of expanding the number of sessions available per patient (although no funding for that is available this year and only £25 million in 2024/25).
- A commitment to build on the announcement in the Spring budget to expand Individual Placement Support to 100,000 people over the next five years (this offers intensive tailored support to help people with health conditions to find work and ongoing support for employers to ensure the person keeps their job).
- Reforms to Work Capability Assessments (WCA), so that more people with limited mobility and mental health conditions will need to be regularly assessed and more

people may be deemed fit for work. The Resolution Foundation estimates these changes will cut off 370,000 people with mobility or mental health challenges from additional support (worth £4,680 per year).

The expansion and funding for support programmes are welcome. However, the reforms also included stricter conditions and tougher sanctions for benefit claimants. For example, for some sanctioned people, the right to free prescriptions may be removed. This risks being counterproductive: it is likely to keep them unwell for longer, heaping further pressure and expense on health services and extending the time people are unable to work.

The Chancellor also announced changes to the fit note system, extending the pool of professionals who can sign fit notes. This measure will hopefully take some pressure off GPs, although the reforms will initially only pilot in some ICSs (Integrated Care Systems) in England.

### **6.3 Despite some protective measures, living standards are set to fall**

Cuts to National Insurance Contributions ([see above](#)), the continuation of the Triple Lock for the state pension ([see above](#)), and the uprating of benefits in line with inflation, will help protect the nation's living standards. But despite these measures, real-terms disposable income is on course to fall this Parliament: the [Resolution Foundation](#) estimate that the average household will be £1,900 poorer at the end of this Parliament than at its start. This is the result of factors such as inflation, as well as major tax increases announced since 2019. At the same time, [energy costs are due to rise by a further 5%](#) next year.

Despite these pressures, additional support for those on certain benefits and tax credits, called Cost of Living Payments (worth approximately £300), will be withdrawn from next year. This may mean rising levels of poverty, which is associated with poorer health outcomes.

### **6.4 More could be done by the Government to help the UK transition to net zero**

It is vital that the UK meets its net zero target by 2050, and doing so will require policies that reduce the country's carbon emissions. In the Autumn Statement, the Chancellor announced £960m for a new 'green industries growth accelerator' programme, designed to expand low-carbon supply chains in the UK. Though this investment is welcome, organisations such as the [IIGCC](#) (Institutional Investors Group on Climate Change) have warned that the Statement does not go far enough to support the UK's transition to net zero, and compares poorly to initiatives seen in the US and the EU. Meanwhile, the [Energy & Climate Intelligence Unit](#) has noted the absence of energy efficiency measures in the Statement, which would not only reduce carbon emissions by reducing gas use, but also improve population health by helping people keep warm through winter.

If net zero targets are not met, this presents [a serious threat to population health](#): for example, the increased frequency of extreme weather events like hurricanes and floods will harm millions, and rising sea levels will damage crops and lead to malnutrition and famine.



## 7 Key points for healthcare innovation

- The Autumn statement had a strong focus on fostering business and innovation.
- Some of the support and funding announced will benefit research into health and healthcare innovation.

### 7.1 It will become easier to access R&D tax relief, and there is new funding for R&D in the life sciences sector

In a bid to boost innovation and economic growth, the Chancellor announced [reforms to tax relief for R&D](#) (Research and Development: it will become easier to access R&D tax relief as the process will be simplified, and available support for R&D intensive loss-making small businesses will be increased. Together, these measures should encourage innovative businesses – including those involved in innovative health research.

The Government also announced several funding packages which may benefit healthcare innovation. This includes over £520 million for the life sciences sector from 2025/26 to support manufacturing investments and to build resilience for future health emergencies. Further small pots of funding were announced for specific areas, including: £51 million for the Our Future Health (OFH) programme, to recruit hundreds of thousands of new volunteers and genotype the first 1 million participants, to develop better ways to prevent, detect and treat diseases; £5 million for a centre to tackle antimicrobial resistance in London; and £10 million in Scotland for a manufacturing centre to develop novel gene therapy.

### 7.2 The Government will invest into AI innovation, regulation, and safe adaptation

A host of funding will be released to support AI (Artificial Intelligence) research and innovation. Though none of it seems earmarked for healthcare applications specifically, AI innovations will likely shape the way healthcare is delivered in the future.

Recognising the risks associated with this technology, the government will launch the first AI Safety Institute, backed by an initial £100 million investment. It is also developing a wider regulatory approach, and promised to publish its response to the AI white paper by the end of the year.