BMA

Spring Budget 2023: BMA member briefing

This briefing sets out key details of the Spring 2023 Budget and accompanying OBR (Office for Budgetary Responsibility) forecast of the economic outlook over the next five years, to 2027/28. It highlights the implications of the government's most recent decisions on tax and public spending for BMA members, for the NHS, and for the health of the UK population.

The Budget sets UK-wide policy, so the majority of changes announced below apply in Scotland, Wales and Northern Ireland as well as England, but since health spending is devolved across the nations, Wales, Scotland and Northern Ireland have further choice over how much of their total budget, calculated through the Barnett formula[i], to spend on health.

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Key points for members

Member finances

- The Chancellor committed to changes to pension tax thresholds after extensive BMA lobbying. The annual allowance threshold will increase by 50%, from £40,000 to £60,000, and the lifetime allowance threshold – previously set at £1 million – has been completely abolished.
- No new announcements were made on NHS pay, including no funding commitments to address pay restoration for doctors or other healthcare staff.
- The Chancellor announced the extension of the 30 hours of free weekly childcare available to parents in England to cover children below the age of three and to eventually cover all children from the age of nine months.
- Additional support with energy bills was also announced with the Energy Price Guarantee – set to end in April 2023 – to be extended for another 3 months to July, when both energy costs and usage are expected to fall. There was no extension to the EBRS (Energy Bill Relief Scheme) for businesses, putting significant pressure back onto businesses – such as General Practices – to manage risk.

The NHS

- No new announcements were made on health funding. Public services funding (except for defence) will remain unchanged from commitments made in Autumn 2022, despite inflation remaining high since the Autumn Statement.
- Although the long-awaited Long-term Workforce Plan was mentioned, it was not published (nor was a date for its publication provided).

[i] For devolved services, the Barnett formula aims to give each country the same pounds-per-person change in funding as the equivalent UK government spending. For example, if spending on education in England increased by £100 per person, the devolved administrations' funding would increase by £100 per person. However, the devolved administrations can choose how they spend their funding. If the Barnett formula is applied to additional spending on education in England, it does not mean the devolved administrations have to spend the newly allocated funding in the same area.

Public and population health

For public and population health, the budget represents a mixed picture.

- The public health grant allocation for England (announced the day before the budget) has been protected in real terms but remains significantly below 2015/16 (real terms) levels. This is equivalent to 25.5% (£21.05) less funding per person across England, and funding allocations have not taken account of regional differences. In the north east – the region with the worst health outcomes in England – the shortfall in funding was the greatest.
- In the face of the ongoing cost of living crisis, the government's decision to extend the Energy Price Guarantee is likely to have saved many from the health consequences of fuel poverty, but they should have gone further. The end of the Energy Support Scheme (which gave households a discount off their energy bills between October 2022 and March 2023) will leave households worse off and fuel poverty is still due to rise over the coming year.
- Given the known benefits of quality employment on health, the Chancellor's focus on getting more people back to work in the face of historically high economic inactivity could have a positive impact. In particular, expanded access to free childcare entitlements and increased support for people out of work due to disability and ill health could help to increase employment, earnings and, consequently, health outcomes.
- However, many of the reforms announced present cause for concern. Up to a million people unable to work due to disability and ill health are set to lose out financially. Meanwhile, for those looking for work without a health condition, sanctions are due to be applied more rigorously – an approach known to have negative health consequences.
- Fuel duty on tobacco products have risen, however, a freeze on fuel and alcohol duties is likely to increase pollution, emissions, and the consumption of alcohol.

Financial impacts for members: pensions, pay, childcare, and energy support

There were significant changes to pension tax thresholds, which will mean the majority of doctors will not be punitively taxed on their pension pot – due to extensive BMA lobbying. This is a direct result of years of extensive lobbying and campaigning by the BMA pensions committee, including a recent period of intensive engagement with the Treasury. The annual allowance threshold was increased from £40,000 to £60,000 (in a defined benefit pension scheme, this is the threshold for how much your pension pot can increase in a year before income tax relief on pensions contributions is clawed back). And the lifetime allowance threshold (the threshold for how much your overall pension pot can reach before income tax relief on pension contributions is clawed back) has been completely abolished – previously it was £1 million. These changes will come into force from the start of the 2023/24 tax year. Together, these changes will mean far fewer doctors will incur large, unexpected tax bills, and this significantly curbs the need to reduce working hours. The government estimates that these measures will stop over 80% of NHS doctors from receiving a tax charge.

However, whilst effective, these were not the specific solutions the BMA had campaigned for. The BMA had previously been calling for scrapping of the annual allowance threshold in defined benefit schemes such as the NHS and more recently campaigning for a tax unregistered top up scheme[ii],

[ii] In a tax unregistered scheme, the employee does not receive tax relief on employee pension contributions. As there is no tax relief in the first place, the pension savings are not tested against the annual or lifetime allowance measures put in place to limit or claw back tax relief.

similar to the one the government offered to judges. We believe that not only would both of these options be a more cost-effective solution for the taxpayer, but that they would be a more complete solution to the problem for doctors. This is because whilst the lifetime allowance has been scrapped, the annual allowance remains, albeit at an increased level. The tapered annual allowance however has not been meaningfully reformed, and this means that those doctors who are impacted by the tapered annual allowance will still need to be cautious about taking on extra shifts or overtime as they may be financially penalised as a result. The threshold income that applies for the taper has not changed and remains at £200,000. However, the adjusted income level (threshold income plus deemed pension growth) has increased from £240,000 to £260,000 from the 2023/24 tax year. The minimum tapered annual allowance has also increased from £4,000 to £10,000. In addition, the amount of pension that can be claimed as a tax-free lump sum will be capped at 25% of the old lifetime allowance (i.e. £268,250).

The changes have been opposed by the Labour party who have indicated that they would reverse them. However, they recognise that a more specific solution is required for the NHS if they were to do so. The BMA will continue to highlight the outstanding issues and the barriers they create for doctors providing additional care for patients. It is essential that NHS staff have the necessary reassurances that if things change in the future that they won't be significantly disadvantaged as uncertainty regarding this may lead to more people considering retiring. The BMA will continue to work with the Government to find appropriate solutions.

The spring statement contained no new announcements on NHS pay. While the Chancellor mentioned his commitment to sort out public sector pay disputes, no funding was committed to addressing pay restoration for doctors or other healthcare staff.

Free childcare and expanded access to wraparound care will help with retention and support doctors with childcare responsibilities return to work. Free childcare in England is to be expanded to all preschool children (aged nine months to two years) from 2025, matching the 30 hours free childcare offer currently only available for three- and four-year olds. Eligibility for these free hours is in line with current eligibility requirements (i.e., an adjusted net annual income of below £100k).

The expansion of free childcare to younger children could help doctors who are parents to return to work after having children with fewer worries about the financial implications. In turn, this could enable more doctors with childcare responsibilities – who are disproportionately women – to fulfil their potential in medicine. Reforms are being introduced in stages to ensure there is sufficient capacity to meet demand. Working parents of two-year-olds will be able to access 15 hours of free care a week during term time from April 2024. Nine-month-olds will qualify for support from September 2024. The chancellor said that all working parents of under-fives would have access to the full 30 hours of free childcare by September 2025.

The government also announced the launch of a new wraparound childcare pathfinder scheme aimed at ensuring all parents of primary-aged children in England can access care in school between 8am-6pm from 2026.

The Chancellor announced additional support with energy bills, which will help members and impact population health. The Energy Price Guarantee caps typical energy usage at £2,500 (annual equivalent) for a typical household in Great Britain. The guarantee was due to end in April 2023 but will now remain in place for a further three months until July when both energy costs and usage are expected to fall.

The Chancellor made no equivalent announcements for extending the EBRS (Energy Bill Relief Scheme) for businesses, placing significant pressure and risk on businesses such as General

Practices. The EBRS is set to be replaced by the EBDS (Energy Bill Discount Scheme), which offers far less protection to businesses. In the EBRS, which ends in March 2023, businesses' energy costs are capped, with government subsidising the difference between the contract energy price and the cap level. In the new EBDS, there is no cap, and businesses are instead given a discount if their contract energy prices are above a certain threshold.

The NHS funding and workforce

No new funding commitments for the Department of Health and Social Care (DHSC) or the NHS were made, with commitments made in Autumn 2022 set to be maintained. Even when accounting for updated inflation figures, funding for the DHSC for the Spending Review period (ending 2024/25) remains unchanged from the commitments made in November 2022. There will be no increase in the NHS's capital or revenue budgets over what was announced in the Autumn. There is a £0.3 billion uplift in health capital spending for 2023/24 (compared to allocations made in the Autumn 2022 Statement), but this comes from underspend in 2022/23 and does not represent an overall increase.

Table 1: Real terms Spring 2023 Budget projections[iii] until 2024/25 show very limited growth in the overall DHSC spending.

Year	**2023 DHSC *Resource* Spending**	**Annual real terms % Change**	**2023 *Capital* Spending**	**Annual real terms % Change**	**2023 *Overall* DHSC Spending**	**Annual real terms % Change**
2022-23	**£178.3**		**£11.5**		**£189.8**	
2023-24	**£176.2**	**-1%**	**£12.0**	**5%**	**£188.2**	**-1%**
2024-25	**£177.7**	**1%**	**£12.4**	**3%**	**£190.1**	**1%**

Planned departmental resource and capital spending for the years beyond the current Spending Review period (2025/26 to 2027/28) will follow the cash profile set out in the Autumn Statement 2022. This means overall resource spending will continue to grow at 1% a year on average in real terms.

Due to the Chancellor's self-imposed fiscal targets to have debt fall in the fifth year of the forecast, the government does not have much spare cash without raising taxes. The latest forecast from the OBR confirms the government is on track to reduce debt as a share of the economy with debt and borrowing fiscal rules (the rules it sets itself in governing debt and government spending) to be met with a margin of safety. Although, the debt to GDP fiscal rule is set to be met in 2027/28, the fiscal headroom available will be low by historical standards, in large part taken by funding priorities in this Budget.

The Chancellor made no announcements on the publication of the NHS workforce plan promised in November. The NHS workforce plan continues to be delayed with no details announced as to when the NHS workforce plan will be published. With over 120,000 vacancies in England and with significant difficulties retaining doctors, the BMA has repeatedly pushed for a proper health and care

[iii] Real-terms figures calculated using the latest March 2023 OBR deflator figures and projections. Prices are 2023/24 prices, £ billion.

workforce plan that is independent, fully funded, and includes numbers on staffing required now and in the future.

Despite growing demand for care and a shortfall of staff and services, social care was not mentioned in this budget. Without further action, individuals, families, and the NHS will continue to pick up the pieces of under-investment.

Public and population health

Low and unambitious levels of public health funding have been maintained in England. With less than a month before current budgets are due to run out in England, the UK government have finally announced the public health grant allocation for 2023/24. Compared to last year, the value of the grant has been protected with an allocation 0.7% higher in real terms (in 2023/24 prices).

The public health grant, however, has been subject to significant cuts in recent years. Despite historically poor population health and widening health inequalities, the allocation does very little to address this. In real terms, the grant is now 22% (£1bn) lower than it was in 2015/16. This is equivalent to 25.5% (£21.05) less funding per person across England, and the impact has not been felt equally. Compared to 2015/16, the north east – the region with the worst health outcomes – faces a shortfall in the public health grant of £28.54 per person. In the south east, which overall has better health outcomes, the shortfall is £15.79.

A decade of spending cuts and government disregard for public health have left many with poor or deteriorating health. Public health services are essential for turning things around and ensuring we are resilient to future health shocks, but underfunding means they lack the resources to contribute effectively. The BMA continues to call for public health grants to be restored.

The government's action on energy costs (mentioned above) is likely to have saved many from the health consequences of fuel poverty, but they should have gone further. Alongside the extension to the Energy Price Guarantee (EPC), the chancellor announced plans to bring charging via pre-payment meters in line with direct debit charging. Both measures will help people stay warm, which not only protects their health but helps to ease demands on hospitals and other services at a time when the NHS is facing unprecedented pressure. The BMA has campaigned for the government to do all it can to increase support made available to those struggling with the cost of energy. However, they could have done more. Fuel poverty campaign groups, including National Energy Action, have shown how the end of the Energy Bill Support Scheme will leave households £67 a month worse off. Fuel poverty still is projected to rise and impact 7.5 million UK households this year.

Given the known benefits of quality employment on health, the Chancellor's focus on getting more people back to work in the face of historically high economic inactivity could have a positive impact. The UK was set to be the only country in the OECD to have not returned to pre-pandemic levels of economic activity by the end of 2023, according to research by the Institute for Employment Studies, in large part due to a sharp rise in the number of people leaving the workforce/falling into economic inactivity. The Chancellor focussed on several key groups with targeted policies in attempt to get them back into the workforce. These are: the long-term sick and disabled; welfare recipients; and older workers.

The government announced a new programme of employment support for those out of work due to disability and ill health, but welfare reforms are set to make many of this group financially

worse off. Changes announced by the chancellor, with detail set out in an accompanying White Paper, include:

- Scrapping disability fit-for-work tests (the Work Capability Assessment);
- introducing a new programme, called Universal Support, with up to £4,000 made available to provide support for 50,000 people to find and stay in work;
- £400 million in funding to increase the availability of mental health and musculoskeletal resources for workers.

Increased support is to be welcomed. So too is the scrapping of the Work Capability Assessment (WCA), which has long been regarded by everyone from anti-poverty campaigners to disability groups as discriminatory and harmful. The BMA has called for the WCA to end with immediate effect due to the distress it places on patients. However, several aspects of the government's proposal are ill thought through. In particular, proposals to now base extra incapacity benefits on the personal independent payment (PIP) test – designed to measure and compensate for the additional cost of living with a disability – will result in up to 1 million people losing out on around £350 a month, according to the IFS. Those with health problems that stop them working, who do not incur additional living costs and do not claim PIP, will no longer receive extra support. Charities ranging from Mind to the Joseph Rowntree Foundation have expressed concerns about the impact of these changes.

The chancellor's reforms to Universal Credit for those looking for work are likely to be ineffective and lead to hardship and ill health. For those on Universal Credit without a health condition, sanctions are to be applied 'more rigorously' and the threshold below which you are required to intensively engage with a work coach has also been raised from 15 hours to 18 hours. The government claims these measures will 'incentivise work for the two million job seekers in this group'. However, over the long term, sanctions are known to lead to poor job quality, a higher chance of economic inactivity and impact on both material hardship and health.

The expansion of free childcare in England (mentioned above) could have a positive impact on employment outcomes, earnings and health outcomes of parents and children. These measures, which include extending the 30 hours free childcare to all preschool children (aged nine months to two years) from 2025, could help to make it easier for parents, particularly women, to stay in, or return to work after having children. Childcare in the UK is expensive, and the cost is rising. One third of parents (33%) say their childcare payments are bigger than their rent or mortgage, which is putting household budgets under strain and leading many to limit their working hours or leave the labour market altogether. 94% of parents who changed their working patterns after having children say childcare costs were a factor in that decision.

The Chancellor also announced new consultations on occupational health provided by employers, in the hope of keeping people in the workforce. He noted that occupational health provided by employers has a key role to play in keeping people in the workforce and said two new consultations on occupational health would be brought forward, to consider how to improve coverage, and whether tax incentives could be offered. Funding for an existing subsidy pilot scheme to support small and medium-sized businesses in England to purchase occupational health services has also been doubled. While these reforms go in the right direction, the BMA supports a legal requirement for the mandatory provision of occupational health services for all (the UK is the only major European country without a statutory requirement for occupational health). To make this a success an increase in the number of occupational health physicians is required. There are currently only 91 occupational health physicians working in the NHS (possibly more in the private sector), according to data from November 2022, and this number has been in steady decline for at least the last decade.

Tax on tobacco products is due to increase, but the Chancellor also announced freezes for fuel and alcohol duties. Duties rates on all tobacco products will increase by 2% above the retail prices index (RPI). Reducing the affordability of tobacco is recognised to be one of the most effective ways of reducing smoking prevalence. However, action on smoking is likely to be undermined by cuts to the public health budget, which funds services that support people to stop smoking.

The government has said it will spend over £5 billion maintaining fuel duty at current levels for the next 12 months, including keeping the 5p cut in place. And it is also increasing the Draught Relief from August, to freeze the duty charged on a typical pint of beer in the pub. Although these freezes may help with cost of living, over the longer term they are likely to have a substantial negative impact on population health by increasing pollution and carbon emissions and incentivising the purchase of alcohol. The BMA has repeatedly called for an increase in duty on all alcohol products by at least 2% above the rate of inflation to compensate for year-on-year increased affordability of alcohol – cost is a known driver of consumption.

Regulations for medicines and medical technologies are due to be relaxed. The chancellor said that from 2024, the Medicines and Healthcare Products Regulatory Agency (MHRA) will move to a new model which will allow more rapid sign-off for medicines and technologies already approved by ‘trusted’ regulators in other parts of the world – he specifically namechecked the US, Europe, and Japan. He also announced a new, swifter, approval process for cutting-edge medicines and devices – with the intent that the UK becomes a global centre for their development. An additional £10 million over the next two years for the MHRA was announced to help this happen. It is vital that if regulations are relaxed, patient safety is not compromised, and the BMA will keep an eye on this when further detail is announced.