21st November 2022

BMA autumn statement member briefing

This briefing sets out key details of the Autumn 2022 statement on the government's economic policy and accompanying OBR (Office of Budgetary Responsibility) forecasts 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.

The autumn 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. It is also worth noting that in Scotland, income tax policy is devolved – there will be an announcement on 15th December giving Scotland's 2023/24 Budget, which will include details on income tax for 2023/24.

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Key points for members

- **The Chancellor gave a commitment to publish a workforce plan in 2023, including independently verified forecasts for the number of doctors and other health professionals that will be needed over the next 15 years.** This is a significant win for the BMA, as we have been campaigning for this alongside more than 100 other organisations for several years.
- **The Department of Health and the NHS were promised additional money for day-to-day spending, but resources will still be extremely tight.** The Statement did set out plans for additional spending for the Department of Health and Social Care, including additional funding for NHSE of £3.3 bn per year. However, even with the additional funding NHSE's budget for next year is still lower than was promised in the Spending Review in Autumn 2021 (which set out plans for spending over a three year horizon and assumed much lower inflation), and is less than half of what NHSE said was necessary to manage inflationary pressures in an analysis presented to the board last month. (They said up to £6 - £7 bn additional was needed in order to deal with all inflated costs in 2023/24). And this analysis only assumed future pay awards similar to this current year's – full pay restoration or even pay that rises in line with inflation will require additional funding.
- **There were no announcement on NHS pay (or any specific announcements on public sector pay at all beyond a commitment to honour recommendations by Pay Review bodies).** Since the additional money promised is less than what would be needed to honour the budget planned in 2021 (which itself assumed sub-inflationary pay rises for NHS staff) this budget implies further sub-inflationary pay increases for all NHS staff in the next few years, or further cuts elsewhere.
- **Changes to personal tax policy will reduce the take home pay of all workers, including doctors**. Personal tax thresholds (income tax and NICs) in all nations across the UK with the exception of Scotland)have been frozen until 2027/28. In addition, doctors earning over £125,240 will now pay the additional rate of 45p per additional £1 earnt rather than 40p (previously this threshold started at £150,000 For those higher earners breaching the annual allowance threshold, this will also affect the amount paid as personal income tax rates are used. Beyond income tax and NICs, the limit on the amount local authorities can increase council tax each year has also been lifted, so council tax bills are likely to increase. NICs is frozen in Scotland too, but as income tax is devolved, details on income tax thresholds for Scotland will be announced on 15th December.

- **GP contractors and other employees will face higher costs including increasing staff and building costs.** Employer national insurance tax thresholds were frozen, leading to higher costs in employing staff; the national living wage will increase by 9% from April 2023, also increasing costs. A business rates revaluation will be implemented from April 2023 as well, which may increase rates paid. Finally, there was no detail on whether GPs or other public buildings will get further support with energy bills after April 2023.
- **Overall, the cost-of-living crisis and dire economic picture will increase poverty and impact health, increasing pressure on the health system.** Despite welfare payments increasing in line with inflation, the economy is in a recession and unemployment is set to increase, further increasing poverty. Looking forwards, this statement implied budget cuts from 2025/26 onwards for departments that the Chancellor has not explicitly promised to protect (namely, health, education and defence). Budget cuts in departments such as housing and communities; or transport; may further exacerbate health inequalities and add pressure to the health system.

Day to day health spending was increased, but resources will still be extremely tight

The Autumn Statement provided additional money for the Department of Health and Social Care, including dedicated additional funding for NHSE (£3.3 bn additional funding per year for the next two years), compared to previous spending plans[1]. But this only amounts to a very small increase in funding for next year in real terms (see Table 1), at a time when the NHS is under significant pressure (from rising demand and rising costs).

Despite additional funding, day to day budgets will be very tight. Amanda Pritchard welcomed the settlement, stating that the settlement should provide sufficient funding for the NHS to fulfil its *key* priorities. However, this increase is a small portion of the total budget and will not address the projected continued staff wage cuts over the next few years due to high rates of inflation. It is less than half of what NHSE said was necessary to manage inflationary pressures in an analysis presented to the board last month. At that time, they estimated an additional £6 - £7 bn by next year (2023/24) was needed in order to deal with inflated costs. And this analysis only assumed future pay awards similar to this current year's, ie. below inflation pay increases. Full pay restoration or even pay that rises in line with inflation will require additional funding.

Table 1: Real terms Autumn 2022 Statement projections[2] until 2024-25 show very limited growth (1% annually) in the current day-to-day spending.

[1] Changes in block grant funding for the devolved administrations are linked to changes in planned spending by UK Government departments. This link is achieved through the Barnett formula, which sets out how departmental spending in UK budgets are translated into a block grant for each devolved nation to spend, but each nation can then choose how that spending is distributed across departments..

[2] Real-terms figures calculated using the latest November 2022 OBR deflator figures and projections. Prices are 2021-22 prices, £ billion.

Year	2022 DHSC *Resource* Spending	Annual real terms % Change	2022 NHS England *Resource* Spending	Annual % Change	2022 *Capital* Spending	Annual real terms % Change
2022-23	**£160.4**		**£145.5**		**£11.4**	
2023-24	**£162.8**	**1%**	**£148.2**	**2%**	**£10.8**	**-6%**
2024-25	**£164.5**	**1%**	**£151.3**	**2%**	**£11.5**	**6%**

This money is also below what was promised to the DHSC and NHSE in the 2021 Spending Review a year ago. The 2022 Autumn Statement commits to real terms annual increases in the NHSE day-to-day spending over the next two years. But compared to the commitments made in October 2021, where projections for inflation were lower, this is a real terms cut from what was promised of 1% in next year's (2023/24) day to day budget (see Table 2).

Table 2: Real terms[3] comparison of Autumn 2022 Statement figures against figures pledged in Autumn 2021 Statement.

Year	Autumn 2021 plans for DHSC Resource Spending	Autumn 2022 plans for DHSC Resource Spending	Implied % difference between 2022 plans and 2021 plans	2021 DHSC Capital Spending	2022 DHSC Capital Spending	Implied % difference between 2022 plans and 2021 plans	Autumn 2021 plans for NHS England Resource Spending	Autumn 2022 plans for NHS England Resource Spending	Implied % difference between 2022 and 2021
2021-22	£147.1	£144.1	-2%	£9.4	£9.0	-4%	£136.1	£133.7	-2%
2022-23	**£163.5**	**£160.4**	**-2%**	**£10.3**	**£11.4**	**11%**	**£147.8**	**£145.5**	**-2%**
2023-24	**£165.2**	**£162.8**	**-1%**	**£9.9**	**£10.8**	**9%**	**£150.0**	**£148.2**	**-1%**
2024-25	**£165.9**	**£164.5**	**-1%**	**£10.5**	**£11.5**	**10%**	**£152.1**	**£151.3**	**-1%**

Social care will also get additional funding, which should relieve some pressure on the NHS in England. The statement made available up to £2.8 billion in 2023-24 and £4.7 billion in 2024-25 to help support adult social care and discharge. This includes £1 billion to directly support discharges from hospital into the community, to support the NHS. This will be paid for by delaying social care reform[4], increased central government funding, and increased council tax. However, nearly two thirds of the total new money allocated for social care assumes that local councils will increase council tax by 5% (previously year-on-year increases were capped at 3% except in special cases). This is likely not realistic, so the extent to which this funding will actually materialise and actually will relieve pressure is unclear.

Spending available for buildings and infrastructure was not increased – giving an effective cut

[3] For Autumn 2021 real terms figures, the October 2021 GDP deflator figures were used to reflect expected inflation at the time of the statement.

[4] The intended reform was set out in the Dilnot review and aims to cap lifetime individual contributions to care costs.

Capital spending in health is set to decrease by around 6% next year (2023-24) (see Table 2). At a time where significant capital investment is required to resolve the maintenance backlog and develop the NHS infrastructure necessary to meet growing demand, cuts to capital investment come with significant risk. Furthermore, beyond the period for which we have detailed departmental spending totals – ie. from 2025/26 onwards - the total capital spending envelope (including all departments, not just health) is set to be held flat in cash terms. This means it will fall by 1.2% a year in real terms[5], which will likely compound the infrastructure and maintenance backlog problems.

The Chancellor confirmed publication of future workforce plans, and recovery plans for urgent emergency care and primary care

The Chancellor gave a commitment to publish a workforce plan in 2023, including independently verified forecasts for the number of doctors and other health professionals needed over the next 15 years. This is a significant win for the BMA, as we have been campaigning for this alongside more than 100 other organisations for several years now. However, to ensure that the plan achieves what it sets out to, it is vital it is backed up with the necessary funding commitments. Further details on the modelling and how the plan will be implemented is key, and the BMA will continue to work to influence the process.

There will be a review of the roles and powers of ICBs led by Patricia Hewitt. The aim is to consider what the appropriate levels of autonomy and accountability would be. In general, the BMA has been supportive of more localised planning, as long as doctors are appropriately involved, and we will seek consultation as part of this review.

The Chancellor announced the publication of a recovery plan for urgent and emergency care. The urgent and emergency care recovery plan will focus on improving ambulance response times (particularly looking at Category 2 incidents – serious conditions such as stroke, which may require rapid assessment or transport); and on reducing A&E wait times. These are two key areas where NHS targets are being missed by a large margin, but there will not be easy fixes. The BMA will continue to highlight that to improve performance against targets, it is vital that there is sufficient workforce who are capable to deliver these targets, and that badly performing trusts are not punished by withdrawal of funding.

There was also an announcement of a primary care recovery plan, and the Chancellor reiterated Therese Coffey's commitment that everyone should be able to get a GP appointment within two weeks, and those who need an urgent appointment the same day. However, the BMA has previously highlighted that GPs are not contractually obligated to meet the appointment commitment, and depending on demand this may not be feasible given the workforce crisis in GP. And there were no further details on the primary care recovery plan.

Pay and pensions issues were not resolved

Increases to public sector pay were not mentioned at all as part of the Chancellor's speech – in fact the Statement reiterated commitments to enact recommendations by the DDRB and other pay review bodies. And given that health budgets were not increased enough to deal with all the inflationary pressures identified by NHSE, this implies that pay is likely to continue to be squeezed (or very difficult decisions will need to be made on non-pay spending). Take home pay for doctors

[5] https://obr.uk/docs/dlm_uploads/CCS0822661240-002_SECURE_OBR_EFO_November_2022_WEB_ACCESSIBLE.pdf

(and all workers) will also be further squeezed by tax increases, discussed below. This is unsatisfactory and the BMA will continue to lobby for pay restoration for doctors.

There were also no announcements on addressing the pensions tax trap. However, the freeze in the lifetime allowance threshold, which is the total value of pension allowable before it is taxed, was not extended further beyond April 2026, and there were no freezes to the annual allowance. These are things the BMA has lobbied for through press interventions and frequent conversations with the Treasury, so although there was no solution announced, at least further freezes were not enacted to exacerbate the situation. However, if the annual allowance is breached, the amount by which it is breached is added to the rest of your taxable income, and you then pay income tax on the total. So lowering the threshold for the top rate of income tax to £125,140 (see below) will increase

Taxes were increased significantly, with most tax thresholds frozen for five years

The statement included significant new tax increases, worth £25 bn by 2027/28. Overall, tax revenue as a proportion of GDP will rise to its highest level since the Second World War by the middle of this decade. But despite that, the £25 billion of taxes announced in the Statement did little more than offset the £18 billion of tax cuts that remain from Liz Truss' reign (the largest of these being the abolition of the Health and Social Care Levy).

The main announcements affecting individuals were:

- Reducing the threshold when you start paying the top rate of income tax (45%) from £150,000 to £125,140 from April 2023[6] (not applicable in Scotland)
- Personal tax thresholds within income tax, national insurance and inheritance tax (which were all already frozen until April 2026) will be frozen for an additional two years until April 2028 (income tax not applicable in Scotland)
- Taxes on income from personal wealth (dividend allowances and capital gains annual exempt amounts) will be cut over the course of the next five years. The dividend allowance will fall from £2,000 this year to £500 in 2024/25. The capital gains annual exempt amount will fall from £12,300 this year to £3,000 by 2024/35.
- Vehicle Excise Duty will be introduced on electric vehicles from April 2025, which will increase the costs for those driving electric cars.
- Local authorities in England will be given additional flexibility to raise Council Tax without the need for a local referendum, and as a result and to fund necessary increases in social care spending the OBR expects Council Tax bills to rise by around 5% a year (leading bills to rise by around £250 for the average band D property by 2027/28)

Further taxes will increase employer's costs

Like employee national insurance threshold freezes, employer national insurance thresholds have been frozen as well. There will be a new five-year freeze on the NI secondary threshold for employers at £9,100 until April 2028. This will increase costs to the NHS of employing staff, putting further pressure on budgets. It will also increase costs for GPs employing staff.

[6] Income tax is devolved in Scotland, so this only applies to England, Wales and Northern Ireland. Scotland will set out income tax policy details on December 15th.

The minimum wage is also set to increase, by 9%, from April 2023. While this is good for low earners, it will increase costs for employers such as GPs.

A suite of measures were announced on business rates in England. A revaluation of properties will be enacted from April 2023 (updating from 2017) – which means businesses such as GPs in areas with highest property value increases will see higher relative bills and vice versa. At a regional level, the biggest increases are in the East of England and South East of England. Planned increases to the multipliers (the rates paid) will be delayed in the next financial year. Time limited support will be provided to anyone with higher business rates bills through a dedicated scheme, to help with the transition. Targeted support by sector is currently in place for retail, hospitality and leisure, and separately for small businesses will be extended into the next financial year (23/24) as well.

There was no further clarity on support with energy bills for employers beyond April 2023. It is not yet clear whether support will be extended for businesses and the public sector, and so GPs and hospitals still have no certainty on whether bills will shoot up from April 2023, or if further support for them will be extended as it has been for households.

The economic picture is dire and the cost of living squeeze will affect everyone

The economic picture is quite dire. The economy is currently in a recession (GDP has fallen for two successive quarters), and the OBR (Office for Budget Responsibility) forecast that the UK will remain in a recession until the end of 2023. The economy is expected to be no bigger at the end of this parliament than its start. Unemployment is forecast to rise by 500,000 by mid-2024 from its current level of 1.2 million. Poverty and economic insecurity is linked to worse health, and the dire economic situation will likely add to pressures on the NHS.

Households face a significant and prolonged income squeeze. Rising prices are eroding real wage growth, and average real disposable household income[7] is projected to fall by 7.1% between 2021/22 and 2023/24. This means the average family will see a drop of £1,700 each to their take home wages, despite the measures announced in the Statement – discussed further below. This includes a fall of 4.3% in the current financial year, the largest fall since ONS records began in the 1950s. Looking longer term, freezes to personal tax thresholds will lengthen the squeeze for all but the poorest quarter of the population, and average real disposable household incomes are forecast to remain lower at the start of 2028 than they were prior to the pandemic.

Support for the most vulnerable will mitigate health inequalities widening to some extent

Throughout his speech, the Chancellor stated that government economic support will prioritise vulnerable people – this mainly involved uprating the main benefits in line with inflation. Universal Credit, the main means-tested benefit for working-age people, will be increased by 10.1% from April 2023 (that means it is being uplifted in line with September 2022 CPI, which is the usual convention for uprating benefits). Similarly, the state pension will be raised by 10.1%, upholding the triple lock. The BMA has been campaigning for Universal Credit to rise in line with inflation, and in general are in favour of economic support to those most at risk of poverty, as a route to reduce health inequalities.

[7] Which reflects the amount households have to spend, taking into account average incomes, benefit payments and taxes

Additional support with energy bills was announced beyond April 2023 for households. Some additional support will be made available to all households beyond April 2023 for a further year, although it is slightly less generous than the current level of support. Additional, targeted support will be available for vulnerable households (those on means-tested benefits, pensioners, and the disabled).

Climate change got very little mention

In his speech, the Chancellor reiterated the UK's commitment to the Glasgow Climate Pact agreed at COP26, including a 68% reduction in our emissions by 2030, and net zero by 2050. He also reiterated the government's commitment to securing UK energy, through delivering nuclear power (although Sizewell C has not yet had final agreement), and reiterated the government's support for wind and solar energy. However, there were no specific new commitments, and the UK Climate Change Committee has been critical that the government is not on track to meet its targets. Indeed, the introduction of Vehicle Excise Duty for electric cars seems to run counter to this target.