

# Spring Budget 2024: BMA member briefing

8<sup>th</sup> March 2024

**Prepared by**

Sarah Arnold ([sarnold@bma.org.uk](mailto:sarnold@bma.org.uk))

Margot Kuylen ([mkuylen@bma.org.uk](mailto:mkuylen@bma.org.uk))



## Contents

Summary .....	2
1 Health spending announcements .....	3
2 Tax .....	7
3 State of the economy and public finance outlook .....	8

## Summary

### Context

On 6<sup>th</sup> March 2024, Chancellor Jeremy Hunt gave his Spring Budget on the government's economic policy, and the OBR (Office of Budgetary Responsibility) published its forecasts of the economic outlook for the next five years. 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.

### Key points for members

- The government announced a significant NI tax cut, which is worth up to £754 per person.
- £2.5 bn more funding for the NHS in England for 2024/25 compared to previous plans, meaning that NHS funding will not be cut in real terms between 2023/24 and 2024/25
- £3.4 bn funding from 2025/26 for the NHS in England to improve IT which the Government expects to lead to productivity improvements.
- As a result of more departmental funding for the Department of Health and Social Care, there will be additional funding for nations through Barnett consequentials. The Scottish Government will receive nearly £300mn additional funding compared to what was previously planned in 2024/25, the Welsh Government will receive nearly £170mn, and the Northern Ireland Executive will receive £100mn.
- Inflation is forecast to come down faster than expected, but otherwise the economic forecast remains mostly unchanged. Lower inflation is good news for real wages, but also implies lower overall wage growth and less tax revenue. The announcements in the Budget are largely funded by borrowing, and leave the Chancellor with very little wiggle room against his fiscal rules for any future borrowing or spending.
- There was no detail or clarity on specific departmental spending beyond 2024/25. The Chancellor announced that the next Spending Review will be after the next election.

## 1 Health spending announcements

### An additional £2.5bn for the NHS for day to day spending, but no new money for capital

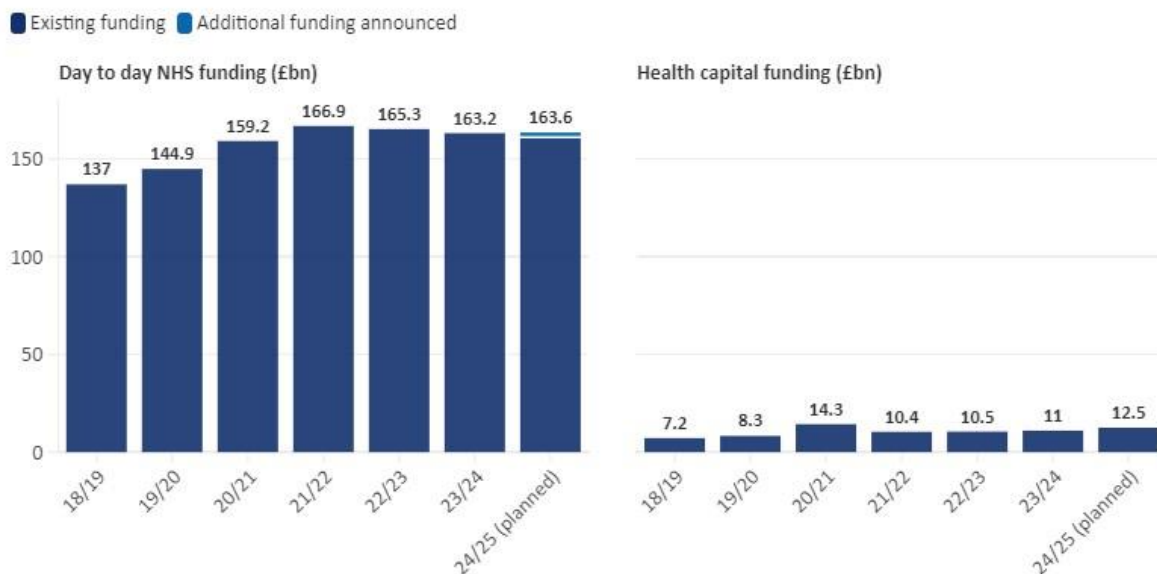
There will be an additional £2.5 bn of day to day funding for the NHS in England in 2024/25 (this is additional funding, meaning there is also new money for the nations through Barnett consequential, discussed in a later section). This brings the total planned day to day cash funding for 2024/25 to £164.9 bn.

This means that, in cash terms, there will be an increase of 1.0% between this year and next year's funding for the NHS in England. However, when inflation is taken into account, the budget is essentially held steady, and is only increasing by 0.2% (Figure 1 below shows the annual budgets, taking inflation into account). Without this additional funding, the NHS day to day budget was set to fall by 1.2% in real terms.

Figure 1

### Additional announced funding means day to day NHS funding does not fall

Real terms NHS resource funding and DHSC capital funding, 2018/19 - 2024/25 [2023/24 prices]



Whilst it is good that budgets were not cut, it is disappointing the budget is not increasing, given rising demand and the need for staff pay increases above inflation to address historic pay cuts. Without additional funding, any money for pay restoration will need to be found from existing budgets.

There was also no additional funding for capital for 2024/25 (although dedicated funding was announced from 2025/26 for IT, see next section). This is disappointing because it is clear that current capital budgets are too low: the secondary care estates maintenance backlog in England currently stands at £11.6 bn, meaning it would require nearly all of the

planned capital budget just to fix the current secondary care estate, leaving nothing to invest in new equipment and buildings. The BMA called for an increase in capital funding of at least £8bn for the upcoming financial year, to address the backlog and invest so that productivity targets in the NHS long-term workforce plan can be met. While there were announcements to invest in IT, which will go some way towards this (see below), it is disappointing this funding will only be available from 2025/26.

### **Investment in NHS IT in England from 2025/26 is expected to drive productivity improvements**

The Chancellor announced £4.2 bn for public service productivity improvements from 2025/26, £3.4 bn of which is earmarked for the NHS in England between 2025/26 and 2027/28. It is not clear whether this is new money or will be drawn from other capital budgets, which have not been set beyond 2024/25. The Chancellor said this would fund the “NHS’s productivity plan” in full, although [HSJ report](#) there is no such plan as yet.

The £3.4 bn is expected to be spent on IT – particularly invested into patient and staff apps, AI, and electronic patient records for all Trusts. The chancellor referenced the [BMA’s report](#) which found 13 mn hours of doctors’ time was lost annually to inefficient IT in the NHS.

The Chancellor said that this investment is expected to lead to £35 bn of cumulative savings by 2029/30. In addition, it is expected to lead to an average productivity growth of 1.9% per year from 2025/26 to 2029/30 – a commitment supported by the Chief Executive of the NHS in England Amanda Pritchard. The Long Term Workforce Plan (LTWP) was predicated on productivity improvements of 1.5 – 2%, but the NHS originally said this would not be possible without additional investment in capital and IT. The 1.9% commitment is much higher than the [historical average growth rate](#) of productivity of 0.9%, but is in line with the ambitions in the NHS long-term workforce plan.

The £3.4 bn is expected to be spent across three areas:

- £2 bn to update fragmented and outdated IT systems across the NHS, ensure all Trusts have Electronic Patient Records by 2026, and scale up the use of cutting-edge technologies such as AI
- £1 bn to scale up and accelerate technology to automate administrative tasks by staff, including funding for a new NHS staff app and pilots to test the ability of AI to automate back-office functions
- £0.4 bn to improve the NHS app and patient online experience.

The BMA welcomes the commitment to properly fund digital transformation in the NHS, having long called for money to modernise the IT estate. But how this money is allocated will be crucial to unlocking its full potential. It is imperative that we get the basics right by ensuring a fully digitised patient record and modern interoperable clinical information systems across the secondary care estate – appealing as it may be to move funding into areas like AI and new technologies. It is also critical that adequate groundwork is done by trusts to ensure that any newly procured IT systems are picked with the user in mind. The BMA will continue to work with the NHS to ensure IT policy and spending are working for staff and patients.

## **No funding commitments to back the NHS Long Term Workforce plan beyond funding for productivity improvements**

Plans for public spending between 2022/23 and 2024/25 were set out in October 2021 in the 2021 Spending Review. Although each year of the spending review, there are minor adjustments to the plan (such as the health budget increases set out above), broadly Spending Reviews present an idea for what to expect. But the upcoming financial year is the last one covered by the current Spending Review, and the Chancellor confirmed that there will not be another Spending Review until after the next election. This means there are no detailed medium-term plans for departmental spending, including for the Department of Health and Social Care, or clarity on Barnett consequentials beyond 2024/25.

A major concern arising from this is that there is still no clarity on whether the NHS Long Term Workforce Plan (LTWP) will be adequately funded going forward. Last year, the BMA welcomed the LTWP's commitment to double medical school places by 2030/31, but highlighted concerns about the plan's lack of clarity on funding to deliver this expansion. While £2.4bn was earmarked to deliver the first five years of the plan's training ambitions for all staff, it is unclear how much of this funding was to go towards medical school expansion, and whether the remainder of the plan, beyond the first five years, will be funded at all. The budget offered no clarity or reassurance.

If the LTWP's medical school expansion is to deliver the staff the NHS needs, then it must come with a commensurate expansion in foundation and speciality training. Detail on funding for this expansion is yet to be committed too. Yet again, the budget offered no clarity or reassurance of adequate levels of future funding.

Finally, an increase in the number of staff in the NHS in England will lead to higher costs for the NHS pay bill once more doctors are trained. As the Institute for Fiscal Studies (IFS) and the OBR have stated, the LTWP implies a real-terms growth to day to day budgets of 3.6% per year in real terms, even with the productivity improvements it is predicated on, but there have been no funding commitments to back this.

The BMA will continue to advocate for funding commitments over the longer term to back the LTWP's increase in doctors.

## **Additional funding for nations**

### **Barnett consequentials have increased, but will still fall in real terms**

As a result of additional Department of Health and Social Care funding, Scotland, Wales and Northern Ireland have additional funding for their block grants for 2024/25 through Barnett consequentials. The Scottish Government will receive nearly £300mn additional funding compared to what was previously planned in 2024/25, the Welsh Government will receive nearly £170mn, and the Northern Ireland Executive will receive £100mn.

However, as can be seen from the table below, once inflation is taken into account, all nations will have less block grant funding in 2024/25 than in 2023/24 (as shown in the final real-terms column below).

Figure 2: Block grants for nations, 2023/24 and 2024/25

	Cash terms			Real terms (2023/24 prices)		
	2023/24	2024/25	Year on year % change	2023/24	2024/25	Year on year % change
<b>Scotland*</b>	37.6	37.7	0.3%	37.6	37.4	<b>-0.5%</b>
<b>Wales</b>	16.5	16	-3.0%	16.5	15.9	<b>-3.8%</b>
<b>Northern Ireland</b>	14.8	13.9	-6.1%	14.8	13.8	<b>-6.8%</b>

Notes: due to the scale of tax devolution in Scotland, the Scottish government day to day funding is presented excluding tax and welfare Block Grant Adjustments, whereas Wales and Northern Ireland include them. This is in line with the presentation in the Budget.

## Public health

### Vaping duty will be introduced from October 2026, and tobacco duty increased

The Chancellor announced a new duty on vaping products from October 2026. The rates will vary between £1 and £3 per 10 ml, depending on the nicotine content. [The Government is consulting](#) on the policy design and technical details. Alongside this, tobacco duty will be increased from October 2026. This is intended to maintain the differential between vaping products and tobacco, and to maintain the current financial incentive to choose vaping over smoking.

The BMA is supportive of measures that ensure legal vapes are less attractive to children on cost grounds and measures that further reduce the accessibility of tobacco. However, the measures announced as part of the Spring Budget are not a replacement for the Government following through on its commitments to create a smoke-free generation. Further restrictions are needed on the sale of tobacco, as well as a ban on disposable vapes and tighter regulation of marketing, packaging and point of sale for vapes that will remain legal. The BMA will continue to encourage the Government to bring forward this legislation without further delay.

### Alcohol duty freeze extended to February 2025

The six-month freeze to alcohol duty announced in the 2023 Autumn Statement will be extended until February 2025.

The BMA is not supportive of a freeze to alcohol duty, and as part of the Alcohol Health Alliance, [wrote to the Chancellor](#) ahead of the budget to call for increases to the price of alcohol to reduce alcohol harm. We will continue to work with the Alliance to campaign for an increase in alcohol duty.

## 2 Tax

### **National insurance was cut by a further 2p for employee and self-employed rates**

The main rate of employee NICs will be cut from 10% to 8% from April 2024 (on top of the cut from 12% to 10% announced in Autumn Statement 2023, which was enacted in January 2024).

The 2p cut announced in the Spring Budget 2024 is worth up to £754, depending on how much you earn. Those earning above the main rate threshold of £50,270 will benefit from the full £754. For those earning below, they will gain 2p for every £1 earned between £12,570 (when you start paying the main rate of NICs) up to £50,270. For example, a full-time F1 doctor earning the mean annual basic pay of £29,198 will get £332.56 as a result of this change.

The main rate of self-employed NICs (known as Class 4 NICs) will also be cut from April 2024, from 8% to 6%. This is on top of the cut from 9% to 8% announced in Autumn Statement 2023. The 2p cut announced in this Budget, like the cut for employees, is worth up to £754 and those earning above £50,270 will get the full benefit.

There were no other new announcements on personal income taxes. In previous Budgets, the Chancellor put a freeze on tax thresholds – for both income tax and National Insurance – until 2027/28. This Budget did not unfreeze them. The [Resolution Foundation analysed](#) the aggregate impact of the national insurance cuts in the Autumn Statement and Spring Budget, together with the tax threshold freezes announced in the Autumn Statement. The average taxpayer will gain £450, with the largest net tax cuts going to those earning £50,000 (who will gain £1,200). However, taxpayers earning £19,000 or less will be worse off overall, losing more from threshold freezes than they gain from rate cuts.

### **The High-Income Child Benefit Charge threshold was raised**

The High-Income Child Benefit Charge tapers away Child Benefit payments for families where the highest earner earns over a certain threshold. Before this Budget, Child Benefit started to be tapered away when the highest earner earns over £50,000, and you receive no benefit over £60,000.

The Chancellor raised the threshold at which Child Benefit starts to be tapered away from £50,000 to £60,000, and halved the rate of that taper. This means child benefits will remain available for those earning up to £60,000, and will not be fully withdrawn until you earn £80,000. Before the Budget, the threshold had not been raised since it was introduced in 2013, which meant that more and more people were unable to access Child Benefit.

This was something the BMA has been calling for as it affects some doctors who are parents.

[According to the Resolution Foundation](#), the changes will be worth an average £1,260 per year for the half a million families who benefit from it.

### **The VAT registration threshold will be increased**

The VAT threshold – the total taxable turnover a business can have before having to register for VAT – will be increased from £85,000 to £90,000. The deregistration threshold will be raised from £83,000 to £88,000 (if a business has previously registered for VAT, if turnover falls below this threshold, you can deregister for VAT). These changes will come in in April 2024, and may affect some GPs.

### 3 State of the economy and public finance outlook

#### **Inflation is coming down faster than expected but otherwise the economic forecast remained mostly unchanged**

Inflation is coming down faster than expected. CPI inflation is now expected to return to its 2% target in Q2 2024, and remain below target until 2027. Average RPI is predicted to be 2.4% in the coming financial year (2024/25) and remain below 3% until 2027.

Lower inflation is good news for real wages, but despite this, the outlook for wages across the economy remains poor. The [Resolution Foundation estimate](#) that, despite the OBR reducing its forecast for inflation, real average wages are only set to return to 2008 levels in 2026.

Lower inflation also implies lower overall wage growth and less tax revenue for the public purse. Real forecast GDP is little changed, and so the forecast economic growth remains weak by historic standards. Given this, the tax cuts announced in the Budget (which cost roughly £14bn in 2024/25) are funded largely by borrowing – and they leave the Chancellor with very little wiggle room against his fiscal rules for future borrowing or spending.

#### **Medium-term spending plans to 2027/28 are unchanged, implying cuts to local government budgets**

Although there are no specific *departmental* spending plans beyond 2024/25, the Chancellor did set out plans for *overall* public spending between 2025/26 and 2027/28 at the Autumn Statement 2022. He reiterated these plans in the Spring Budget, which are to increase overall day to day spending by 1% per year in real terms over this period, and freeze capital spending in cash terms (therefore cutting capital spending in real terms).

This real-terms increase in day to day spending will not be spread equally across all spending areas. Some areas of spending have typically been protected by successive governments, including health, defence, and education. If those areas continue to see higher real-terms increases in spending, this means unprotected areas of public spending (including local government and prisons) [will see an average cut of 2.3% per year](#) in real terms between 2025/26 and 2028/29. Cuts to local authority budgets may have implications for public health, social care, and the wider social determinants of health.