Spring Statement 2025: BMA member briefing

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Context

The Spring Statement is an opportunity for the Chancellor to provide an update on the economic performance of the UK. It is informed by forecasts from the Office for Budget Responsibility (OBR) which project how government policy is expected to impact fiscal conditions.

The most recent statement took place against a turbulent economic backdrop. Global economic challenges have fed through into OBR forecasts. The economy is now only expected to grow by 1% in 2025, down from 2% projected in October.

In response to dampened growth expectations and rising debt interest the Chancellor announced a series of measures to maintain the government's fiscal rules. Day-to-day spending is set to rise at an even slower rate than what was announced in the Autumn Budget, and significant cuts to the welfare and international aid budgets have been announced. However, capital investment is expected to remain protected.

Summary

The statement largely focused on the government's response to challenging economic conditions. The downgraded growth forecast eroded the fiscal headroom[i] available to government. This prompted the government to set out a series of measures aimed at reducing day-to-day spending so that they could meet their fiscal rules. The Chancellor also outlined the government's commitment to capital investment and delivering a more efficient government.

General spending commitments

The Chancellor has two core fiscal targets to meet by 2029/30. These are:

- **The stability rule** – the current budget, which represents the day-to-day costs of running services such as wages and maintaining buildings, needs to be either in balance or in surplus. This means that day-to-day government spending needs to be at least matched by the revenue it generates through tax and other means. This is known as the "fiscal mandate" as it is the government's main target for spending.
- **The investment rule** – Net financial debt needs to be falling as a share of GDP. Governments typically borrow through issuing bonds (or gilts) which investors purchase. The government must repay investors with interest at the end of the loan period. However, the government also owns financial assets and can expect repayments from loans they have issued (i.e. student loans). Debt measures the liabilities owed minus the assets owned. This can make it easier for the government to justify borrowing to spend on "capital investment" because it creates assets which can have a positive impact on their balance sheet.

To ensure that the stability target will be met, the government revised their day-to-day spending downwards. This will now grow at a rate of 1.2% in real-terms from 2025/26 to 2029/30, slightly less than the 1.3% announced in the Autumn budget. This means £6.1 billion less will be available for day-to-day spending by 2029/30 (compared to the Autumn Budget).

Health is a protected department which should offer it some protection the further reduction in day-to-day budgets. Protected departments, including the health, prisons and school budgets, are

[i] Fiscal headroom refers to the amount the government can increase spending or cut taxes, without contravening their self-imposed fiscal rules

usually exempt from cuts in spending – but the same was true of the international aid budget until it was cut by the Conservatives and then again under Labour. The abolition of NHSE, as well as cuts announced to ICBs and trusts, announced in the weeks preceding the statement are an indication of the pressures on even protected Government departments to meet current budgets.

The reduction in government spending will also mean that unprotected departments such as local government and criminal justice will experience even deeper real-term spending cuts in the coming years. The government announced measures to improve efficiency including implementing Voluntary Exit Schemes to reduce the size of the Civil Service and pioneering Artificial Intelligence (AI) to modernise the state, but these will likely only mitigate the impact of the proposed spending cuts for unprotected departments.

In contrast to day-to-day spending, the government are looking to continue to increase capital investment. The Autumn Budget committed to a substantial increase in capital investment, with health being a major beneficiary. The Chancellor announced that capital spending will continue to rise by a further £2bn a year on average. However, much of this will contribute to planned increases in defence spending. The Spending Review expected in June will give us a clearer sense of how additional capital funding will be allocated across departments and what this will mean for health.

Cuts to Welfare spending will have a significant impact on disabled people and their families

The Chancellor outlined a package of reforms expected to reduce welfare spending by £4.8bn over the coming years. Unlike previous efforts to cut welfare spending, the proposed reforms are heavily focused on health-related payments. The number of people economically inactive[ii] due to ill health has risen to 2.8 million. The government have advocated for these reforms on the basis that they will help people back into the labour market.

PIP is a non-means tested benefit for working aged people who need help with daily activities or getting around because of a long-term illness or disability. PIP payments are split into two components and paid at a lower and higher rate, depending on need. The current PIP rates for these components are:

- Daily Living component, lower weekly rate - £72.65
- Daily Living component, higher weekly rate - £108.55
- Mobility component, lower weekly rate - £28.70
- Mobility component, higher weekly rate - £75.75

At present eligibility for PIP is determined by an assessment on the extent to which a person can complete daily living tasks across a range of categories. To receive PIP, an individual must score 8 points in this assessment, or 12 for an enhanced rate. Under the proposed changes, an individual will need to score at least 4 points within a single daily living category.

The Department for Work and Pensions (DWP) believes this will substantially reduce the number of people entitled to the standard PIP payment. It is estimated that 800,000 people will not receive the Daily Living component of PIP in 2029/30, compared to if the current rules were left unchanged. While a significant number will be able to retain their mobility component, those who lose their entitlement to the daily living component will be up to almost £3,8000 worse off each year.

[ii] The number of people aged 16-64 that are not in paid work or looking for work

Reforms to PIP eligibility will also have a knock-on impact on those who receive benefits for providing unpaid care. Universal Credit (UC) claimants currently receive a top-up payment, known as the carer's element, if they provide 35 hours of care per week for someone who receives certain benefits including PIP. Similarly, the Carer's Allowance is another benefit that is paid to people under a specific earnings threshold who provide at least 35 hours a week care for someone with a disability and receiving certain benefits including PIP. The reduction in people eligible for PIP would mean up to 150,000 unpaid carers would lose these benefit payments.

Reforms will also impact the health element of UC. Like the carer's element, the health element provides a top up payment to UC recipients who are considered to have a limited capability to perform work-related activities. From 2028/29 onwards, eligibility for the health element will be determined by a PIP assessment. This will mean someone who receives UC and loses their daily living PIP payment, will also lose the health element of their benefit payment.

Not only will fewer people be entitled to the UC health element, but the amount available will also be cut. New claimants will see their health element entitlement cut from £97 per week in 2025/26 to just £50 per week in 2026/27. Current recipients will continue to receive £97 per but this amount will be frozen, no longer rising with inflation. The government also is consulting on a proposal to raise the age for which an individual is entitled to the health element of UC to 22.

Mitigating the impact of these cuts will be an increase in the standard rate UC claimants receive. The standard allowance will increase from £92 per week in 2025/26 to £106 pounds a week by 2029/30. In addition, a new top-up payment will be introduced for those with the most severe conditions.

Alongside the reforms to eligibility and payment amounts, the government are proposing several other ways to support people into work. This includes an investment into employment support and a new "right to try" which will allow benefit claimants the opportunity to try a new job without immediately losing their benefits.

Nevertheless, the expected impact of these welfare reforms is expected to be profound. An impact assessment by The DWP's impact estimates 250,000 additional people (including 50,000 children) will be pushed into relative poverty by these measures, with 96% of these people living in households containing a disabled person. The Joseph Rowntree Foundation suggests this figure downplays the full impact of the cuts, and that as many as 400,000 people would be pushed into poverty.

Key concerns for BMA members

There were no specific health-focused policy announcements made within the Statement; however, the prospect of further fiscal constraints being imposed on departmental and welfare budgets will have wide-reaching ramifications for health and wellbeing.

Day-to-day spending increases will likely be insufficient to meet the needs of the healthcare sector. While health budgets are protected and received a significant boost in the Autumn Budget, these were still far below what is needed to compensate for the years of underinvestment, or to meet many of the reasonable expectations of the BMA to restore pay and improve working conditions.

Inflationary pressures are set to mount, putting a further squeeze on pay. CPI inflation is now projected to reach 3.2% this year, notably higher than the recommended public sector pay cap of 2.8% the government recommended to the DDRB, and well below the inflation measures used by the BMA. The OBR projects that across the economy real wages will grow by 1.4% in 2025, before stagnating in 2026/27. It is vital that the government immediately revises their position otherwise

members will once again face the prospect of a real-terms pay cut which moves us further from our goal of full pay restoration and

Further, unprotected departments can expect further cuts. Over the years, we have seen how inadequate service provision across non-health related areas, has left many turning to the NHS for the help they need increasing pressure and frustration for healthcare workers who are being left to pick up the pieces, as we have previously pointed out. Healthcare workers too, rely on other services so that they can focus on their jobs of delivering the best quality of care for patients and the cuts to disability benefits will sadly affect staff.

Substantial cuts to the welfare budget will also likely exacerbate poor health outcomes. We know that poverty has a detrimental impact on both physical and mental health. More families pushed into poverty by these cuts, will lead to worse health outcomes, especially in communities where there are high numbers claiming disability support benefits. This will further intensify health inequalities and increase the pressures on an already stretched NHS.

Implications for devolved nations' funding

The increase in defence spending and cuts to welfare spending will reduce the amount of money allocated to the devolved nations, as the Ministry of Defence budget is not included in the Barnett formula, but the DWP budget is. Furthermore, the government's plans to reduce day-to-day spending growth from 1.3% to 1.2% annually will further reduce the amount of money eligible to be passed on in Barnett consequentials.

This may have impacts on health funding and doctor pay within the devolved nations as it reduces the funding available for them to spend on health and public sector pay. It remains to be seen how the respective devolved administrations respond to these changes, but it is likely that they may also aim to make cuts to the public sector workforce and be more reluctant to offer pay rises which outstrip inflation.

BMA Council Chair's Response to the Spring Statement

Responding to yesterday's spring statement, Professor Philip Banfield, BMA council chair, said:

"With all of today's talk about growth, the Government must not lose sight of the fact that a healthy economy relies on a healthy population, and therefore the need to resource health services effectively.

While health spending may have been protected from any cuts today, doctors on the frontline will be the first to say how current levels of investment are nowhere near enough to meet the needs of patients and the population.

The Chancellor was keen to highlight falling waiting lists. This progress is down to the hard work of our members and their colleagues. The Government ignores doctors' contribution to tackling the backlog and the value that we offer at its peril. The need to restore doctors' pay after years of real-terms cuts remains a priority, and the upcoming pay review process and Government response will be the prime opportunity for ministers to demonstrate its commitment to valuing and retaining doctors in the NHS. Today's inflation forecasts from the OBR mean the current Government suggestion of a 2.8% pay uplift for doctors would still be a real-terms cut. This would be a disaster,

likely leading to further industrial disputes and a further haemorrhaging of medical talent from the health service and the country.

Meanwhile, despite the Government's commitment to productivity and efficiency in public services, we still have bizarre disincentives to take on additional work in the NHS, with pension taxation rules and childcare allowances meaning doctors are forced to reduce hours when they could be, and want to be, offering more time to patients. An opportunity to address this was sadly missed today.

Tackling bureaucracy and red tape is something we have pushed for in the NHS – the system is just not geared to enabling doctors and nurses to get on with treating patients, and now is the perfect chance to do that. The medical and public health expertise within NHS England must be utilised and expanded as NHSE as an organisation is disbanded. Now is also the time to recognise that our GPs are the most efficient part of the NHS, with an independent contractor model that can help relieve pinch points – but only by sensible and credible additional investment.

Health is much more than just the NHS. Today's harsh welfare cuts – largely falling disabled people – will be a huge source of distress and anxiety for those affected. Disabled people still face appalling prejudice and discrimination in the workplace. As the Government's own analysis states, this will potentially push thousands more people into poverty – the health impacts of which are widely acknowledged.

People who want to work should receive support to do so, not have it taken away. Employers should be making adjustments so that disabled people can be part of the workforce, rather than being forced into unsuitable work by cruel cuts to vital payments.

These welfare policies are short-sighted and counter-productive, with the physical and mental health impacts potentially driving even more people out of work, piling ever more pressure on health services as doctors and their colleagues are left to pick up the pieces."