

Autumn Budget: Community Pharmacy Briefing Note

The Autumn Budget 2024 promised an additional £22.6 billion for day-to-day healthcare spending, but no specific pledges were made about supporting community pharmacy, which is continuing to face existential financial and operational pressures. This briefing note sets out the impact that wider changes announced in the Budget will have on pharmacy's costs: if these are not mitigated, pharmacy closures will continue.

Community Pharmacy England Position

Community pharmacies are well-placed to help deliver a Neighbourhood Health Service if they have the right investment and support. But we are concerned that the Budget imposes yet more cost increases on the community pharmacy sector and about what it leaves unsaid about funding for primary care. We continue to have **very serious concerns about the outlook for the community pharmacy sector**. Community pharmacies are under immense pressure as business owners struggle to pay their bills and stave off closure – without any financial uplift we can expect to see **closures continuing alongside further serious service deterioration**.

*“Community pharmacies need an urgent funding injection to put a stop to the ongoing financial crisis. **Without urgent relief we can expect to see more pharmacies closing, meaning more people going without advice and medicines, and turning to other parts of the NHS.** Neither patients nor the NHS can afford for this to happen, and the consequences of more pharmacy businesses collapsing for all those who work in, and rely on, them would be **disastrous.**”*

Janet Morrison, Chief Executive of Community Pharmacy England

Impact of the Budget on Community Pharmacies

Core NHS funding for community pharmacies has **decreased in real terms by more than 30% since 2015** and the number of pharmacies open in England is now at **the lowest since the 2008/09 NHS year**. This is despite the annual number of prescriptions growing by over 40% in the same period and expanding clinical services. Over **1,250 pharmacies have closed since 2017, with one-in-six pharmacies, when polled by us, saying they may not last the year**.

There will be additional costs for community pharmacies arising from the changes and revenue raising measures announced in the Autumn Budget – particularly the uplifts to the National Living Wage and Employers' National Insurance Contributions, and changes to business rates. **The net effect of these changes is a further considerable worsening of the sector's underlying viability, which as recent pharmacy closure rates demonstrate, is already at crisis point. Without mitigation we expect further pharmacy closures and service deterioration.**

Impact Analysis

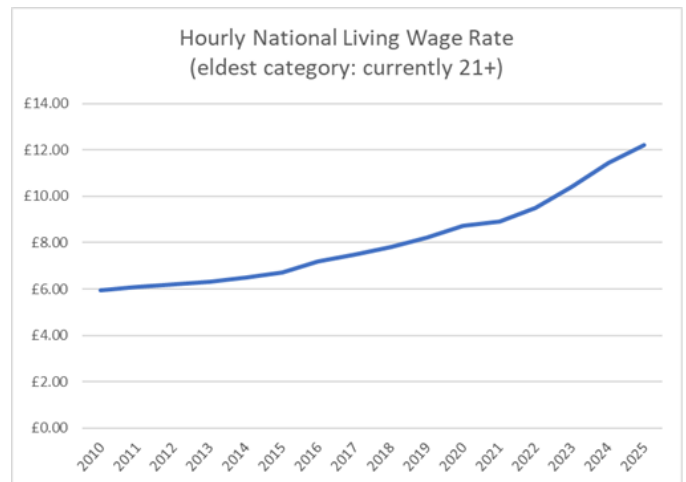
1) National living wage increases

Budget 2024 change: Increasing the National Living Wage by 6.7% to £12.21/ hour.

Impact on pharmacy: We estimate that the National Living Wage increase will **cost the community pharmacy sector an additional £115–£152 million per year from April 2025** (on top of the increase of £150–195 million from April 2024).

This uplift will be greater than businesses could have predicted, and further wage cost rises will likely be impossible for many to meet.

Over the last 15 years, the National Living Wage has increased by 100% – but pharmacies have had a real terms decrease in core funding of over 30% and cannot continue to absorb their wage cost increases. Our recent [Staffing and Morale Report](#) and [Funding and Sustainability Report](#) set out more information on the wider challenges facing community pharmacies.



2) National Insurance increases

Budget 2024 change: Increasing employers' contributions to national insurance from 13.8% to 15.0%, and reducing the per employee threshold from £9,100 to £5,000.

Impact on pharmacy: We estimate this measure will cost the sector at least £74m. This is partially offset by changes to the Employment Allowance, meaning that **the net cost to the community pharmacy sector of National Insurance changes will be over £50 million p.a.**

3) Business rates

Budget 2024: Extends business rates relief for a further year on Retail, Hospitality and Leisure premises, albeit at a lower rate. The relief will be at 40% in 2025/26 (down from 75% in 2024/25).

Impact on pharmacy: Whilst it is welcome that business rates relief for Retail, Hospitality and Leisure properties is being extended for another year, the rate of relief will reduce from 75% to 40%. In reality, this will see a further increase in operating costs for companies affected – albeit at a lower level than if the relief had been totally withdrawn in 2025/26.

Doctors and dentists have their business rates reimbursed by the NHS, whereas community pharmacy companies do not despite their overwhelming focus (on average over 90% of their business) being on NHS work. This anomaly must be addressed, so that community pharmacies do not have to incur these costs whilst serving the NHS.

Conclusion

Community pharmacies are working extremely hard in the face of severe financial and operational pressures to continue to provide medicines, health advice and support to their local communities. **The changes announced in the Budget will take hundreds of millions of pounds out of the sector, further worsening the outlook for community pharmacies who are already at crisis point.**

Community pharmacies cannot raise their prices to pass on costs to the consumer or make any further cuts or redundancies. After real-terms funding cuts of over 30% and increased workload (over 350% in service delivery) **there are simply no more efficiencies to be squeezed out of pharmacy businesses.**

Without mitigation, these changes will push further pharmacies into insolvency. More pharmacy owners will have to make impossible decisions about what services to stop providing and **this will put at risk services such as Pharmacy First. It will also threaten the 69 million healthcare consultations that pharmacies provide every year, acting as a vital safety net for the NHS and helping millions of people who have been unable to access other healthcare.**

*“These changes will take hundreds of millions of pounds out of the community pharmacy sector which, without mitigation, **could hasten a ‘house of cards’ collapse in the network and pose risks to the safety of medicine supply.** Urgent action is needed now to stem these costs and immediately re-set the contract sum to keep pharmacies afloat and to protect communities’ access to medicine supply and health advice. **This is critical as we approach another winter with access to General Practice continuing to deteriorate.**”*

Janet Morrison, Chief Executive of Community Pharmacy England

Community pharmacies have much to offer for patients and the health service, but if their challenges are not eased then we can expect to see further permanent closures of pharmacies across England. This will have very serious consequences for the public and for the health service. Community Pharmacy England stands ready to discuss funding and other issues as a matter of urgency, with a long-term ambition to stabilise the community pharmacy sector and expand its role, in line with Government’s ambitions for the health service.

Further Information

Please get in touch if you would like any further information on community pharmacy:
comms.team@cpe.org.uk