

2025 Budget: Community Pharmacy Briefing Note

The Autumn Budget 2025 prioritised strengthening the NHS, with an additional £300 million for capital investment in technology, and the creation of 250 new neighbourhood health centres. However, there is no clarity on how the financial pressures facing community pharmacies will be addressed. Without clear progress towards a sustainable funding and operating model, pharmacies face mounting financial strain – limiting their ability to provide advice, treatment and essential medicines to patients and the public.

Community Pharmacy England Position

In April of this year, Government shifted the dial on community pharmacy funding, with a record new investment into the sector. While this was welcome, it followed a 30% real-terms funding cut since 2015, so was only a **first step** on a long road towards sector recovery. Independent economic analysis commissioned by NHS England shows that pharmacies still face a funding shortfall of more than £2 billion every year. **In other words, NHS funding is a long way short of covering the true cost of service delivery for community pharmacies.**

Following the Budget Statement, we have **very serious concerns about the longer-term outlook for the community pharmacy sector**. The Budget introduces further cost pressures, including higher staffing costs driven by the National Living Wage increase, which will compound the financial strain many pharmacies are already facing. Pharmacies cannot pass rising costs on to patients, meaning they must absorb the inflationary pressures and workforce shortages – pushing many further into loss-making territory.

Without a sustainable funding and operating model, which Ministers agree is needed, we can expect to see **closures continuing alongside further serious service deterioration, putting patient access and NHS recovery plans at risk**. The Government's 10-Year Plan emphasised the critical role of primary care in shifting activity from hospitals into the community, but **unless the sector's funding gap is addressed, these reforms are inconceivable**.



Community pharmacy owners are continuing to grapple with extreme financial and operational pressures, feeling the impact of historical 30% real terms funding cuts. Despite a significant funding uplift in April, their annual NHS funding this year falls more than £2 billion short of full economic costs. In that context, it is no surprise that more than 80% of pharmacy owners are concerned about their businesses going into this winter. We continue to hear about pharmacy owners struggling to pay themselves and their wholesaler bills, and to keep their doors open. Higher staffing costs, as announced in this Budget, will further compound their financial troubles and may prove unmanageable for some businesses.

Janet Morrison, Chief Executive of Community Pharmacy



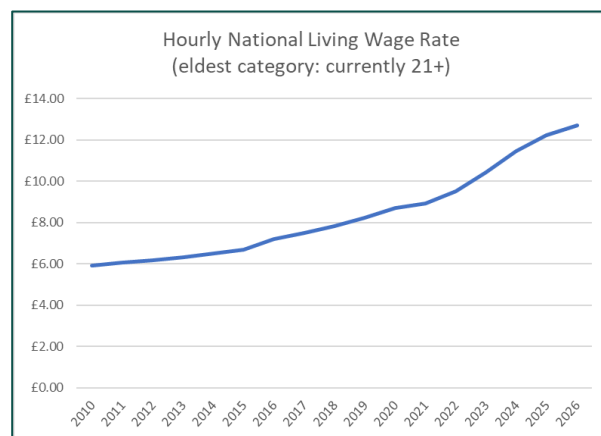
Impact of the Budget on Community Pharmacies

The Budget introduces some additional costs for community pharmacies: a National Living Wage (NLW) Increase and a freeze on employer National Insurance secondary thresholds until 2031. These measures will compound the NLW and Employer National Insurance rises introduced in the 2024 Budget. While we welcome wider NHS investment in digital infrastructure and the creation of new Neighbourhood Health Centres, there remains little clarity on how these reforms will support coordination between primary and secondary care. They also do not address the uncertain and critical future of community pharmacy funding.

Impact Analysis

- 1) **Budget 2025 change:** Increase in the National Living Wage to £12.71 per hour from April 2026.

Impact on pharmacy: We estimate that the National Living Wage increase in isolation will cost the community pharmacy sector **an additional £69–£94m per year from April 2026** (on top of the increase of £115 million–£152 million per year from April 2025). The upper end of this range recognises that the hourly increment (50p/hr) will almost certainly, as a minimum, need also to be applied to higher paid pharmacist staff.



Over the last 15 years, the National Living Wage has more than doubled – increasing by 109% from 2011 to 2026. Core funding for pharmacies has fallen in real terms over the same period.

Although the rise announced this year is smaller than in previous years, pharmacy owners will continue to face pressure to raise wages beyond this statutory minimum, especially as workload – including that driven by rising prescription volumes – continues to grow. **Unlike most employers, pharmacies are unable to pass any of these higher costs on to the people they serve (NHS patients) through higher sales prices.**

- 2) **Budget 2025 change:** Freezing the Secondary Threshold for employer National Insurance contributions at £5,000 from April 2028 to April 2031.

Impact on pharmacy: Freezing the threshold for three additional years will increase employers' NICs liabilities as wages rise. For community pharmacies, already facing significant workforce cost pressures, this will lead to further underfunding and risks service deterioration as well as reducing headroom for staffing, training, or service expansion. The thresholds had previously been announced as frozen for 2026/27, and that additional impact will affect pharmacy from 1st April 2026. Due to the overlapping effect between this and the previously estimated impact of the National Living Wage increase, this impact has not been separately calculated.

- 3) **Budget 2025 change:** business rate changes, including lower multipliers for RHL premises including most pharmacies.

Impact on pharmacy: Unlike GP practices and dental surgeries, the business rates that community pharmacies incur are not reimbursed by the NHS. **We would like to see this disparity ended, and pharmacies either having their full costs covered, or given the same business rates relief as these other primary healthcare providers.** Reimbursement of business rate costs could be based on existing mechanisms already used by the NHS to ensure only the NHS-related portion of these business rates are reimbursed.

The business rates reforms announced by the Chancellor will provide greater ongoing year on year clarity to likely business rate cost levels. However, with the ending of the 40% RHL relief on 31st March 2026, it is unclear at this stage whether the announced measures will see a stepped increase (or decrease) in this operating cost for individual pharmacies. As with the NLW costs (and all other increasing cost pressures), pharmacies are unable to charge NHS patients directly to cover this cost burden.

- 4) **Budget 2025 change:** £300 million of additional capital investment in NHS technology, aimed at boosting productivity, improving digital integration, and enhancing communication between primary and secondary care through the NHS App.

Impact on pharmacy: Greater digital integration could streamline referrals, improve access to patient information, allow more efficient data flow and communication between NHS professionals, and support expansion of clinical services delivered in community pharmacies. However, this will need to include investment in community pharmacy's digital infrastructure to enable their full participation in digital health initiatives.

Conclusion

Community pharmacies are continuing to work hard to serve their local patients and communities, but the financial outlook remains bleak despite the funding uplift this year: our most recent analysis of statutory accounts shows the vast majority of pharmacy businesses continuing to report losses. The Budget 2025 will introduce further significant costs. **To protect critical services and access to medicines for patients, these must be mitigated, with progress also being made to close the current £2 billion funding gap for the sector.**



A fully supported community pharmacy network would have so much to offer patients and to help deliver the 10-Year Health Plan, offering a wider range of clinical services and helping to shift care closer to home. But this can only happen if pharmacies are economically viable. The impact of this Budget must be mitigated, and we must make progress towards a sustainable operating model for pharmacies, to prevent pressures from derailing the vision for the future.

Janet Morrison, Chief Executive of Community Pharmacy

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