

Monday 4 November 2024

Rt Hon Rachel Reeves MP
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Dear Chancellor

Re: The Impact of Budget Changes on Independent Community Pharmacies

I am writing on behalf of the Independent Pharmacies Association (IPA) to convey the serious concerns shared by independent community pharmacies nationwide regarding the recent Budget measures. I request that you, or your officials, meet with me to discuss urgent community healthcare issues that may arise, including the risk of unintended consequences leading to pharmacy closures. We strongly feel that such closures would undermine the Government's commendable goal of shifting more care into the community.

These concerns arise from the additional financial pressures stemming from increases to the National Minimum Wage and Employer National Insurance contributions. These changes intensify an already precarious funding landscape for pharmacies, which have not experienced a meaningful funding uplift since 2015. The IPA firmly believes that independent pharmacies should either be exempt from measures related to the increase to Employer National Insurance contributions or, at the very least, that the upcoming pharmacy contract negotiations must account for these added pressures in any funding settlement as an additional increase. I aim to use our meeting to highlight how addressing these issues, including those that particularly impact independent pharmacies, will undoubtedly support the Government's aspirations to enhance community care and save the NHS money.

The IPA's recent analysis reveals these new costs may burden the independent community pharmacy sector by over £125 million, averaging an additional £12,002 in annual costs per pharmacy. The independent high-street pharmacies we represent comprise a significant portion of the pharmacy sector and derive 95% of their income from NHS services. Our funding through the Community Pharmacy Contractual Framework has remained flat since 2015. Unlike supermarket-style pharmacy chains that have an extensive retail offering, independent pharmacies are fundamentally community healthcare providers. Consequently, independent pharmacies will struggle to absorb these additional costs in a way the larger chains may not. Independent pharmacies offer unique benefits but are also subject to unique pressures. We are one of the few places where patients can walk in off the street and find familiar faces ready to support them with their healthcare. However, due to our healthcare focus, we are particularly vulnerable to rising costs. Without intervention, independent pharmacies risk being severely damaged by policies which may be right for businesses, but will have significant unintended consequences for healthcare providers.



Since the establishment of the 2015 contract, community pharmacies have endured relentless cost increases — from pandemic-related challenges to surging prices — without any significant funding relief. We feel it is our duty to inform you that it would be a major loss if the current Budget measures were to push pharmacies to the brink, particularly now that this Government has rightly set ambitions to prioritise pharmacy and community care within upcoming NHS plans. In light of these challenges, we respectfully request that the Government consider exempting independent pharmacies from the increased Employer National Insurance contributions. This, along with other measures I intend to discuss in our meeting, would provide substantial relief to an essential component of our healthcare system.

Kind regards,

Dr Leyla Hannbeck – CEO of Independent Pharmacies Association