

Solving the NHS funding crisis: the video version

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This is the [video explanation of today's report](#) on funding the NHS:

https://youtu.be/_dPlriSA7X8

The transcript is:

Hello. I'm Richard Murphy. I'm professor of accounting at Sheffield University Management School. And I'm also director of a think tank called Finance for the Future and working with Finance for the Future I have today published a new report on how we can identify the scale of the NHS funding crisis and how we can tackle it.

Let's talk about what that report has to say. First of all, I have assumed that we want an NHS now that works as well as the NHS did when Labour left office in 2010, when without getting into party politics, I can honestly suggest that most people think the NHS was working pretty well. To do that I have identified that we would have needed to increase the funding of the NHS over the last 12 to 13 years by 4% in real terms a year. And that's a figure that the King's fund, the respected health service think tank, agrees with us well, And the reality is that has not happened. The reality is that the growth has only been about 1.6% per year. And so there's been a shortfall of 2.4% in funding year in, year out in real terms to address three issues.

Those issues are growing population, an aging population, and the increase in the cost of providing medical care because everything's simply getting more complex.

Add up the numbers over that period where there's been underfunding and what I can show very easily is that the underfunding per person now is over £400 pounds per year per person in the UK, or at least £28 billion pounds a year in total. But given that my numbers only run up to 2021, I suspect the figure has now reached in excess of £30 billion pounds a year by which the NHS is underfunded.

And that's a number that no political party in the UK is at present willing to talk about. I'm sure that is because they don't know how to fund a deficit, as they would think about it, of that scale. But I think they're wrong not to address the problem because we need a functioning NHS, because without health, there is no wealth in any economy. So how could we raise £30 billion pounds a year to pay for the NHS that we need.

Well, the first thing to say is that about half of that money would be raised as a result of spending it. There are things called fiscal multipliers. No, I don't want to go to deep technicalities here, but what they say is that when a government spends money, inevitably part of that money comes back to the government in the form of new taxes, which is hardly surprising because government spending increases growth and increases GDP. And we know that there's a pretty broad relationship between growth in GDP and growth in tax revenues. And then at a minimum those fiscal multipliers are, according to the international monetary fund, likely to be at least 30% of the spending.

So I assumed that one third of the £30 billion required to fund the NHS would come back in terms of direct extra tax as a result of the spending.

And then I assumed, because we have at the moment at least half a million people who have given up work in the last two years as a result of COVID and other related issues, that there may be many people who could go back to work because either their health conditions would be better managed if we spent more on the NHS or people they care for would have health conditions that were better managed, releasing them to work as well. In other words, we would reverse the crisis that we have in the UK workforce of losing people to ill health and therefore get a further boost to growth, which I reckon would be worth £5 billion of extra tax a year.

So half the money required to pay for the NHS we need would be paid for by paying for the NHS we need.

But what about the remaining £15 billion? Well, I pointed out two options and they're not surprising. One is to borrow in various ways and the other is quite simply to tax them more.

The borrowing: we could simply have the government borrow from the Bank of England. It's unlikely it'll do that, but it is technically possible.

It could also borrow more from the public, or pension funds, or whoever else it raises money from. And the amount involved would be tiny. Less than a percentage point or so of the national debt a year: nothing. Of any consequence.

Alternatively, you could do some more quantitative easing, something that we of course did to deal with crises in 2008 and 2016 with Brexit and 2020 with COVID. If it could be done then, then we could again fund the £15 billion easily. And the sums in question, in relation to quantitative easing to date would be tiny.

Alternatively, the Bank of England could cancel part of its quantitative tightening process where it's trying to sell bonds that it owns simply to tidy up its balance sheet and £15 billion pounds a year of extra bonds for the NHS could be substituted.

And finally, and quite innovatively. We could have National Savings and Investments raise new borrowing specifically for the sake of supporting the NHS through an ISA. And given that £70 billion a year goes into ISAs in the UK it's not impossible to imagine that a good marketing campaign could raise £15 billion a year for the NHS that way.

But if we want to pay in tax instead, and we might. There are options there to.

First of all, we could cut the subsidies for pensions and ISAs for the wealthiest 10% of people in the UK who get between them £30 billion of subsidy a year: twice the amount of money that we need to pay for the NHS that we must all have if we're to be safe in this country. Therefore we could halve their rates of tax relief and pay for the NHS we want.

Alternatively, we could double the rate of capital gains tax. Roughly £15 billion of capital gains tax is paid a year in the UK but the rate at which it's paid is half the income tax rate. If we equalised those rates as Nigel Lawson, a Conservative Chancellor once did, we could have sufficient funds to pay for the NHS we need.

There's another option. We now know that for every one pound spent on investigating tax abuse by HM Revenue and Customs, £18 pounds of extra revenue is generated. Just suppose we invested £1 billion of extra funds in HM Revenue and Customs. How much money we could raise for the NHS? Maybe enough to deliver the NHS we want.

And we could have some other options. We could, of course cancel the non domicile rule as Labour says, which would raise £3 billion and we could raise an extra tax on investment incomes above £5,000 pounds a year for people who aren't retired, because that's a lot of investment income, and charge that to 15% tax because those people don't pay national insurance on their earnings, unlike people who work and yet, of course, they do have access to the NHS. That would raise at least £6 billion a year.

The point is. There are lots of options available to us to fund the NHS we need.

What we haven't got our politicians who are willing to say that they would use these options to deliver that NHS, to build the foundation of the society that we want and to deliver the health that guarantees our wealth.

We need those politicians. And that's why I think that these ideas are important because unless we get them, we're going to remain in deep economic and social and health trouble. And I don't think this country can afford that.

Thanks for listening. The report that I'm talking about is available on the [Tax Research UK blog](#).