

Funding the Future

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Government ministers claim that the country cannot afford a fair settlement for the NHS, teachers and other essential public sector workers. They would apparently prefer that these services collapse than pay those living in them a fair rate of pay for the work they do.

Earlier this year I noted the suggestion that £30 billion was required to fund appropriate NHS pay deals and wrote a proposal to address the need to finance this, including the possibility that it simply be added to the deficit, which is wholly plausible. As I suggested then (summarised in the form used here by [Labour Heartlands](#)) this funding could be addressed as follows:

1) £10 billion could come from the additional taxes paid by those lured back to the NHS by better working conditions and higher pay, and by those lured back having given up on work altogether. The impact of the extra NHS spending on growth elsewhere in the economy is also taken into account in this estimate.

2) At least £5 billion might be raised from taxes paid by those able to return to the workforce either because their own conditions will be sufficiently well managed to allow this or because those that they care for will enjoy better health, letting them return to work.

So, at least half of the funding required will be directly generated from the benefits created by that additional spending. Options for the remaining £15 billion include:

3) A government could simply decide to run a bigger deficit to fund the £15 billion requirement. The impact on the national debt is insignificant.

4) The Bank of England currently has a programme of selling the government debt it owns bought under the quantitative easing programmes that paid for the banking crises of 2008/9, the Brexit crisis of 2016 and the Covid crisis of 2020/21. If £15bn of this programme was cancelled each year and bonds to fund the NHS were sold instead the funding to deliver the healthcare we need could be found. In this case, there would be no net impact on the national debt owned by third parties.

5) National Savings and Investments could issue NHS Bonds in ISA accounts to provide the funding. £70 billion is saved in ISAs each year. Properly marketed, it would be easy to find £15 billion a year this way.

6) Halving the tax reliefs on savings available to the wealthiest 10% of people in the UK each year. At present it is likely that this group enjoy at least £30 billion of pension and ISA tax reliefs each year.

7) Since the Public Accounts Committee of the House of Commons has found that for every £1 spent on tax investigations £18 of additional tax is raised, investing £1 billion in additional funding with HM Revenue & Customs might be enough to recover the funds required for the NHS each year.

8) The rate of capital gains tax in the UK is currently set at half the rate of income tax in most cases. If it was set at the same rate as the income tax rate then the revenue from this tax might double, raising £15 billion a year.

A full [report in this is available here](#).

A video version can be found here.

https://youtu.be/_dPlriSA7X8