

Lord Bethell

House of Lords
London
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Richard Hughes
Chair

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obr.uk

Request for confirmation OBR will include impact of UK health problems in calculations of growth

Dear Lord Bethell

Thank you very much for your letter and appreciation of the work of the OBR.

You cite reports of the potential scrapping of the Government's July 2020 *Tackling obesity: empowering adults and children to live healthier lives* strategy. Our normal forecast process takes policy measures (or reversals) with direct or indirect public spending impacts into account when these have been announced, or when the Treasury and other government departments notify us of them. In this instance, the strategy was launched in the midst of the pandemic – a point at which health-related forecast judgements came to the fore. This remains the case, with the pandemic having had material effects on many aspects of the economy and public finances through its implications for the health of the workforce, including as a result of backlogs in the NHS.¹ Health-related issues are likely to remain important for our forecasts of, for example, labour market participation and for health-related benefits spending, so we will continue to engage with the Department for Health and Social Care in order to understand any implications for our forecast – including from any changes to the Obesity Strategy should they arise.

Our forecasts are typically not adjusted to account for the marginal effects of specific public health strategies or initiatives that do not have direct tax or spending impacts. Rather, we make judgements based on the public health policy environment in the round and other trends affecting population health. In doing so we draw on engagement with the Department for Work and Pensions, the Department for Health and Social Care, the Office for National Statistics, and other experts within and outside government.

The medium-term forecasts presented in our *Economic and fiscal outlooks* typically consider trends in long-term sickness as a factor affecting labour market participation; the drivers of recent trends in incapacity and disability benefit claims when determining the outlook for welfare spending; and both the content of the Department for Health and Social Care's spending plans and pressures on the NHS in the outlook for health and social care spending. The latter is arrived at based on top-down judgements of underspending relative to allocated departmental budgets rather than a bottom-up assessment of volumes and unit costs.

Our long-term fiscal projections, contained in our *Fiscal sustainability reports* and our first *Fiscal risks and sustainability report* this July, set out 50-year paths for public spending based on long-run assumptions about the size and health of the population and the costs of the NHS and other services. In putting these projections together, we have analysed factors such as the relative roles of demographic factors and non-demographic cost pressures in

¹ See, Office for National Statistics, *Reasons for workers aged over 50 years leaving employment since the start of the coronavirus pandemic: wave 2*, 27 September 2022.

driving long-term health spending, including the role of overall life expectancy and healthy life expectancy in driving long-term fiscal pressures. Our projections assume that gains in overall life expectancy are not matched by gains in healthy life expectancy, meaning that more years are spent in ill-health. One driver of this is the rise in chronic health conditions, which is in part likely to be linked to changes in lifestyles, including increasing rates of obesity, are likely to raise the age-specific incidence of chronic conditions such as cardiovascular disease and diabetes and associated co-morbidities.²

Warmest regards,



Richard Hughes
Chair

² For further details, see: Licchetta, M., and M. Stelmach, *OBR Working Paper No.9: Fiscal sustainability and public spending on health*, September 2016.