ADULT SOCIAL CARE FUNDING

Thank you for your letter of 4 March 2017. In your letter you drew my attention to the Committee’s publication, *Adult social care: a pre-Budget report*, and its recommendation that ‘the National Audit Office build on its earlier work and determine the amount needed to meet the funding shortfall for the rest of this Parliament’.

I have considered what, within my remit as Comptroller & Auditor General, I can do to assist the Committee and have provided information in an annex to this letter which sets out:

- current estimates of a social care gap;
- the basis of the calculations; and
- some of the data limitations for each estimate.

The analysis demonstrates that organisations are actually describing different things when they calculate the funding gap. In some cases, they are describing the immediate funding needs of organisations in the sector (such as Local Authorities and providers). In others they describe the funding required to meet demand.

I hope this information will help the Committee determine what it considers to be the most appropriate basis upon which to calculate the gap and is helpful to its inquiry.

AMYAS C E MORSE
ADULT SOCIAL CARE FUNDING GAP

1 Background

1.1 In its pre-Budget report on the funding of adult social care, published on 4 March 2017, the Communities and Local Government Committee requested 'that the National Audit Office build on its earlier work and determine the amount needed to meet the funding shortfall for the rest of this Parliament'.\(^1\) The Committee called on the Treasury to 'commit to closing the funding gap in line with the NAO’s recommendation'. The Chair of the Committee subsequently wrote to the Comptroller and Auditor General to alert him to the recommendation. This note is a response to that request.

1.2 The National Audit Office does not comment on policy, including policy on adult social care nor the level of funding which is appropriate. Therefore, we have provided the Committee with analyses of the main estimates of the funding gap, what they measure and the reliability with which they measure it, to aid its inquiry.

1.3 We have examined eight different assessments, made by a range of charitable and research organisations working within and representing the adult social care sector, calculated in various different ways. As Full Fact has said “There isn’t a single estimate for the size of the adult social care spending gap in England. Different experts factor in different things when looking at the gap and calculate it differently.”\(^2\) The assessments variously cover:

- The gap between current spending forecasts and spending per capita at various points in the past.
- The amount of money required to deal with current service pressures, whether in the private or public sector.
- The gap between current spending forecasts and forecast growth in spending on social care.
- The gap between current spending forecasts and forecast need for social care services.

All the assessments involve implicit judgements about what social care services should be provided to citizens by the government and what the criteria for eligibility should be.

1.4 We include, at the end of the document, long-term estimates from the Office for Budget Responsibility and the Organisation of Economic Cooperation and Development of future social care spending. These estimates illustrate that any ‘gap’ in social care funding is dynamic rather than fixed.

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\(^1\) Communities and Local Government Committee Adult social care: pre-budget report (March 2017) p. 25

\(^2\) Full Fact The adult social care spending gap May 2017
## Summary of estimates of the adult social care funding gap

<table>
<thead>
<tr>
<th>Date</th>
<th>Organisation</th>
<th>Estimate of gap</th>
<th>Year gap applies to</th>
<th>Basis of estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>November 2015</strong></td>
<td>The Spending Review and Autumn Statement 2015 introduced the social care precept: the option for local authorities to raise council tax by an additional 2% per year from 2016-17, estimated to raise up to £2 billion per year by 2019-20. It also introduced additional central funding for adult social care, £1.5 billion by 2019-20, to be included in an improved Better Care Fund.</td>
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<tr>
<td><strong>January 2016</strong></td>
<td>Association of Directors of Adult Social Services (ADASS)</td>
<td>£1.6 billion</td>
<td>2017-18</td>
<td>Demographic, inflationary and other funding pressures on local authorities. ADASS emphasised that assumptions around demography were ‘conservative’.</td>
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<tr>
<td></td>
<td></td>
<td>£1.4 billion</td>
<td>2018-19</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>£1.1 billion</td>
<td>2019-20</td>
<td></td>
</tr>
<tr>
<td><strong>November 2016</strong></td>
<td>King’s Fund, Health Foundation and Nuffield Foundation</td>
<td>£1.9 billion</td>
<td>2017-18</td>
<td>Comparison to a 4% rate of increase in the total cost of delivering social care, factoring in increase in demand, inflationary pressures and ADASS’s assessment of the cost of the introduction of the National Living Wage.</td>
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<tr>
<td></td>
<td></td>
<td>£2.3 billion</td>
<td>2019-20</td>
<td></td>
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<tr>
<td><strong>December 2016</strong></td>
<td>The Government announced that local authorities could, from 2017-18, increase the social care precept to up to 3% each year (up to a maximum of 6% over the three years to 2019-20). It also announced that £240 million would be diverted from the New Homes Bonus to social care.</td>
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<tr>
<td><strong>February 2017</strong></td>
<td>Institute for Fiscal Studies</td>
<td>£1.3 billion (low) or £2.5 billion (high)</td>
<td>2019-20</td>
<td>Gap if per capita spend was maintained at 2015-16 levels to 2019-20 (different scenarios reflect different spending levels by local authorities).</td>
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<tr>
<td></td>
<td></td>
<td>£2.8 billion (low) or £4 billion (high)</td>
<td>2019-20</td>
<td>Gap if per capita spend was maintained at 2009-10 levels to 2019-20 (different scenarios reflect different spending levels by local authorities).</td>
</tr>
<tr>
<td><strong>February 2017</strong></td>
<td>Age UK</td>
<td>£5.75 billion</td>
<td>2019-20</td>
<td>Amount needed to provide care to every old person with one unmet care need by 2020.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>£1.65 billion</td>
<td>2019-20</td>
<td>Amount required to maintain current system for elderly people by 2020.</td>
</tr>
<tr>
<td><strong>March 2017</strong></td>
<td>Health Foundation</td>
<td>£2-2.1 billion</td>
<td>2017</td>
<td>Gap extrapolated from review of 25 Sustainability and Transformation Partnerships’ plans.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>£4.4 billion</td>
<td>2020</td>
<td></td>
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<tr>
<td><strong>March 2017</strong></td>
<td>The Spring Budget committed additional grant funding of £2 billion to social care over the 3 years 2017-18 to 2019-20, with £1 billion available in 2017-18.</td>
<td></td>
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<tr>
<td><strong>October 2017</strong></td>
<td>Local Government Association</td>
<td>£1.1 billion</td>
<td>2017-18</td>
<td>Difference between current spending and spending assessed against demographic change and provider pressures.</td>
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<tr>
<td></td>
<td></td>
<td>£1.9 billion</td>
<td>2018-19</td>
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<td></td>
</tr>
<tr>
<td><strong>November 2017</strong></td>
<td>King’s Fund, Health Foundation and Nuffield Trust</td>
<td>£2.5 billion</td>
<td>2019-20</td>
<td>Gap between current forecast spending, cost pressures and updated estimates of social care demand.</td>
</tr>
<tr>
<td><strong>November 2017</strong></td>
<td>Competition and Markets Authority</td>
<td>£0.9-1.1 billion</td>
<td>Ongoing</td>
<td>Cost of funding providers (care homes only) full cost of each adult social care placement.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Extra £1-2 billion</td>
<td>2025</td>
<td>Illustrative extrapolation of further costs required for care home provider market.</td>
</tr>
</tbody>
</table>

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4 Department of Communities and Local Government [Dedicated adult social care funding forms key part of continued long-term funding certainty for councils](https://www.gov.uk/government/publications/dedicated-adult-social-care-funding-forms-key-part-of-continued-long-term-funding-certainty-for-councils) December 2016

The two comprehensive estimates made since the Spring Budget in March 2017, by, respectively, the Local Government Association and a collaboration of the King’s Fund, the Health Foundation and the Nuffield Trust, used similar methodologies and came to the same figure — a gap of £2.5bn by 2019-20. They both considered the increase in need for care because of demographic change, policy changes (principally the roll out of the National Living Wage), and additional funding to stabilise the provider market. In addition, the Competition and Markets Authority has recently reported, from a detailed review of care home financial information, that the care home market across the UK (therefore excluding domiciliary care) is underfunded by around £1 billion.

3.3 These three estimates, accounting for differences in the bases of calculation, are consistent. While we have not been able to interrogate the detail behind all the estimates, they are consistent and comparable with earlier estimates. The other estimates have been superseded by government announcements of additional funding for adult social care made in December 2016 and March 2017.

3.4 Our analysis is designed to help the Committee scrutinise the Government’s plans for the funding of social care, in the 2018 Main Estimates and may help the Committee in its newly announced joint inquiry into the long-term funding of adult social care. This examination might include scrutinising the Government’s assessment of some of the issues identified above: including:
the stability of the provider market;
• demand for social care based on demographic and other pressures;
• Departmental assessment of what local authorities should provide as social care services to meet demand, considering the balance across publicly funded care, self-funded care, informal care and unmet need;
• demographic change;
• the local authority financial context;
• one-off policy events which have an impact on the cost of social care (such as the introduction of the National Living Wage); and
• other issues that the Committee consider relevant.

3.5 The Committee may also seek to use this analysis to scrutinise any plans from the Government, as they emerge in the Social Care Green Paper in the summer of 2018, for the long-term funding of social care.

4 Estimates of Social Care Funding Gap

4.1 Association of Directors of Adult Social Services

In advance of last year’s Autumn Statement, the Association of Directors of Adult Social Services (ADASS) estimated what it thought at that point was the funding gap. It calculated that the gap was £1.6 billion in 2017-18, £1.4 billion in 2018-19 and £1.1 billion in 2019-20.6

ADASS, in its evidence to the Health Select Committee in January 2016, broke down the elements of this gap.

ADASS noted that its estimates did not take account of the amounts of money that some providers argued they needed to stabilise their business models. It also said that the gap in the early years would have an effect beyond that first year.7

• Demographic/inflationary impacts of £0.6 billion in 2017-18, £1 billion in 2018-19 and £1.5 billion in 2019-20. This is drawn from the LGA/ADASS future funding outlook model which uses private sector pay growth assumptions to reflect the nature of workplace inflation. ADASS noted that this is 'conservative' and using different models would generate higher estimates of inflation and demography.
• National Living Wage and National Minimum Wage effects of £1.1 billion in 2017-18, £1.3 billion in 2018-19 and £1.6 billion in 2019-20. These figures were calculated using data from the Resolution Foundation. The Resolution Foundation calculated these based upon the National Minimum Data Set for Social Care, 2015 workforce totals from Skills for Care and Office for Budget Responsibility economic forecasts in 2015.8
• Deprivation of Liberty Safeguarding pressures of £0.2 billion each year. This estimate was based upon an estimate by the Law Commission that the annual benefit would be £176 million.9 (This is the high estimate of the annual benefit - the low estimate is £66 million)
• Reduced local government funding of £0.6 billion in 2017-18, £0.9 billion in 2018-19, and £1.1 billion in 2019-20. ADASS argued that as 'local authorities spending power is estimated to drop by an average of 8% [by the IFS]', there would be a ‘proportionate reduction in centrally funded local government spending’ ‘from adult social care budgets of 8%’.10

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6 Association of Directors of Adult Social Services Pre Autumn statement representation by the Association of Directors of Adult Social Services (2016)
7 Association of Directors of Adult Social Services Pre Autumn statement representation by the Association of Directors of Adult Social Services (2016)
8 Resolution Foundation Care to pay: meeting the challenge of paying the National Living Wage in social care November 2015
10 ADASS Written Evidence
The gap it calculated includes the impact of the increased funding available in 2016 for each year but does not include subsequent changes (for example, in the Budget in 2017). The ADASS figures are also based on analysis that dates mostly from 2015.

4.2 Health Foundation, Nuffield Trust and King’s Fund

These three organisations published an estimate in advance of the spending review in autumn 2016. Their estimate included two components:

- An estimated increased cost for the National Living Wage of £600 million derived from the Association of Directors of Adult Social Services.
- An estimated increase per year of 4% in the costs of social care derived from an academic study done by Raphael Wittenberg and Bo Hu. This analysis depends upon the use of the Personal Social Services Research Unit model. The researchers coded in assumptions about the future UK population and GDP based on 2015 data and arrived at this figure. This estimate led them to assume a funding gap of £1.9 billion in 2017-18 and £2.3 billion by the end of this Parliament (as the assessment was published in the 2015-17 Parliament, this must relate to 2019-20).

There are limitations to the research upon which this estimate was based. As Hu and Wittenberg themselves say ‘these findings need to be treated with some caution.’ The authors state that they are built upon extrapolating ‘future socio-economic and demographic trends’, used 2015 data as their base, relate to the current funding system and do not allow for the impact of rising expectations of services.

4.3 Institute for Fiscal Studies

The Institute for Fiscal Studies (IFS) published four estimates of the social care funding gap, based on differing assumptions, in its Green Budget report in 2017 before the March budget. Its estimates therefore did not include the changes made in the Spring Budget.

<table>
<thead>
<tr>
<th>Protection of social care by local authorities</th>
<th>Return to 2015-16 per capita levels of spending in 2020</th>
<th>Return to 2009-10 levels of per capita spend in 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Protection of social care by local authorities</td>
<td>£1.5 billion</td>
<td>£2.8 billion</td>
</tr>
<tr>
<td>No protection of social care by local authorities</td>
<td>£2.5 billion</td>
<td>£4 billion</td>
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</tbody>
</table>

In the Green Budget, the IFS provided a description of its methodology. It said that it had made several assumptions about the funding available to local authorities - for example that authorities will raise the full available council tax precept.

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Raphael Wittenberg and Bo Hu say for the older people spending will rise from £6.9 billion to £17.5 billion and for younger people from £8.4 billion to £18.4 billion. Overall that means expenditure rising from £15.8 billion to £36.6 billion - an annual increase of 4.3%. Raphael Wittenberg and Bo Hu Projections of demand for and costs of social care for older people and younger adults in England 2015-35 PSSRU Discussion Paper 2900 (September 2015) p. 7-8, 11

Raphael Wittenberg and Bo Hu Projections of demand for and costs of social care for older people and younger adults in England 2015-35 PSSRU Discussion Paper 2900 (September 2015) p. 3

Health Foundation, Nuffield Trust and King’s Fund The Autumn statement: joint statement on health and social care (November 2016) p. 16

Raphael Wittenberg and Bo Hu Projections of demand for and costs of social care for older people and younger adults in England 2015-35 PSSRU Discussion Paper 2900 (September 2015)
The IFS’s estimates were not really estimates of the gap but the differences between current funding, funding in 2015-16 and funding in 2009-10, per capita. This means that they included the effects of demographic change and the effects of cuts in budgets, but they did not include the effects of one-off events (for example, the introduction of the National Living Wage) which change costs, the effects of changes in the efficiency of the delivery of the service (lowering costs) or non-demographic changes in demand for social care.

4.4 Age UK
Age UK published an estimate of the funding gap in February 2017. In its estimate, Age UK provided two figures. Firstly, Age UK argued that it would take £1.65 billion to maintain services for elderly people at their current levels. Secondly, it estimated that it would take £5.75 billion by 2020 to provide social care for elderly people with one unmet care need.15

To arrive at this second estimate, Age UK examined the English Longitudinal Study of Ageing from 2014 to assess the unmet need for care, expanded this selection to the population as a whole and estimated the cost of assisting with different levels of need.16

4.5 Health Foundation
In March 2017, the Health Foundation published an estimate of the gap between social care funding and need. It estimated that in 2017-18 the social care funding gap is £2-2.1 billion. It estimated that by 2019-20, this gap would have expanded to £4.4 billion.17

This was based upon assessments made by 25 of the 44 Sustainability and Transformation Partnership (STP) areas.18 The Health Foundation then prorated these using the Office for National Statistic’s metrics for the entire population. It examined a mean gap and a median gap (ensuring that outliers would not be over represented in the results). Both metrics resulted in a gap of around £2 billion.

The Health Foundation assessed whether these 25 STPs were different from the country as a whole in terms of numbers of poor pensioners, pensioners living on their own and numbers of pensioners who had health difficulties making them eligible for the individual attendance allowance. It also assessed whether the 25 STPs had a different pattern of delayed transfers of care, had not implemented the council tax social care precept, or had lower spending on social care. It found no statistically significant difference in these measures to the rest of England.

The Health Foundation acknowledged that it did not perform the initial analysis and it do not know how the STPs themselves assessed unmet need. It acknowledged that these estimates might be derived from inconsistent methodologies.19 It also said that its interviews suggested that these figures were underestimates rather than overestimates.20

4.6 The King’s Fund
The King’s Fund provided an estimate of the adult social care funding gap to MPs in its briefing on the Queen’s Speech in 2017. It estimated the gap at £2.1 billion.21 The estimate was referenced to an article published in May 2017 in the Guardian and on its website by their Head of Social Care, Richard Humphries.22 It is unclear what the basis for this figure was.

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15 Age UK Briefing Health and care of older people in England 2017 (February 2017) p. 20
16 J ose Ipparaguirre How much would it cost to meet the unmet needs of older people in England (September 2015)
17 Health Foundation Briefing: the social care funding gap: implications for local health reform March 2017 p. 6
18 STPs were not required to assess this gap. 25 of the STPs chose to do so, 19 chose not to do so.
19 Health Foundation Briefing: the social care funding gap: implications for local health reform March 2017 p. 7
20 Adam Roberts (Health Foundation) How big is the adult social care funding gap Public Finance March 2017
21 King’s Fund Briefing: House of Commons debate on the address: health, social care and security June 2017
22 Richard Humphries We have to address the faultline between social care and the NHS May 2017
4.7 Local Government Association

The Local Government Association (LGA) publishes regular estimates of the adult social care funding gap. In October 2017, it suggested that local government as a whole faced a funding gap of £5.8 billion by the end of 2020.\textsuperscript{23} Its most recent estimate of the gap relating to social care was £2.3 billion in 2019-20.

Its calculation of the gap was made up of two elements: by the end of the period, there will be

- A £1 billion gap attributed to ‘core pressures of demography, inflation and the National Living Wage’; and
- £1.3 billion gap required to ‘stabilise the provider market’ - this is the ‘amount needed to close the gap between what social care providers say they need and what councils currently pay’.\textsuperscript{24}

It is unclear from the LGA report who it spoke to in sourcing this figure.

It is unclear from the report what methodologies were used to test or assess these claims.

The LGA also argued that the funding increases since the 2015 Spending Review have not been added into council’s baselines and this means that the increases will not necessarily continue beyond 2020.\textsuperscript{25}

The LGA qualified this assessment by saying that it did not include sleep-in costs (when a worker sleeps in their place of work - Government guidance now says that this counts as work that should be paid at the National Living Wage). The LGA said that the Government confirmed in July that employers would have to pay 6 years back pay to their staff who are found to have been underpaid for sleep-in shifts, and start paying the National Living Wage for sleep-in shifts. The Government confirmed that, in the future, employers who do not meet this will face financial penalties. The LGA estimated that this could cost employers as much as £400 million for back pay in the learning disabilities sector alone, with an ongoing cost of £200 million a year for that sector. The LGA also noted that this may apply to individuals who pay for their own carers, including through personal budgets, and that may also impact on local authorities’ budgets.\textsuperscript{26}

4.8 Competition and Markets Authority

In November 2017, the Competition and Markets Authority (CMA) published a market study of social care. It examined the pricing within the care home market only and did not examine domiciliary care. It found that the ‘average fees paid by local authorities are below the full costs involved in serving these residents’ and that providers could not cover their operating costs and costs of capital. The CMA reported that, currently, care homes reliant upon local authority income are not able to cover investment costs. It estimated that ‘LA-fees are currently on average as much as 10% below cost for these homes, equivalent to around a £200 to £300 million shortfall in funding across the UK’.\textsuperscript{27} The CMA assessed that ‘many care homes are relying on higher prices charged to self-funders to remain viable’, and that ‘if local authorities were to pay the full cost of care for all residents they fund, the additional cost to them would be £0.9 billion to £1.1 billion a year (UK wide)’.\textsuperscript{28} The CMA further found that by 2025, in an illustrative extrapolation, an extra £1-£2 billion per year will be needed.\textsuperscript{29}

The CMA arrived at these figures by analysing two data sources: Companies House financial statements for 5,763 care home companies, ‘the largest dataset that has been used for financial analysis of the sector’, and detailed financial information between 2015 and 2017 for 26 large providers, including care home data for over 2,000 homes operated by these providers. It analysed

\textsuperscript{23} Local Government Association \textit{Adult Social Care Funding State of the Nation} October 2017 p. 6
\textsuperscript{24} Local Government Association \textit{Adult Social Care Funding State of the Nation} October 2017 p. 13
\textsuperscript{25} Local Government Association \textit{Adult Social Care Funding State of the Nation} October 2017 p. 13
\textsuperscript{26} Local Government Association \textit{Adult Social Care Funding State of the Nation} October 2017 pp. 13-14
\textsuperscript{27} Competition and Markets Authority \textit{Care Homes Market Study: Final Report} p. 13
\textsuperscript{28} Competition and Markets Authority \textit{Care Homes Market Study: Final Report} p. 14
\textsuperscript{29} Competition and Markets Authority \textit{Care Homes Market Study: Final Report} p. 15
the operating profits and net profits of these firms, and the likelihood of further investment in them at the current rates of profits generated.\(^{30}\)

**4.9 King’s Fund, Health Foundation and Nuffield Trust**

They estimated a gap of £2.5 billion in their Autumn Budget submission. The analysis was performed by the Health Foundation and include updated estimates for the costs of the National Living Wage, sleep-in pay (both back pay and future costs) and updated estimates of social care demand. The gap calculation factored in these pressures and, after subtracting the new social care precept and the Better Care fund, estimated the gap.\(^{31}\)

The detailed analysis behind this estimate has not been published. The authors of the report said that they assumed that local authorities will spend the same proportion of their expenditure on social care. They also stated that the effect of the adult social care precept change (to 3% in two years, rather than 2% each year for three years) has no effect on available funding for 2020.

**4.10 Other calculations**

There have been other calculations of particular gaps within the social care market:

- LaingBuisson published analysis in January 2017 which indicated that self-funders were effectively subsidising a gap of £1.3 billion left by local authorities.\(^{32}\) The analysis was based upon LaingBuisson’s estimates of costs per place versus their estimates of the fees paid.
- London Councils calculated that London faced a gap in social care funding of £285 million in 2020. This figure was based on demographic trends in the capital.\(^{33}\)

**5 Long-term pressures on funding**

**5.1 Office for Budget Responsibility**

In July 2017, the Office for Budget Responsibility (OBR) published a report about the fiscal risks facing the UK. It did not specifically comment on a current gap in social care funding. It did, however, say that it expected that ‘spending on adult social care would rise from 1.1 per cent of GDP in 2021-2 to 2.0 per cent of GDP in 2066-7’.\(^ {34}\)

In the OBR’s view, much of this rise will be fuelled by ‘Baumol’s cost disease’ - the tendency for costs in labour intensive parts of the economy to rise faster than costs in the economy - and the rise in long-term conditions amongst the general population.\(^ {35}\)

The OBR acknowledged that its forecast was heavily dependent on assumptions about government policy, demography and the incidence of disability at different ages.

- The OBR presumed that future governments will ‘increase spending on health and social care to accommodate long-term cost and demand pressures’.\(^ {36}\)
- The OBR stated in its report that it worked on four scenarios relating to the way that the population ages (young age, high migration, low migration, old age) in addition to its central forecast. The variance between these was quite substantial, with the young age forecast suggesting a 5% of GDP rise in health and social care spending versus the old age forecast which suggested a rise just below 9% of GDP in spending on health and social care.
- The OBR also said that it had adopted assumptions about the way in which disability increases with age. It noted that there is ‘considerable uncertainty around the likely impact of

\(^{30}\) Competition and Markets Authority *Care Homes Market Study: Final Report* p. 55, 59-60

\(^{31}\) King’s Fund, Health Foundation and Nuffield Trust *The Autumn Budget: Joint Statement on Health and Social Care* (November 2017) p. 20-21

\(^{32}\) LaingBuisson *Care Homes funding shortfall leaves self-funders filling £1.3 billion gap* (January 2017)

\(^{33}\) London Councils *The social care funding gap* (2017)

\(^{34}\) Office for Budget Responsibility *Fiscal Risks Report* (July 2017) p. 166

\(^{35}\) Office for Budget Responsibility *Fiscal Risks Report* (July 2017) p. 156

\(^{36}\) Office for Budget Responsibility *Fiscal Risks Report* (July 2017) p. 164
rising longevity on disability rates', noting conflicting conclusions from different studies. Its central projection assumed that the 'age specific prevalence of needing care is constant'.\textsuperscript{37}

These uncertainties could effect the levels of spending on social care.

5.2 Organisation of Economic Cooperation and Development

In 2013, the Organisation of Economic Cooperation and Development (OECD) estimated the growth in spending on long-term care up to 2060 amongst its members. These estimates were based on assumptions about demography, the ratios of dependence at different ages, the costs of long-term care (especially their increasing costs when compared to other sectors of the economy) and current policy.

It estimated that the UK would see growth of 0.9\% of GDP on this market. This estimate was one of the lower estimates among its members.\textsuperscript{38} While the study authors did not specifically comment on the UK example, there were several features which suggested why there is a difference.

- The UK's demographic increase in social care spending is determined to be only 0.1\% of GDP, as opposed to other countries, such as France and Germany, which have higher (0.2\% or 0.3\%) levels of demographic change in their social care bill.\textsuperscript{39}
- The study included several advanced economies but also others which have different labour market structures. The study authors commented that 'differences in the initial level of female [labour market] participation rates... also explain the differences across countries.'\textsuperscript{40} The UK currently has above average female labour market participation rates (73\% in the UK, whereas the OECD average is 67\%).\textsuperscript{41}

These estimates predate the OECD decision to reclassify some of the UK's expenditure from long-term care to healthcare.

\textsuperscript{37} Office for Budget Responsibility \textit{Fiscal Risks Report} (July 2017) p. 169
\textsuperscript{38} This analysis was done before a revision to the OECD's health statistics which classified much of the UK's social care spending as health spending within the OECD's statistics. Christine de la Maisonneuve and Joaquim Oliveira Martins \textit{Public spending on health and longterm care: a new set of projections} (2013) p. 31
\textsuperscript{39} Christine de la Maisonneuve and Joaquim Oliveira Martins \textit{Public spending on health and longterm care: a new set of projections} (2013) p. 31
\textsuperscript{40} Christine de la Maisonneuve and Joaquim Oliveira Martins \textit{Public spending on health and longterm care: a new set of projections} (2013) p. 32
\textsuperscript{41} OECD \textit{Labour force participation statistics for 2016} (excludes Brazil, Indonesia, India and China)