FINANCE COMMITTEE

DEMOGRAPHIC CHANGE AND AGEING POPULATION INQUIRY

SUBMISSION FROM FIFE COUNCIL

Initial comments
1. Fife Council welcomes the opportunity to comment on the topic of the impact of demographics on the sustainability of funding, and in particular the sustainability of funding as it pertains to the local authority sector in particular. The consultation questions reflect the remit of the inquiry to covering more than just local authority responsibilities. Our comments are therefore limited to what we know within a local authority context.

2. A key message from the round table discussions and other evidence already provided to the committee is that there is an evolving evidence base. Evaluating underlying trends and policy impacts therefore poses some challenges. As such our response primarily highlights the issues that we see around the topics rather than providing significant amounts of additional statistical evidence to what the committee has already been provided.

General
What is your view of the effects of demographic change and an ageing population on the sustainability of funding for (a) health and social care and (b) housing services and (c) public pensions and the labour force? What public services will individuals increasingly call on and in what way?

Further, what planning is being done, or should be done, to address this?

What weight should be given during the annual budget process to demographic trends and projections?

What data is collected (and what should be collected) with respect to (a) health and social care and (b) housing services and (c) public pensions and the labour force, and what use is made of this (or should be made) to forecast what funding will be needed?

Our response looks at questions 1 – 4 in its entirety.

3. In general, we think that, all other things remaining equal, demographic change will exert upward pressure on council expenditure. This will in particular arise from demand for social care services and associated housing services however, for some local authorities, there will be some extra demands on the education service, where school rolls rise: for example around areas with significant housing development. There will also be secondary impacts arising from the projected falling household size. If smaller households result in a greater housing stock councils will also have some marginal uplifts on the length of roads to maintain and the number of properties from which waste is collected from.
Financial Planning at a Corporate Level

4. The council monitors high-level expenditure trends over time and it is fair to say that even after adjusting for inflation, expenditure on key services such as social work has risen in real terms in recent years. The limited evidence base shows that when analysing, for example, the expenditure on social care services for older persons there has been a positive relationship between the growth in this expenditure and the growth in the population aged 75 years or more. Linking this to projections of population growth allows some estimation of what increases in expenditure may occur in the medium to long term. That simple extrapolation would suggest expenditure in the older persons service may rise by approximately 43% over 10 years. In the current economic climate, it is highly unlikely that additional funds will be forthcoming from the local government settlement to meet these extra costs.

5. There are a number of qualifications to these statistics that re-inforce the importance of continually monitoring updates to existing data publications, and developing new data sources to better understand the underlying position of our clients and the associated costs.

6. First, as has been highlighted in others evidence to Finance Committee, the population projections are not forecasts. They are just extrapolations of recent trends. Outcomes can vary significantly, particularly in the long term. The projections for Fife are a case in point. Looking as far back as the 1994 based projections shows that GROS were projecting the population to stay fairly stable rising from 352,100 in 1994 to 352,663 in 2011\(^1\). The latest mid-year estimates for Fife suggest a population of 367,370 in mid-2011\(^2\). The intervening 15 years has seen a significant change in population dynamics, and the NRS have reflected the relevant changes in the assumptions now used in their projections. The above example is made to highlight that the projections are not a given.

7. Having said that, varying assumptions will have differing impacts on specific age groups. In the 2010 based variant projections for Fife, the variance between projections of the working age population is high: the high migration projection of working age persons in 2023 is 11,968 higher than the low migration equivalent. However, for older age groups all the variant projections show little variation in the outcomes. The difference between the high migration and low migration projections for those aged 75+ in 2023 is only 227 persons. [Varying mortality assumptions from the principal projections also only varies the older persons’ population by 819\(^3\) persons in 2023]. These variations are in the context of a principal projection for Fife that suggest a minimum of an extra 13,711 people aged 75+ plus (taking their number to 42,890) by 2023. So while projections are not a given, there is some greater degree of certainty over the path of growth of the older population, with significant implications for planning of services for this age group, irrespective of the specific projection used.

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\(^3\) When comparing the numbers of people aged 75 years plus in the 2010-based principal population projection for Fife with its low life expectancy variant
8. The second important aspect is that our analysis of demographic pressures is based on recent cost trends, which themselves are based on the current models of service delivery. In part due to the fiscal constraints the public sector faces, as well as other factors, new ways of delivering services are being designed. New models, such as Self-Directed Support, but also the integration of Social Care and Health may bring new cost bases, so moving forward, these changes will have to be accounted for. There will likely still be a link with demographic trends, but the recent historic cost trends may not represent the future unit costs.

9. Fife Council therefore reviews its intelligence annually. We will continue to work on understanding the changing needs of individual clients, and the associated future costs as new models of service delivery are implemented. We believe it will be important to build up new time series of data that reflect these new ways of delivering services and we can then utilise these to inform budgetary decisions.

10. We turn now to what planning is, or should be delivered. As far as Fife Council is concerned, we already take a proactive stance in accounting for demographics in our financial planning. At a corporate level, utilising national and local intelligence (including that mentioned earlier) we maintain a Long-Term Financial Planning model that provides a principal scenario of the costs associated with demographic change for a rolling 10 year time horizon. Regular updates are made available to the administration, so they can take into account the longer term horizon when making strategic decisions. The outputs of the model are integrated into our budgetary process, allowing Members to consider and, where they wish to, allocate monies for demographic pressures in the 3 year Financial Plans the council agrees.

11. We consider that it is important to account for demographics. We will therefore continue to follow these above procedures. If anything, we intend to take a more sophisticated approach, accounting for population trends/service delivery models as and when new intelligence becomes available.

**Service level modelling**

12. In addition to the above corporate financial planning approaches, some services also have specific guidance that means they account for demographics in their planning. For example, the Housing (Scotland) Act 2001 places a statutory requirement on local authorities to prepare a local housing strategy supported by an assessment of housing need, demand and condition. Demography is well integrated into housing policy thinking, although there is capacity to develop more change sensitive thinking both nationally and locally.

13. As with other services, Housings actual budget is set on a rolling 3 year basis – The longer-term perspective on housing need and demand should be achieved through robust business planning, ensuring the ‘future-proofing’ of investment and the long term sustainability of housing. (Housing does have a 30 year business plan to support and inform decision-making.)

14. There is a wealth of base data collated in support of Housing Need and Demand Assessments, supported by guidance issued by the Scottish Government.
This is used to inform the need for investment in housing and housing-related services through the Local Housing Strategy and housing business planning processes. It is important to recognise though that this data is used to make assumptions and model the outcome. But should the assumptions be varied slightly, outcomes can be significantly different.

15. Therefore, overall, there are benefits in not being too prescriptive about outcomes in the long term, as needs may change as population dynamics change over time. Understanding the trend / direction of demographic change is important. Continually reviewing these trends allows a range of potential outcomes to be considered in formulating organisations’ medium and long term financial plans.

**Carers & Older Persons Data Requirements**

16. Looking at carers, none of the research on the topic, in Fife, Scotland or the UK has highlighted the extent to which older people can be carers in parallel to older people requiring carers. Having data on this would assist Partnerships to plan for the needs of older people. Furthermore, in making submissions for funding from the Change Fund, local authorities have been asked for information on this topic.

17. Arguably, central research on the topic would derive some efficiencies. As such, we believe there is a need get nationally researched data on both:

- Carers for older people, and
- Carers who are elderly themselves

**Health and social care**

*To what extent are preventative policies such as the Change Fund key to addressing demographic pressures on the provision of health and social care?*

18. The key policy for health and social care services for older people in Scotland is the **Reshaping Care for Older People** programme. This programme aims to ensure that older people are helped to remain at home and that people with complex needs are well supported by all parts of the care system.

19. The key health issues for older people (long term conditions, stroke, sensory impairment and dementia) mean that, if health and social care services continue to be arranged as at present, the increasing older population will result in a huge increase in demand for inpatient beds, houses suitable to their care and support needs, care home places and home care packages. Taking the projected population increase into account, and if services in Fife were to remain as at present, an additional 120,000 emergency admission bed days would be required for people aged 65 and over in 2033 compared to 2008/09 (from 164,921 in 2008/09 to 285,313 in 2033).

20. The Change Fund provides bridging finance to facilitate shifts in the balance of care from institutional and bed-based models of care to primary and community

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4 Fife Health & Social Care Partnership *Joint Health & Social Care Strategy for Older People in Fife 2011- 26*

settings. The Change Fund is part of the Re-Shaping Care programme (introduced in 2011 for a four year period to enable health and social care partners to implement local Change Plans for making better use of their combined resources for older people's services).

21. The Change Fund is enabling Fife Health & Social Care Partnership to further develop:

- Integrated Care & Support Service (ICASS), inc. Single Points Of Access
- Re-ablement approach in residential, day and home care
- Dementia and frailty model of care
- Local Area Co-ordination and Community Capacity Building
- Telecare

22. In the absence of the Change Fund, the introduction of these innovative community-based services to prevent people from being unnecessarily admitted to hospital or being delayed in discharge from hospital would have progressed at a much slower pace. The demand for inpatient beds, houses suitable to their care and support needs, care home places and home care packages would have continued to rise steeply.

23. Fife’s Change Plan incorporates partnership working with the third and independent sectors as the Partnership has recognised that older people are a great resource within our communities and, in terms of informal care, actually provide more services than they receive (2). This partnership working builds community capacity to further develop this resource.

**To what extent are the pressures on health and social care a consequence of an ageing population as opposed to other health challenges such as obesity?**

24. A growing proportion of Fife’s population has specific health and social care needs arising from general frailty or from a disability. The Fife Health & Wellbeing Alliance’s Health & Wellbeing Plan 2011/14 states “a varied and complex range of individual, social, economic and environmental circumstances work together to affect our health and wellbeing - income, employment, education, work and living situation, housing, family relationships and community connections, our individual experience of physical and mental health, gender, disability and ethnicity.”

25. Evidence shows that the more disadvantaged a person’s life circumstances, the worse his or her health is likely to be, but that individuals and communities differ in the way disadvantage impacts on their health and wellbeing. The impact of health inequalities, e.g. poverty or disability, compound the issues arising from an ageing population.

**Housing**

*What is likely to be the main pressures on both the public and private housing stock arising from demographic change and what action should government and other public bodies be taking now to address this?*
26. The changing demographic profile and ageing population implies a rising level of housing need and demand within Fife from now until at least 2030. It is clear that the changing demographics will lead to a significant re-profiling of age and household size and that will have considerable implications for investment, restructuring and service demands. There is an emerging recognition that the demographic and economic changes have markedly shifted the life courses of younger households in ways that housing policy has yet to fully recognise. Failure to adapt and to keep pace with investment will exacerbate poor social outcomes and hamper economic competitiveness. The pressure on public services is already evidenced through escalating requirements for:

- Sufficient levels of affordable housing across all tenures;
- Specialist housing with support services, linked to care services where appropriate;
- Aids and adaptations and other property related services, such as care and repair/handy person services and support to maintain communal areas;
- Information and advice to prevent housing need and promote informed choices.

27. There is clear cost benefit derived from investment by government and public bodies in housing and housing related services. Research undertaken on behalf of Fife Council suggests that the unit cost of sheltered housing provision is approximately £1,000 per tenant per year compared to care home provision of between £24,000 and £28,000. In addition, for every £1 invested in very sheltered housing a social return of between £1.50 and £2.50 is achieved. In relation to adaptations, the average cost is around £2,800 and these are estimated to save over £10,000 in the health and social care system. For every £1 invested in adaptations a social return of between £5.50 and £6.00 is achieved.

**What adaptations will be required to the existing housing stock to provide long term care and to what extent should the design of new builds take into account the possibility that the home may be used for care purposes in the future?**

28. With more frail and single elderly the demands for care related to housing will grow significantly and impose new burdens on already pressed programme expenditures. This raises significant issues about the reconfiguration of housing, health and care services as well as the reconfiguration of stock and letting patterns. Currently the approach to meet the housing needs of an ageing population places a great emphasis on supporting people to live independently in their own homes as they grow older, including those with long term chronic conditions such as dementia. Housing in the future will be both a means of promoting health and well-being, but also increasingly a location of care.

29. This focus reflects a wider concern to “shift the balance of care” from institutional settings, and also to invest more in preventive services that promote independent living. Within this context, any strategic thinking regarding the housing needs of older people must reflect not only specialist models of housing such as sheltered or extra care housing, but also the housing-related services that support older people living in general needs housing in the community. This suggests that there is a role for the planning system to review and implement ‘lifetime homes’
standards in all new developments to contribute to future housing need and demand pressures. There is also the need for adaptation services to become less reactive and more preventative, such as through widening doors, installing ramps and handrails before occupants express such need.

30. While progressive housing policies are more easily implemented in the public sector housing by local authorities/housing associations, there must be recognition that local authorities have less influence on the private sector. If there are too many design regulations in one local authority area, builders may choose to build elsewhere: so any “lifetime homes” standards would best be applied nationally. But similarly authorities may have to be cautious about being too prescriptive about determining where certain types (and volumes) of houses are built (builders could say they will build what the market wants). What local authorities can do is, through the Local Development Plan process, promote, and allocate land for housing in sustainable locations. Locations for example, within established settlements with good public transport and amenities/services will be of benefit for those with mobility or care needs.

**Pensions and labour force**

*What is the likely impact on the public finances within Scotland of demographic change on public sector pension schemes and what action is required by the Scottish Government and other public bodies to address this?*

31. Steps have already been taken to address the issue of the cost of public sector pensions; a new look LGPS scheme was introduced in Scotland in 2009, new police and fire pension schemes were introduced in 2006 for new entrants and benefit indexation has changed from RPI to CPI.

32. However, Fife Council recognises that population ageing will continue to put upward pressure on public spending.

33. Fife Council agrees with the findings of the Hutton report that public sector pension schemes should be affordable to employers and the tax payer while continuing to ensure decent retirement incomes to members. The Council welcomed Lord Hutton’s findings that the Local Government Pension scheme should remain a funded scheme.

34. Fife Council recognises that the police and fire pension schemes are the reserve of Westminster and therefore the Council cannot comment on proposed changes to these schemes particularly given the move to a single police and fire service from 1 April 2013.

35. With regards to the Local Government Pension scheme in Scotland, the Council believes that the Scottish Government should consider in the first instance the new LGPS proposals for England and Wales due to take effect from 1 April 2014. The design of this scheme has been costed by the Government Actuary’s Department to give employers future cost stability while being fair to members.
What should be the balance within public policy of support for older people who wish to remain in employment versus creating opportunities for youth employment?

36. We fully support the Scottish Government’s Youth Employment strategy as there is clear evidence that experiencing long term unemployment at a young age can have long-term financial, social and health consequences for the individual. Where youth unemployment is at a higher than average rate (as at present during the current recession) this leads to a societal cost. High levels of youth unemployment in a community can also act as brake on the economic health of the economy, weakening the community, making it hard for it to absorb any further economic shocks and also increasing the time it takes for the community to recover.

37. This and significant other evidence, makes the case that for the public sector, as well as the third sector, to actively intervene in the labour market to alleviate the effects of the recession, assisting youngsters into sustained work and helping to prevent permanent detachment from the workplace.

38. However it would appear sensible that as the economic turmoil continues and unemployment rates continues to rise that the Public Sector looks at a pro-active range of options for other affected groups.

39. On occasions, specific support for a particular age cohort may be warranted, but careful consideration needs to be given to how policies are delivered and promoted, with a focus on justifiable positive action and to avoid accusations of discrimination.

40. Increased life expectancy will mean that the "older age" population of Scotland will increase markedly over the next 50 years. In addition as the value of pensions and savings are eroded there will be an increased demand for workers who want to, or need to, work for longer. It must also be noted that there is a positive benefit to working and many people may choose to continue to work for the social and health benefits working brings, rather than just purely due financial factors.

41. The removal of the default retirement age means that employees can work beyond 65 if they choose to do so. These employees are an important part of the organisation and will be supported to continue in employment to enable the retention of their skills, knowledge and experience.

42. It is recognised, however, that retaining older people must be balanced with creating opportunities for younger people. Only 3.7% of the Council's employees are 24 or under and the current restrictions on recruitment mean that it is less likely that younger people can take the traditional routes into a post with the Council.

43. To reflect these challenges, the Council is considering an Employability Framework to offer employment and training opportunities for individuals who are struggling to get into and progress in the labour market including young people which could include:-

  * access to opportunities
• workforce development including succession planning; training programmes and traineeships
• youth employment initiatives including Fife Young People Initiative and expansion of the Modern Apprenticeship programme
• support and mentoring
• supporting young people leaving care and looked after young people into a sustained post-school positive destination.

44. Setting aside these specific actions being considered in Fife, thinking more strategically there is a view that most integrated initiatives have had the wrong target, in tackling a specific chronological age as their starting point. There could be considerable value in policy on age being integrated with other areas of public policy such as lifelong learning and equality more generally, with age issues becoming part of the activities of all of the Public Sector.

45. The paradox is that a non-age specific friendly employment policy may require the consideration of the removal of specific employment protection for older workers, and reducing the cost of employing them via the ending of systems that link pay to seniority. Extending the working lifespan of the population will not be cost-free.

46. In addressing the issues highlighted above it is important to focus on delivering positive actions, with specific resources applied to them. Some specific policy themes to develop further are:

• Non-age specific policies
• Integrated/strategic policy - long term and consistent.
• Robust levels of resource allocation.
• The use of targeted funding.
• Community based solutions encouraged.
• Create a positive culture.