

FINANCE COMMITTEE

DEMOGRAPHIC CHANGE AND AGEING POPULATION INQUIRY

SUBMISSION FROM GOVERNMENT ACTUARY'S DEPARTMENT

The Government Actuary's Department (GAD) is a non-ministerial Department of the UK government which exists to provide actuarial advice to the UK government, the Devolved Administrations and other UK public sector organisations. The Finance Committee has asked us to respond to a number of questions, as set out below. GAD is happy for these responses to be published in their entirety and ascribed to the GAD.

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? (d) What public services will individuals increasingly call on and in what way?

1. Demographic change and an ageing population would likely have a material impact on the demand for some public services. The sustainability of public funding will depend on the state's ability to raise taxes. While the tax base will also be affected by demographic change, it seems likely that economic growth, workforce participation rates (including at higher ages) and public attitudes to taxation will be more significant factors.

- (a) GAD has no specific expertise in the delivery of health and social care, but is available to support government by providing long-term financial modelling. We would expect that an ageing population would lead directly to increased demand for health and social care.
- (b) GAD has no specific expertise in the delivery of housing services, but is available to support government by providing long-term financial modelling. We would expect that demographic change and an ageing population would lead to changes to demand for housing services.
- (c) An ageing population would lead directly to increased costs for public service pensions and state pensions. Demographic change would have some impact on the labour force but aggregate economic demand and workforce participation rates are likely to be more significant. An ageing population may allow for significantly increased workforce participation rates at higher ages.
- (d) GAD has not responded to this question.

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

- (a) The Scottish Government has a team of officials working on policy development and implementation for health and social care (in the Health & Social Care Directorate). GAD is available on request to provide technical support on financial analysis and financial modelling.
- (b) GAD has not responded to this question in the context of housing services.

- (c) The Scottish Government has a team of officials working on policy development and implementation for public service pensions, based in the Scottish Public Pensions Agency at Galashiels, and supported by the Government Actuary's Department's office in Edinburgh. The Department for Work and Pensions has responsibility for state pension policy (and is supported by the Government Actuary's Department in London).

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

2. In the context of an ageing population, demographic change generally happens gradually, and thus has limited impact on annual budgeting. However, it would seem sensible to consider long-term trends when setting current policy priorities. Policy priorities are the responsibility of ministers, and it is not appropriate for civil servants such as GAD staff to publicly critique current or potential ministerial policy.

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

- (a) GAD has not responded to this question in respect of health and social care.
(b) GAD has not responded to this question in respect of housing services.
(c) The Scottish Public Pensions Agency routinely collects membership data on the public service pension schemes which are the responsibility of the Scottish Government. Local authorities routinely collect data in respect of the Local Government Pension Scheme. Other, UK-wide, public service schemes which employ staff in Scotland typically have their own secretariats. The Department for Work and Pensions collects data on state pensions. Much analysis is done on this data, by both GAD and other public bodies, for both the UK government and Scottish Government. For example, the Office for Budgetary Responsibility makes use in its analyses of GAD projections of future public service pension payments. Labour market data is collected and analysed by the relevant government statistical agencies (Office for National Statistics and the National Records of Scotland).

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?

3. GAD has no specific comments to make on this question. As a general observation, preventative policies may help individuals to work better and for longer, and should delay the demand for health and social care, but need not reduce that demand for care when it does arise.

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?

4. GAD has not answered this question.

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?

5. GAD has not answered this question.

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?

6. GAD has not answered this question.

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?

7. All other things being equal, an ageing society would increase the cost and value of public sector pensions. The effect on Scottish public finances would depend on how these rising costs are split between Scottish Government and UK government budgets, and what policy changes are made by the Scottish Government and UK government.

8. The Scottish Government has a team of officials working on policy development and implementation for public service pensions, based in the Scottish Public Pensions Agency in Galashiels, and supported by the Government Actuary's Department's office in Edinburgh. We suggest that these arrangements currently work well, and are a sound base on which to build any new initiatives.

9. Scottish policy priorities for public service pensions are generally the responsibility of Scottish Ministers, and it is not appropriate for civil servants such as GAD staff to publicly critique current or potential ministerial policy. Currently, policy responsibility for certain groups of public servants (including civil servants, the armed forces and judges) is reserved to Westminster.

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?

10. GAD has not answered this since it is not appropriate for civil servants such as GAD staff to publicly critique current or potential ministerial policy.