Finance Committee

2nd Report, 2013 (Session 4)

Demographic change and an ageing population
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Finance Committee

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Finance Committee

Remit and membership

Remit:

1. The remit of the Finance Committee is to consider and report on-

   (a) any report or other document laid before the Parliament by members of the Scottish Executive containing proposals for, or budgets of, public expenditure or proposals for the making of a tax-varying resolution, taking into account any report or recommendations concerning such documents made to them by any other committee with power to consider such documents or any part of them;

   (b) any report made by a committee setting out proposals concerning public expenditure;

   (c) Budget Bills; and

   (d) any other matter relating to or affecting the expenditure of the Scottish Administration or other expenditure payable out of the Scottish Consolidated Fund.

2. The Committee may also consider and, where it sees fit, report to the Parliament on the timetable for the Stages of Budget Bills and on the handling of financial business.

3. In these Rules, "public expenditure" means expenditure of the Scottish Administration, other expenditure payable out of the Scottish Consolidated Fund and any other expenditure met out of taxes, charges and other public revenue.

(Standing Orders of the Scottish Parliament, Rule 6.6)

Membership:

Gavin Brown
Malcolm Chisholm
Kenneth Gibson (Convener)
Jamie Hepburn
Demographic change and an ageing population

The Committee reports to the Parliament as follows—

INTRODUCTION

1. The remit for the inquiry was—

“To identify the impacts which demographic change and an ageing population will have primarily on the public finances in respect of the provision of health and social care, housing, and pensions and the labour force, and the planning being undertaken by the Scottish Government and key public bodies to mitigate such impacts.”

Background

2. In January 2012 the Committee held a series of round table discussions under the broad headline of “fiscal sustainability.” These discussions focussed on four topics—

- demographic change
- inequality and socio-economic deprivation
- universal services
- additional models of finance.

3. A summary of evidence from these sessions was published while the Committee’s budget adviser also produced a briefing paper ahead of these sessions. The round table discussions led to a debate in the Chamber on 9 May 2012 when demography and an ageing population featured extensively.

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4. It was clear to the Committee that one of the most significant challenges facing the public finances in Scotland over the coming years is demographic change and an ageing society. Related to this is the need to increase sustainable economic growth to support this. Like many developed economies, Scotland faces an increasingly ageing population which brings about pressing policy implications.

5. A number of pieces of work have highlighted the importance of this issue. The Office for Budget Responsibility in its fiscal sustainability report of 2011 stated—

“demographic change is a key source of long-term pressure on the public finances" and that “policymakers and would be policy makers should certainly think carefully about the long-term consequences of any policies they introduce or propose to introduce in the short-term.”

6. Further, a report by the IMF on the financial crisis in 2008 stated that—

“In spite of the large fiscal cost of the crisis, the major threat to long-term fiscal solvency is still represented, at least in advanced countries, by unfavourable demographic trends.”

7. The reports of the Independent Budget Review and the Christie Commission considered the impact of demographic change and an ageing population on public services and finances.

8. However, the Committee recognises the extremely positive contributions, including economically, which older people make to wider society and the general good. This positive contribution is recognised in, for example, the report by Age Scotland which featured in the Committee’s demography round table discussion. The Cabinet Secretary for Finance, Employment and Sustainable Growth also acknowledged the “vibrant contribution” which older people can make and who “fulfil a great commitment to their communities.”

9. Many of the issues raised during this inquiry also overlap with the Committee’s other fiscal sustainability work including on preventative spending and improving employability.

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**Aim**

10. The aim of the inquiry was to identify/highlight what the budgetary impacts will be within three policy areas—

- Health and social care;
- Housing;
- Pensions and labour force.

11. The inquiry then looked at the response of the Scottish Government and public bodies such as local authorities and NHS boards including whether there is sufficient planning to meet the challenges of an ageing society.

12. The Committee is grateful to those who contributed to its evidence gathering process which has informed this report. All evidence is available on the Committee’s webpage.\(^{16}\)

13. Before considering each of the three policy areas on which the inquiry focused the report will firstly consider some of the latest projections in relation to likely changes in Scotland’s population in the period to 2035. The report then considers some of the issues around healthy life expectancy followed by consideration of the challenges which public bodies face in planning for demographic change.

**POPULATION PROJECTIONS AND TRENDS**

**Scotland**

14. The population equation involves four factors: the number of births, deaths, immigrants and emigrants. There are two ways a population can transform itself. The first is by a change in births and deaths (‘natural change’) while the second is by a change in ‘net migration’ (the difference between the number of immigrants and emigrants). An ageing population is dependent on the interaction of these four variables.

15. The National Records of Scotland (NRS) highlighted in its submission that Scotland’s population has been growing steadily in recent years.\(^{17}\) The latest estimates show the population on Census Day in 2011 to be 5,295,000 – the highest ever. Since the 2001 Census, the population has increased by 233,000 (5%). This represents the fastest growth rate between two census years in the last century. The population has also become older over the last 100 years with the...
proportion aged under 15 falling from 32% to 16% while the proportion aged 65 and over has increased from 5% to 17%.

16. The NRS projections also indicate that although the working age population is set to increase by 7% between 2010 and 2035 those of pensionable age will increase by 26% over the same period. The number of births is expected to rise slowly for a few years from its current level of around 58,900 before falling to around 56,500 by 2035. This decline in the number of births will contribute to the overall ageing of the population.

17. The ageing of the population is also reflected in the dependency ratio (the ratio of people aged under 16 and over pensionable age to those of working age). The dependency ratio is projected to rise from 60 per 100 in 2010 to 64 per 100 in 2035. It is the most elderly age-groups of the population that are projected to increase most dramatically according to the NRS. Between 2010 and 2035 those aged 75 and over are projected to increase by 82%. The estimated 820 centenarians in Scotland in 2010 is projected to increase to 7,600 by 2035. The age structure of the population is set out in the tables below.

Figure 2: The changing age structure of Scotland’s populations, 2001-2011.
18. While Scotland’s projected population growth is less than that of the rest of the UK, its age structure means it is projected to age more rapidly. The proportion of Scotland’s population which is of pensionable age is projected to increase by 2.9 percentage points between 2010 and 2035, compared with a 1.7 percentage point rise for the UK.\(^{21}\)

**Europe**

19. Looking further afield, the European Commission’s 2012 Ageing Report sets out long-term demographic and economic projections across EU countries. The report also aims to highlight the immediate and future policy challenges for governments posed by demographic trends and when, and to what extent, ageing pressures will accelerate as the baby boom generation retires and average life span continues to increase. The report states that EU population is projected to increase up to 2040 and decline thereafter. It states—

> “Due to the expected dynamics of fertility, life expectancy and migration rates, the age structure of the EU population is projected to dramatically change in coming decades. The overall size of the population is projected to be slightly larger in 50 years’ time, but much older than it is now. The EU population is projected to increase (from 501 millions in 2010) up to 2040 by almost 5%, when it will peak (at 526 million). Thereafter, a steady decline occurs and the population shrinks by nearly 2% by 2060. Nonetheless, according to the projections, the population in 2060 will be slightly higher than in 2010, at 517 millions.”\(^{22}\)

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\(^{21}\) National Records of Scotland. Written submission.

20. The report states that in 2010, the member states with the largest population were: Germany (82 million), France (65 million), the United Kingdom (62 million), Italy (60 million) and Spain (46 million). In 2060, the UK would become the most populous EU country (79 million), followed by France (74 million), Germany (66 million), Italy (65 million) and Spain (52 million). This projection for the UK would likely have consequences for Scotland.

21. The population in all European countries is projected to age but to varying degrees. The graph below from the NRS shows that the proportion of the population aged 75 and over in Scotland is projected to increase more than in most European countries.

22. In response to questioning on these issues the Cabinet Secretary stated in evidence to the Committee that—

“At a time when there are significant constraints on the public finances, it is vital that we consider the impacts of our ageing population. In doing so, the discussion must be about more than cost – important as that is – because the decisions that we need to take in response to demographic changes need to reflect the changing nature of the demands on our public services so that they best meet the needs of our people, and how our society’s values are best reflected in our approach. We need a rounded debate on those questions.”

23. The Committee invites the Scottish Government to provide details of what action it is taking to encourage a “rounded debate” on the impact of an ageing population.

24. The Committee invites the Scottish Government to provide details of the work it is currently carrying out in forecasting the budgetary implications of demographic change.

25. The Committee considered that the findings of this inquiry could inform the level of information which the Scottish Government supplies in its draft budget document each year. As the Committee’s Budget Adviser states—

“the Finance Committee could provide some impetus to the establishment of a more comprehensive approach to accounting for the budgetary implications of demographic change.”

26. The Committee recommends that future Spending Reviews include an assessment of the impact of demographic change in each portfolio chapter.

HEALTHY LIFE EXPECTANCY

27. Healthy life expectancy (HLE) - the length of time an individual can expect to live free of chronic or debilitating disease - was an issue at the core of much of the discussion about the demand for local services (specifically around health, social care and housing) which an ageing population may make. HLE is key with regards what the fiscal pressures of an ageing population will be. For example, the Scottish Social Services Council states, with regards the provision of social care services—

“The extent to which demand will rise in line with the growth in the older population is dependent on a number of factors including the extent to which increases in life expectancy will be associated with increased time spent in good health or in illness, an issue that remains unclear.”

28. While NHS Greater Glasgow and Clyde (NHS GGC) stated in its submission—

“age alone is not a sufficient indicator of likely need or demand for services. In fact, figures on healthy life expectancy demonstrate that the areas with the longest life expectancy (usually also those with the highest numbers/proportions of older people) also have the longest healthy life expectancy and therefore the shortest time in need of health services. The table below illustrates this for males within NHSGGC.”

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24 Scottish Social Services Council. Written submission.
25 NHS Greater Glasgow and Clyde. Written submission.
29. NHS GGC highlights “the changing household composition and growth in single person households which is particularly stark in Greater Glasgow and Clyde and which will have implications for service delivery and support at home.”

30. On a related point it highlights the “profound impacts on health needs and people living in deprived areas” which disadvantage and poverty have—

“For many people, the behaviours, choices and life circumstances which influence these issues are established very early in life and will not be addressed by focusing just on treatment or behaviour change for adults and older people, but need to be one of the long term goals of improved early years support.”

31. The Committee also notes the recent Audit Scotland report on health inequalities which states that—

“For some indicators, such as deaths from coronary heart disease, inequalities have decreased but other indicators, such as healthy life expectancy, mental health, smoking, and alcohol and drug misuse, remain significantly worse in the most deprived parts of Scotland.”

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26 NHS Greater Glasgow and Clyde. Written submission.
32. Audit Scotland’s key recommendations include the introduction of national indicators to specifically monitor progress in reducing health inequalities.

33. The Committee understands the Public Audit Committee will consider this report while the Health and Sport Committee has agreed to consider health inequalities as part of its future work programme.

34. This variance in HLE across Scotland was highlighted in a number of submissions. For example, the Royal Society of Edinburgh stated—

“This while healthy life expectancy in Scotland has increased, it remains lower than the UK average; and there is a large variation in healthy life expectancy within Scotland.”

35. The Institute for Ageing and Health at Newcastle University stated in a submission to the Committee that—

“Scotland has one of the lowest life expectancies in Western Europe and increases in life expectancy have been a little slower.”

36. This point is supported by Public Health Information Scotland which, while acknowledging that “international comparisons of HLE are hampered by the lack of consistent health measures”, does consider that “on the basis of a related indicator, disability-free life expectancy, Scotland would appear to compare poorly with many Western European countries, particularly for males.”

37. The Committee highlights the point by the Centre for Population Change which emphasised the importance of focussing on HLE—

“It is very important to focus on healthy life expectancy as well as life expectancy. Others might be able to comment on this, but evidence suggests that the last two years of someone’s life entail the highest expenditure. If we could promote healthy life expectancy to ensure that, on average, only the last two years of everyone’s life were the most expensive, we would obviously be in a better fiscal position. However, we have a long way to go; indeed, in some areas of Scotland, there is a particularly long way to go.”

38. This is acknowledged by the Scottish Government which stated in its 2010 report on demographic change that—

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28 Royal Society of Edinburgh. Written submission.
29 Professor Carol Jagger, Institute for Ageing and Health. Written submission.
30 ScotPHO. Available at: www.scotpho.org.uk/population-dynamics/healthy-life-expectancy/key-points.
“Healthy life expectancy in Scotland has also been increasing, but not at the same rate as life expectancy and the gap between life expectancy and healthy life expectancy has, for men, actually been widening.”

The issue was initially discussed by the Committee at its January 2012 demography round table discussion. Professor Robert Wright of the University of Strathclyde stated—

“The life expectancy of people in that age group [over 85] is about six years. Some estimates suggest that four years of that will be non-healthy life expectancy, which means that there will be a significant input from the state in terms of health or accommodation services. People who will be 85 20 years from now are 65 today, so we know the numbers. There is no real disagreement on the fact that we will see 150 per cent growth. I just cannot see how we are going to reduce the costs within that age group. That is the real challenge. Life expectancy in Scotland is rising, but the ratio of healthy life expectancy to non-healthy life expectancy is not changing much, so the increase in life expectancy is also increasing the potential costs.”

Figures from the Government Actuary’s Department, made available to the Committee by its Budget Adviser, show the life expectancy and healthy life expectancy at age 65 (for the period 2007-09) within the UK—

![Graph showing life expectancy and healthy life expectancy at age 65 in different regions of the UK](image)

Source: Government Actuary’s Department

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41. The Association of Directors of Social Work (ADSW) in its written submission provided projections of the impact of demographic change on adult health and social care expenditure. The projections, based on data from the Scottish Government, are shown for three variant “scenarios” relating to whether additional years of life are healthy or of chronic illness and disability:

<table>
<thead>
<tr>
<th>Scenarios</th>
<th>2010</th>
<th>2015</th>
<th>2020</th>
<th>2025</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scenario 1: Projections with HLE constant</td>
<td>11,012</td>
<td>11,630</td>
<td>12,387</td>
<td>13,249</td>
<td>14,169</td>
</tr>
<tr>
<td>Total Health and Social Care</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average % change per year</td>
<td>1.1%</td>
<td>1.3%</td>
<td>1.4%</td>
<td>1.4%</td>
<td></td>
</tr>
<tr>
<td>Scenario 2: Change HLE = Change LE</td>
<td>11,012</td>
<td>11,439</td>
<td>11,954</td>
<td>12,507</td>
<td>13,040</td>
</tr>
<tr>
<td>Total Health and Social Care</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average % change per year</td>
<td>0.8%</td>
<td>0.9%</td>
<td>0.9%</td>
<td>0.8%</td>
<td></td>
</tr>
<tr>
<td>Scenario 3: Change HLE = 0.5 change LE</td>
<td>11,012</td>
<td>11,529</td>
<td>12,160</td>
<td>12,860</td>
<td>13,579</td>
</tr>
<tr>
<td>Total Health and Social Care</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average % change per year</td>
<td>0.9%</td>
<td>1.1%</td>
<td>1.1%</td>
<td>1.1%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Scottish Government Analytical Services Division – Health (supplied 1.8.12)

Note: Average annual percentage increases over each 5 year period calculated by ADSW.

42. ADSW states that—

“The difference between best and worst case scenarios (1 and 2) is over £1 billion by 2030 - the difference between an 18.4% increase in costs (excluding inflation) or a 28.7% increase between 2010 and 2030. This highlights the importance for planning of reliable data on Healthy Life Expectancy.”

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34 Association of Directors of Social Work. Written submission.
35 Association of Directors of Social Work. Written submission.
43. ADSW also produced a table (below) which it considers shows that population ageing has a greater impact on social care than on NHS spending—

<table>
<thead>
<tr>
<th>Scenario: Projections with HLE constant</th>
<th>2010</th>
<th>2015</th>
<th>2020</th>
<th>2025</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>NHS services (for adults)</td>
<td>9,375</td>
<td>9,805</td>
<td>10,310</td>
<td>10,852</td>
<td>11,389</td>
</tr>
<tr>
<td>Average % change per year</td>
<td>0.9%</td>
<td>1.0%</td>
<td>1.0%</td>
<td>1.0%</td>
<td></td>
</tr>
<tr>
<td>Residential care and home care for adults</td>
<td>1,637</td>
<td>1,825</td>
<td>2,077</td>
<td>2,396</td>
<td>2,780</td>
</tr>
<tr>
<td>Average % change per year</td>
<td>2.2%</td>
<td>2.6%</td>
<td>2.9%</td>
<td>3.0%</td>
<td></td>
</tr>
</tbody>
</table>

44. One of the 16 “national outcomes” which the Scottish Government states that it wants to achieve over the next ten years as part of its National Performance Framework (NPF) is that: “we live longer, healthier lives.”\(^{36}\)

45. The NPF states that the main challenges to achieving this outcome are—

- An ageing population;
- Persistent health inequalities;
- A continuing shift in the pattern of diseases towards long term conditions;
- Growing numbers of people with multiple conditions and complex needs.

46. One of the related national indicators is to “reduce premature mortality” defined as death from all causes, aged under 75.

47. The NPF states that: “there has been a steady reduction in the mortality rate among under 75s over the last decade. The age-standardised mortality rate in 2011 was 349.1 per 100,000 people, which is a 2 per cent reduction on the 2010 figure (357 per 100,000 people).”

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48. The latest data shows that premature mortality for people aged under 75 decreased by 2 per cent in 2011 which continues the long term downward trend. However, the NPF recognises that: “Deaths in this age group are most common in deprived areas. In 2009, under 75 deaths amongst those living in the most deprived decile were 3.7 times more likely than those living in the least deprived decile.”

49. The Committee notes that the Scottish Government’s Ministerial Taskforce on Health Inequalities met for the first time in November 2012 and would welcome an update on its priorities in seeking to narrow the health gap between the richest and poorest people in Scotland.

50. The Committee supports the recommendation of Audit Scotland that the NPF is updated to include national indicators to specifically monitor progress in reducing health inequalities.

51. The Committee notes that not only does Scotland have one of the lowest life expectancies in Western Europe but, according to the Scottish Government, “the gap between life expectancy and healthy life expectancy has, for men, actually been widening.” The Committee asks what, if any, comparative research the Scottish Government has commissioned to explain the reasons for this and whether it has any plans to commission any further research.
PLANNING

52. As noted above one of the aims of the inquiry was to establish whether the different levels of government have detailed plans in place to tackle the impact of demographic change.

53. COSLA in its submission stated that—

“Local government has long been aware of the financial pressures which increased demand for services from an ageing population will bring. Even at a time when overall resources were increasing, we recognised the need to plan for this change.”

Funding gap

54. It referred to modelling work it carried out in 2010 to look at the future funding gap between the services it “will need to provide and the amount of funding available, reflecting the future impact of demographic change and the anticipated reduction in resources.” The modelling work has revealed that the funding gap between demand for services and the resources available—

“will rise to almost £3 billion by 2016-17. Whilst around half of this can be attributed to the amount of funding available, the other half more alarmingly can be attributed to rising demand for services, in large part driven by demographics and the rising numbers of older people who will need services in the future.”

55. The Improvement Service (IS) referred in written evidence to short to medium term forecasts which are available and which allow demographic demand to be “explored against projections of income.” It refers to the Strategic Finance Review Group (SFRG) which modelled demand and income projections for local government, assuming entitlements and service models remained the same. It showed an increasing gap between real income and the cost of meeting demand through current service models. The graph below charts the forecast total funding gap. The IS suggests that 50% of the demand growth is accounted for by demographic change interacting with current entitlements (free personal care, etc.).

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37 COSLA. Written submission.
38 COSLA. Written submission.
39 Improvement Service. Written submission.
56. COSLA stated that it is pursuing a number of actions to try to close the gap including “re-designing services and modernising working practices, driving through efficiencies and engaging in sensibly shared service arrangements where appropriate.” It also states it is “actively working in partnership with the Scottish Government and our Community Planning partners to re-focus funding towards preventative approaches.” However, it questions whether even with these actions “there is a question as to whether any of this goes far enough.”

57. The IS supports the findings of the Christie Commission and “endorse a long term shift from a service base that is reactive to one that is preventative and promotes positive outcomes first time round.” However, it also points out that this is a long term strategy while there is a “very serious short to medium term problem of income and demand.”

58. NHS GCC suggests that it will be “difficult to fund and support” preventative spend and early intervention due to the “immediate pressures of demographic change”—

“As well as the direct impact on service use, a further potential risk is that the immediate pressures of demographic change will make it difficult to fund and support other priority areas with longer term benefit, in particular preventative spend and a focus on early years interventions and support for vulnerable children and families….By responding to demographic changes by extending current models of health care to more older people with long term conditions it is unlikely we can realise aspirations to shift resource to preventive spend and early years.”

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40 COSLA. Written submission.  
41 Improvement Service. Written submission.  
42 NHS Greater Glasgow and Clyde. Written submission.
59. In response to the Committee’s report on the draft budget 2013-14 the Scottish Government states that it recognises preventative spending “to be a very long term shift in spending patterns and culture in public services for Scotland.”

60. The Committee invites the views of the Scottish Government on the projected funding gap identified above including what plans it has in place to address future funding gaps arising from the impact of demographic change across the public services.

61. The Committee also asks whether the emphasis on the shift towards a preventative approach will result in sufficient savings in the short to medium term to address any future funding gap and if not how it anticipates the gap will be addressed.

**Financial planning and funding cycles**

62. One of the main issues which emerged in evidence was the impact of funding cycles on the ability of the public services to plan in response to the likely impact of an ageing population. The Committee found that there is a wide variation in the financial planning which is being implemented across the public services. For example, City of Edinburgh Council (CEC) has developed a 10 year Long Term Financial Plan to “identify and, where possible, quantify the key factors influencing the costs of service delivery, compare these to the estimated level of resources available to the Council, and hence to calculate the overall level of savings requiring to be delivered.” This is now “firmly established as the Council’s primary financial planning tool” which enables it to consider demographic trends in conjunction with other emerging fiscal pressure such as the economic downturn.

63. The Committee notes that other local authorities are developing long-term funding plans. For example, Comhairle nan Eilean Siar, which states in its written submission that the Outer Hebrides is projected to have the highest percentage of pensioners in Scotland (35%) with a dependency ratio higher than the Scottish average.

64. However, other evidence would indicate that other local authorities are still focused only on the immediate three-year funding cycle. For example, West Dunbartonshire Council does “not use demographic projections beyond the three year budgeting cycle.” It states—

“However, if it is fundamental for local government to project spending needs, there is also a requirement for central government to provide a certain level of information on same basis – i.e. funding plans over a longer period of time than 3 years. It should be noted that projections of needs of a service or a Council does not necessarily mean projection of funding availability.”

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44 City of Edinburgh Council. Written submission.
45 Comhairle nan Eilean Siar. Written submission.
46 West Dunbartonshire Council. Written submission.
65. Similarly, the Committee notes that some NHS boards referred only to the planning they undertake in the short term (for example, within the limits of the board’s corporate plan 2013-16).

66. NHS GGC stated that the annual budget process—

“should also give due regard to other policy priorities, including early years and preventative spend, which may have more significant long term benefits and are essential to the future sustainability and affordability of services.”

47

67. Reflecting on the longer term impacts of this East Ayrshire Council stated—

“As longer term forecasts are produced then clearly demography starts to impact more significantly. This therefore becomes an important factor in planning for the longer term.”

48

68. While, in a similar vein, NHS Highland stated—

“Financial planning for demographic change cannot be undertaken effectively during annual budgeting processes. Predicted changes are cumulative and long term, unsuited to consideration within the constraints of annual budgeting cycles which tend to push organisations down a largely reactive route. A wider, more enduring view is required. NHS Highland’s ability to take a longer-term, sustainable fiscal position in relation to demographic change is heavily constrained by uncertainty over the financial envelope within which we will be required to operate in the medium and longer terms.”

49

69. With regard to what the Scottish Government should do it went on—

“Ideally, Government would work with NHS boards to develop long-term financial planning mechanisms. These would look much farther into the future than is currently the case and give boards confidence in the financial sustainability of future planning.”

50

70. On the provision of annual funding the ADSW states that—

“Public clarity is needed about how much is in the annual local government revenue grant settlement for demographic pressures, and in the funding of health boards and other public sector agencies.”

51

71. However, it also points out that—

“Increased public expenditure on the scale required to meet demographic pressures is challenging, but not necessarily “untenable.”

47 NHS Greater Glasgow and Clyde, Written submission.
48 East Ayrshire Council, Written submission.
49 NHS Highland, Written submission.
50 NHS Highland, Written submission.
51 Association of Directors of Social Work, Written submission.
72. In response to questioning from the Committee on whether the current system of allocating resources to the public services could be reconsidered to assist with long-term planning to address an ageing population the Cabinet Secretary said—

“I do not think that anything inhibits a health board or local authority in taking a fairly firm three-year assessment of where its budget is going and planning accordingly. Beyond a three year period, the issue is slightly more difficult, given the perspective that the United Kingdom Government sets out.”

73. Further, when asked whether the Scottish Government does “10 year planning or 20 year planning” the Cabinet Secretary said in response—

“I would not say that there is a period that we aim for as a general rule. It depends on the different policy questions and issues that we have to resolve.”

74. The Committee welcomes the approach adopted by CEC. However, it is concerned that other local authorities and NHS boards appear not to have undertaken similar long term planning. The Committee would therefore welcome the view of the Scottish Government on the need for public bodies to introduce long term financial planning on a similar basis to CEC and whether it has any plans to disseminate good practice in this area.

75. The Committee also asks whether the Scottish Government has any plans to work with public bodies to develop long-term financial planning mechanisms as suggested by NHS Highland.

Other planning issues
76. The Committee also considered a number of issues in relation to planning which have consistently arisen in its previous inquiry work including the need for effective collaboration across the public services, the need for a challenge function and the need for adequate performance information.

77. In relation to collaboration on health and social care the Scottish Social Services Council stated that it “is a complex landscape with many interested parties” and it “is therefore essential that planning across social care and health services is well co-ordinated at both national and local levels.”

78. In oral evidence to the Committee Audit Scotland referred to its recent report on health inequalities in which it emphasises the need to share good practices—

“We often try to develop case studies of good practice to demonstrate particular things, and we have found that two things are going on. One is

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54 Scottish Social Services Council. Written submission.
the not-invented-here syndrome. I appreciate that local areas vary, but in some cases there is overwhelming evidence that particularly good ways of doing things have not been picked up because they were not developed in the local area. The second thing reinforces something that Colin Mair said. We have a lot of pilots. An organisation might get an injection of money and set up a pilot, but there is little mainstreaming. There needs to be much better evaluation and, if something works, people should mainstream it if they can.”

79. The Royal Society of Edinburgh has consistently raised the need for an effective challenge function within government and in its written submission to this inquiry it stated that—

“It is urgent that all central policies are re-evaluated with a level of realism as to what is absolutely essential to the Scottish public and economy. No policy should be protected until both the cost/benefits and opportunity costs – social, economic, and environmental – of its delivery are critically evaluated. The evaluation should apply across the board, including to policies involving universal benefits with consideration given to the extent of their preventative contribution to healthy ageing.”

80. Audit Scotland has regularly raised the issue of good performance information and states in its submission that—

“A major theme emerging from Audit Scotland reports is the lack of good performance information across the public sector. We find that the public sector generally does not have sufficient information on cost, activity and quality of services to inform decisions and support performance management. This has major implications given the pressures arising from demographic changes.”

81. The Committee has examined the need for collaborative working across the public services in a number of previous reports and one of the main findings has been the need to develop more effective mechanisms for sharing best practice. For example, in its report on Draft Budget 2012-13 and Spending Review 2011 the Committee asked the Scottish Government: “what systems it is putting in place to facilitate the sharing of practice across all agencies and the creation of a solid evidence base.” The Scottish Government responded that: “Work is in progress to draw together and disseminate the existing evidence base for preventative spend in particular policy areas.”

56 Royal Society of Edinburgh. Written submission.
57 Audit Scotland. Written submission.
82. The Committee would welcome an update from the Scottish Government on the progress in collating and disseminating the evidence base for preventative spending in particular policy areas.

83. The Committee asks whether there has been any re-evaluation of the sustainability of any of the Scottish Government's policy commitments as a consequence of an ageing society.

84. The Committee would welcome a response from the Scottish Government to the findings of Audit Scotland that there is a lack of good performance information across the public service.

HEALTH AND SOCIAL CARE

85. This section of the report focuses on the impact of an ageing society on health and social care and the policy response of the Scottish Government including the integration of services and the Reshaping Care for Older People programme for change.60

Funding levels

86. NHS Ayrshire and Arran states that, with regard to the NHS Scotland Resource Allocation Committee formula for allocating funding which takes population into account “the overall size of funding available does not grow in line with demographic changes.”61

87. A similar point about funding levels was made by the ADSW which stated—

“Generally speaking, budgets - certainly in social care - have not kept pace with demographic changes in the past 10 years, so eligibility criteria have become tighter and tighter.”62

88. The Financial Scrutiny Unit (FSU) produced a briefing in September 2010 on the spending implications of demographic change.63 The findings included that: “current demographic projections would increase primary care spending for those aged 65 and older by 70 per cent by 2033 unless action is taken” and that “the cost of a primary care consultation would need to be reduced by more than 38 per cent for spending on primary care for those above the age of 65 to remain constant in real terms by 2033.”

89. The FSU briefing also states that: “In addition to increases in primary care spending, Scotland can expect to face spending increases in most other areas of

60 Joint Improvement Team. Reshaping Care for Older People. Available at: www.jitscotland.org.uk/action-areas/reshaping-care-for-older-people/.
61 NHS Ayrshire and Arran. Written submission.
health, particularly in secondary care, geriatric services, geriatric psychiatry, end of life care, and prescription use.”

90. **The Committee asks the Scottish Government to acknowledge that funding has not increased in line with demographic change.**

*Health ‘conditions’*

91. There is also likely to be significant pressure on resources arising from a likely increase in a number of health ‘conditions’ as a consequence of an ageing society. A number of such conditions were highlighted in evidence including—

- Cognitive ability;
- Hearing and sight loss;
- Osteoporosis/fragility fractures.

92. The Committee identifies some of the key challenges facing health and social care services identified in evidence and some of the actions which have been taken, or which have been suggested should be taken, in response.

*Cognitive ability*

93. NHS Education for Scotland considers that NHS boards “can expect increased demand on psychological services” and set out various strategies being taken forward such as the report by the Scottish Government’s Older People’s Psychological Therapies Working Group, *The Challenge of Delivering Psychological Therapies for Older People in Scotland*. This report indicates that 13.5% of people over 65 have depression; 40% of people in care homes are depressed; 10-14% of older people in the community suffer anxiety; 71,000 people have dementia; and older people also have problems with long-term psychiatric conditions. Age Scotland estimates the cost of dementia to be around £1.7 billion which is projected to rise to £3.1 billion by 2031 “in line with its increasing prevalence.”

*Hearing and sight loss*

94. Action on Hearing Loss Scotland and RNIB Scotland (AHLS & RNIBS) projects the number of people with hearing loss will rise from the current 850,000 to 1.2 million by 2031. The number with sight loss (without intervention beyond the current provision) is projected to double from around 180,000 to almost 400,000 by 2031.

95. AHLS & RNIBS estimate that the annual cost of sight loss per person—

“is around £17,646 – roughly equivalent to ten hospital admissions. Of this, £5,451 is costs to the public sector. In total, sight loss conditions cost the NHS and the public sector in Scotland a minimum estimated cost of £194 million a year, plus £434 million more in terms of broader costs to the

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64 NHS Education for Scotland. Written submission.
66 Age Scotland. Written submission.
67 Action on Hearing Loss Scotland & RNIB Scotland. Written submission.
economy and to society (it should be noted that this figure does not include the recent additional cost of new wet AMD treatments). This total cost is projected to rise by around £120 million a year."

96. AHLS & RNIBS believe that “maintaining investment in things such as free eye-tests, which can pick up early danger signals, will lead to cost savings in years to come” and that “similar savings could potentially be made through the introduction of a hearing screening programme.”

Osteoporosis/'fragility fractures’
97. The National Osteoporosis Society (NOS) draws attention to the long term financial (and social) cost of osteoporosis and sets out projections for the number of hospital admissions and associated cost by 2036. It also highlights the “cheap and effective” preventative actions which can be taken and which can reduce a person’s chances of fracture by up to 50%.

98. Osteoporosis is a long-term condition for which there is no cure. The fragility fractures it causes are most common in people over the age of 50. They are not, however, an inevitable part of growing old. A healthy lifestyle and bone protecting treatments, prescribed when a person has been diagnosed with osteoporosis, can reduce their risk of suffering a fragility fracture by up to a half.

99. NOS estimates 250,000 people in Scotland have osteoporosis, “a figure which is likely to rise as the average age of the population increases.” It states that fragility fractures are “hugely expensive to treat and care for and are growing in prevalence each year.” It suggests that “much can be done to prevent fragility fractures, through the proper identification, treatment and care for people who have osteoporosis and/or are at risk of falls.”

100. The NOS believes that the best way of ensuring that fractures are prevented is through a Fracture Liaison Service which can be based in fracture units in hospitals or linked to a number of GP surgeries within primary care.

101. The Committee asks what planning the Scottish Government is currently carrying out to address the likely increase in the above health ‘conditions’ as a consequence of an ageing society.

Unplanned hospital admissions and delayed discharges
102. One of the main issues to emerge during the inquiry was the impact of unplanned hospital admissions. For example, Lord Sutherland said—

“We spend roughly £4.5 billion per annum on health and social care for the elderly, of which £1.5 billion is spent on unplanned hospital admissions. Where is the survey? Where is the check on where this is happening most so that we can ask why? When we get the answer to that, perhaps we could change it.”

68 Action on Hearing Loss Scotland & RNIB Scotland. Written submission.
103. While the ADSW stated that—

“Too much funding is currently locked up in emergency inpatient admissions and in residential care; the rate of increased funding required for demography can be reduced by further planned changes in the balance of care, through increased community health, social care, and third sector services. That will require political leadership and public confidence that planned bed closures are not service cuts.”

104. In response to this quote being put to him in questioning from the Committee the Cabinet Secretary said: “There is no lack of political leadership; the Government could not be clearer about its view on how we should proceed.”

105. NHS Ayrshire and Arran stated—

“If hospitals continue to admit over 75 year olds at current rates we will need twice as many hospital beds in twenty years’ time.”

106. Age Scotland stated in its written submission that—

“The cost of delivering health and social care is continuing to increase in line with Government projections. While our ageing population is leading to an increase in the overall cost of delivering services, it is our failure to commission appropriate services which has led to 1/3 of the older peoples’ health and care budget (£1.5bn) being spent on delayed discharge and unexpected admissions.”

107. This concern was earlier raised with the Committee during its demographic change fiscal sustainability round table discussion when the Joseph Rowntree Foundation said—

“One unsustainable fault line that is built into our system is the fact that we spend about four times more on emergency admissions to hospital for the over-70s than on the entire free personal nursing care budget. That is an example of a system that is not resilient enough and defaults to emergency hospitalisation. We could do much more to increase resilience at the community level to avoid unnecessary hospitalisation and to speed up people returning home from hospital.”

108. The Cabinet Secretary in oral evidence to the Committee recognised the scale of the problem: “we spend more money on unplanned admissions than on social care.” The figures for 2008-09 were £1.4 billion for unplanned admissions

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70 Association of Directors of Social Work. Written submission.
72 NHS Ayrshire and Arran. Written submission.
73 Age Scotland. Written submission.
and £1.2 billion for social care. He stated that addressing this issue “is at the heart of the debate on the integration of health and social care and is the motivation behind the Government’s reform agenda in that respect.”  

109. The NPF includes a “national indicator”, “Reduce emergency admissions to hospital.” This indicator measures the rate of emergency admissions to hospital across all ages, per 100,000 people, and is updated on an annual basis. The last update was in November 2012. The Scotland Performs website states that the current status of the indicator is that—

“The rate of emergency admissions to hospital increased from 9,661 per 100,000 population in 2006-07 to 10,149 in 2008-09, before reducing to 9,917 per 100,000 population in 2009/10. The latest provisional figures for 2011-12 of 10,070 per 100,000 population indicates that there has been an increase in the rate over the last two years.”

110. The emergency admissions indicator is currently showing as “performance worsening.” The number of emergency admissions per 100,000 people has grown from 9,927 to 10,097 between 2010-11 and 2011-12. These figures would appear to be slightly different to those quoted above in relation to the “current status” of the indicator.

111. Table 1 in the data section of the Indicator sets out the emergency admissions rate per 100,000 population, by age group, and for the whole of Scotland:

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<td>9,917</td>
<td>9,927</td>
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112. The Committee notes that The Reshaping Care for Older People programme for change includes a target of reducing the rates of emergency beds used by those aged 75 plus by at least 10% by 2014-15 and by a minimum of 20% by 2021 and asks whether this target has now been revised given the figures above.

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77 Scottish Government. Scotland Performs, National Indicators. Reduce emergency admissions to hospital. Available at: www.scotland.gov.uk/About/Performance/scotPerforms/indicator/admissions.
113. The Committee invites the Scottish Government to explain why performance has not improved over the last five years in relation to the National Indicator, “Reduce emergency admissions to hospital.”

114. The Committee also asks what action has been taken to address this and whether there has been any analysis of the impact of recent policy initiatives such as Reshaping Care for Older People on reducing emergency admissions.

115. The Committee notes the views of Lord Sutherland above and asks the Scottish Government whether it has commissioned any research or analysis to examine the barriers experienced by NHS boards and/or good practice in addressing the problem of emergency admissions and delayed discharge.

116. The Committee asks whether the Scottish Government has carried out economic modelling or produced any forecasts for the amount of savings which it expects as a consequence of a reduction in unplanned admissions and delayed discharges in the short to medium term.

Integration of health and social care services

117. The Committee recognises that a key aspect of the Scottish Government’s policy response to the impact of an ageing society is the shift towards preventative spending which includes the integration of health and social care services. The Committee notes that the Scottish Government has consulted on its proposed Adult Health and Social Care Integration Bill which seeks to—

“reform planning and provision of adult health and social care services, establish effective integration between partners in order to deliver improved, nationally agreed outcomes for services, establish joint accountability by Health Boards and Councils for delivery of outcomes, integration of budgets, and improve commissioning and planning of services.”

118. Age Scotland considers the Bill—

“should help improve commissioning decisions. However, until blockages are overcome in mapping the cost and activity data across social care services - as identified by the Integrated Resource Framework pilot - there will be limitations to the extent to which commissioning decision can be improved.”

119. The Committee also notes that this is an area which its predecessor committee looked at in some detail as part of its inquiry on preventative spending in session 3. That committee concluded that the main challenge is: “how to make the shift to investing in cheaper social care services by disinvesting in more

78 Scottish Government. Integration of Adult Health and Social Care Integration: Consultation of proposals. Available at: www.scotland.gov.uk/Publications/2012/05/6469/0.

79 Age Scotland. Written submission.
expensive health services.”\textsuperscript{80} Key to this is the need for more effective collaborative working across the public services as: “A recurring criticism made by witnesses is that relevant public sector bodies do not always work together on tackling Scotland’s social problems.”\textsuperscript{81}

120. In the current parliamentary session the Committee has continued the work of its predecessor in scrutinising the shift towards preventative spending and concerns about collaborative working remains an on-going issue. For example, in scrutinising the draft budget 2012-13 the Committee found—

“There are many references in the written submissions, particularly from the community planning partnerships, to individual projects in local areas which demonstrate effective collaboration between key partners in local areas across Scotland. However, there was perhaps less evidence of collaboration at a more strategic and higher level as it relates to the large sums of money and the pooling of budgets e.g. between local authorities and NHS boards.”\textsuperscript{82}

121. In particular, the Committee highlighted concerns in relation to “protectionism of budgets.” It identified the Highland Partnership as an example of good practice in breaking down silos and aligning budgets across the local authority and NHS Board.

122. The Committee notes that the evidence to this inquiry from NHS boards and local authorities suggests that there is recognition of the need to integrate services. Highland Council again highlighted integration in its written submission—

“The Scottish Government health and social care integration strategy is a key element to deliver joined-up and improved services which target resources more effectively. This has to target resources at preventative spend, but also encourage closer working between different agencies.”\textsuperscript{83}

123. Audit Scotland suggests in its written submission that while there is recognition that services need to change: “in reality services have been slow to adapt and we have found it hard to see evidence of meaningful shifts in the way that resources are used over time.”\textsuperscript{84} It refers to its recent report on Community Health Partnerships (CHPs) which states that—

“A more systematic, joined-up approach to planning and resourcing is required to ensure that health and social care resources are used


\textsuperscript{83} Highland Council. Written submission.

\textsuperscript{84} Audit Scotland. Written submission.
efficiently. There are very few examples of good joint planning underpinned by a comprehensive understanding of the shared resources available."  

124. Audit Scotland also points out that—

“Councils and NHS boards have been slow to develop strategic commissioning. Only 11 of the 32 council areas had commissioning strategies covering all social care services. Most of the strategies we reviewed did not include an analysis of local needs or the costs and capacity of in-house and external providers to meet those needs. Councils and NHS boards need this information to make informed decisions about which services to invest and disinvest in.”

125. The Cabinet Secretary stated in response to questioning on the Highland Partnership: “I pay warm public tribute to Highland Council and NHS Highland because, notwithstanding how difficult integrating budgets and working together can be, I think those two bodies have demonstrated tremendous commitment in making a challenging and demanding model work.” However, he went on to say that: “I accept that the Highland model may not be appropriate for other parts of the country.”

126. The Committee invites the Scottish Government to respond to the findings of Audit Scotland that there is little meaningful evidence of shifts in resources to support preventative spending, very few examples of good joint planning, and a slowness to develop strategic commissioning.

127. The Committee notes that shifting the balance of care will require a shift in resources which may not always be popular and recommends the need to build a political consensus around this issue which will require strong leadership from both the Scottish Government and the Scottish Parliament.

128. The Committee welcomes the proposed Adult Health and Social Integration legislation and invites the Scottish Government to consider the relevant evidence and findings of this inquiry in drafting the Bill.

Reshaping Care for Older People Change Fund

129. The Committee asked in its call for evidence: “To what extent are preventative policies such as the Change Fund key to addressing demographic pressures on the provision of health and social care?”

130. CEC responded—

“New services funded by the Change Fund for Older People are financially sustainable only if they support a shift in resources from acute, emergency

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86 Audit Scotland. Written submission.
inpatient bed use to community- and home-based health and social care, thus allowing some hospital resources to close. Such changes are likely to be contentious. It is essential that closures are not perceived as service cuts, and this will require strong leadership and high profile public debate. During the period of transition, the need for double running costs for hospital needs and increased community and home based services is likely to be larger than the total Change Funds made available, which currently are largely top-sliced from NHS budgets.\(^89\)

131. NHS GGC states in its written response that—

“The Change Fund is the financial mechanism to act as a catalyst for change, rather than a preventative policy in its own right. It sits within the broader ‘Reshaping Care for Older People’ policy. Whilst helpful, it focuses specifically on older people’s services rather than on the overall impact of the ageing population on all services and also largely addresses service provision rather than wider social circumstance and determinants of health. It has to be focused on reducing demand for acute care.”\(^90\)

132. Highland Council states that: “The benefits of the Change Fund have yet to be fully realised. However the Fund does help to break down barriers between bodies, and provide additional funding to direct resources towards prevention.”\(^91\)

133. Age Scotland was concerned at the lack of evidence to support a shift in the balance of care as a consequence of the Change Fund—

“as yet, there is no evidence of how the Change Fund has catalysed a shift in wider health and social care spend as hoped. The Government must review all change plans to examine both (a) outcomes delivered against specific funding streams within partnerships and (b) overall shift in service commissioning as a consequence of the spend. Only then will we be able to determine how effective the Change Fund has been in shifting the balance of care.”\(^92\)

134. The RCN states in its submission that it supports: “the Government’s 2020 vision to provide increased, integrated care at home, but we urge caution at an assumption that integrating care will result in reduced costs.” It refers to a recent evaluation of the Integrated Resource Framework (IRF) which found that: “the IRF did not provide evidence of integrated work resulting in the release of resources or of significant changes.”\(^93\)

135. In terms of the resources being allocated to the Change Fund the ADSW states that—

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\(^89\) City of Edinburgh Council. Written submission.
\(^90\) NHS Greater Glasgow and Clyde. Written submission.
\(^91\) Highland Council. Written submission.
\(^92\) Age Scotland. Written submission.
“The NHS contribution of £80 million a year and the local authority contribution of £20 million a year - £100 million a year - is quite a small percentage of the £4.5 billion for older people’s NHS and social care services.”

136. In its report on the draft budget 2013-14 the Committee noted the view of the Health and Sport Committee that the shift towards a preventative spend agenda is “dependent on significant cultural change” but that the response from the NHS “had been a little slow and the required cultural change has been difficult to bring about.” The Committee supported the recommendation of the Health and Sport Committee that the Scottish Government needed to “be clearer about its expectations for spending on preventative programmes and set out a medium and long-term plan for the shift in funding it expects to see.”

137. The Scottish Government responded that—

“The National Advisory Group on Prevention has developed the following key questions to support thinking about prevention:

- Are we clear about what activities will improve outcomes and reduce future demand in our communities?
- Are we evidencing success in improving outcomes and reducing future need?
- Are we controlling costs and releasing savings?"

138. The response also stated that: “The Fund also represents a significant stepping stone in the development of SG proposals to integrate adult health and social care, in enabling local partners to access the bridging finance they require to make the changes they need.”

139. The Scottish Government also confirmed in its response that: “it is committed to establishing fit-for-purpose monitoring and evaluative processes underpinning what we recognise to be a very long term shift in spending patterns and culture in public services for Scotland.”

140. The Committee welcomes this commitment to monitor and evaluate the shift towards preventative spending including the Change Funds and reaffirms its own commitment to continue to monitor progress as part of the annual budget process.

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However, it remains unclear what the expectations for spending on preventative programmes are and the Committee reiterates the request of the Health and Sport Committee that the Scottish Government set out a medium and long-term plan for the shift in funding it expects to see.

HOUSING

This section of the report considers the pressures on housing stock from demographic change and an ageing population.

The Committee examines changes in housing need before looking at some of the actions being taken to address this by the Scottish Government and other bodies in respect of the provision of—

- adaptations and
- new build specialist housing

In doing so, the Committee considers the role of the Scottish Government’s older people housing strategy, change funding and health and social care integration (which the Committee addresses earlier in this report) in shifting the balance away from the hospital environment to the home.

Changes in housing need

The Registrar General for Scotland’s 2011 annual review of demographic changes predicts—

“a substantial increase in households containing just one adult (a projected increase of 49 per cent between 2010 and 2035). There are also increases in households with two adults (a projected increase of 23 per cent) and households with one adult with children (a projected increase of 51 per cent).”

Figures below show the projected increases in households to 2035—

147. Figures also show that the largest increases in the number of households are projected in the city of Edinburgh (+43%) and Perth and Kinross (+43%) with Aberdeen City, Aberdeenshire and East Lothian projecting increases of over 30%. CEC in its submission also includes this prediction of a 43% growth over the next 25 years as well as further demographic pressure with regards the type and size of properties available.\(^{100}\)

148. During the Committee’s initial fiscal sustainability round table discussion the Joseph Rowntree Foundation said—

“In addition to the ageing issue, our society is becoming more marked by solo living - that is, people living in single-person households. That reflects relationship breakdown and all sorts of social trends, and it means that more of us than ever before will, in all likelihood, arrive into older age living alone. That has implications for the supply of housing stock and the need to get our act together on housing adaptations.”\(^{101}\)

149. The Chartered Institute of Housing in Scotland (CIHS) believes that the main pressures in housing will be the need for—

- “significant and increasing numbers of adaptations to existing housing stock in all sectors – council and housing association, private rented and owner occupied stock
- mainstream rented accommodation built to a standard to accommodate wheelchair users

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\(^{100}\) City of Edinburgh Council. Written submission.
newly built specialist accommodation which is effectively a housing-based alternative to traditional models of residential care.\footnote{102}

**Scottish Government housing for older people strategy**

150. The Scottish Government has published a strategy for housing for Scotland’s older people which sets out a national framework for delivering housing stock suitable to the needs of older people including the provision of adaptations and new build specialist housing.\footnote{103}

151. The strategy sets out a number of commitments including—

- to support “service innovation” to “shift the balance of care” it will “increase funding to £80 million in 2012-13 [to the Change Fund for Older People’s Services to support the innovations in services which help older people to live independently at home] and work to increase access to the Fund for housing”
- ensure that “delivery and funding arrangements are fit for purpose”, through the AWG it “will consider whether there is a need for fundamental change to the funding and delivery of housing adaptations, so that they provide the best outcomes for those who need them”
- to “make best use of our existing stock of sheltered and very sheltered housing” it will “provide practical advice about the development of supported housing, the issues to be addressed and ways to do this. This will include ways to achieve an integrated package of funding for both construction work and service provision
- “explore the feasibility and, if appropriate, support the development of services operating as social enterprises, which are income generating, to provide housing support and potentially other services.”

152. However, concerns were expressed in evidence about the likely effectiveness of the strategy.

153. Age Scotland welcomed the strategy but has a number of concerns—

“To date, there is little in the way of progress from any local authority about how they will build the supply of this new stock suitable to the needs of older people. Indeed, given the lack of any specific and measurable targets within the document, and no additional money being allocated to delivering on the outcome, it seems unlikely that the vision detailed in the document of a national supply of adaptable housing that meets the needs of an ageing population will become a reality. Ultimately, with no compulsion or incentive to act, local housing provision for older people will continue to develop in ad hoc manner which threatens to undermine the entire Strategy.”\footnote{104}

\footnote{102} Chartered Institute of Housing in Scotland. Written submission.
\footnote{104} Age Scotland. Written submission.
154. The Scottish Federation of Housing Associations (SFHA) also welcomes the strategy but is “concerned that, as yet, there are no explicit resources associated with the delivery of the Strategy”. It goes on to state that—

“It is implied in the Strategy that the challenges will be met via the conflation of efficiency gains, sweating sector assets and leveraging new funding for investment. SFHA has grave concerns that this is not a financially robust basis for delivering a strategic response to the demographic challenges we face.”

155. The Committee asks why there would appear to be a lack of specific measurable targets within the housing for older people strategy and on what basis the effectiveness of the strategy will be measured.

Adaptations
156. In considering the future housing needs of an increasing older population, the Adaptations Working Group (AWG) was established to take forward actions on housing adaptations from the Scottish Government’s Wider Planning for an Ageing Population report. The AWG’s final report (November 2012) states—

“Adaptations, at the right time, can be life changing for an individual, and for their family members or carers. They can postpone the need for a house move or for additional care for up to five years; they prevent hospital admissions; and they enable early discharge from hospital. In the next six to eight years alone, we will see a rise in pensioner numbers of 16% and of 24% in those over 75 years old. 85% of existing homes have no adaptations, new tenure patterns and tenure types are emerging, we face an era of financial austerity and our current adaptations systems are under strain.”

157. In addition, the strategy for housing considers the role which the provision of suitable adaptations can play in making better use of existing homes. It states that—

“more people will need adaptations, as the population ages. All things remaining equal, it is estimated that the overall number of pensioner households requiring adaptations will rise from 66,300 in 2008 to over 106,000 in 2033.”

158. The strategy states that the Scottish Government will improve the arrangements for adaptations by—

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105 Scottish Federation of Housing Associations. Written submission.
• “ensuring that delivery and funding arrangements are fit for purpose;
• reviewing support for adaptations for home owners; and
• making the best use of adapted and accessible properties.”

159. On the use of adaptations the CIHS said in evidence—

“The issue of adaptations has a higher profile than it used to - everyone on both the health and social care and the housing sides would admit that - but there is still something grudging about adaptations on both sides.”

160. However, the Committee notes the approach adopted by CEC in planning for the impacts of demographic change and the ageing population. It has developed “comprehensive’ guidance on “a wide range” of adaptations and equipment to “ensure consistent assessment and implementation of improvements which enable people with disabilities to continue living in their homes.”

161. The Committee also notes the evidence from COSLA on the use of adaptations by local authorities—

“The need to make best use of Scotland’s existing housing has never been more pressing. Responsive adaptations services; pro-active repairs and maintenance services; making best use of purpose built stock such as sheltered housing, are already clearly evident in local authority practice. Some local authorities complete adaptations on demand as the need arises. Needless to say, more can and will need to be done. It may be that a way of supporting this would be for housing authorities to gain access to resources available under preventative spending initiatives such as the Change Funds.”

162. However, CEC recognises that physical adaptations “can only be part of the solution.” It details work it is doing in other areas such as community support, self-help and local networks, and making “good advice” about housing options readily available to older people.

163. In oral evidence CEC drew attention to limitations on the use of adaptations in the existing housing stock—

“Fundamentally, we need new homes. To go back to Catriona Renfrew’s point about what we spend on adaptations to existing homes, to me there is a limit to what we can do with existing homes, because they were never designed to deal with the growth in the older population. Looking back and forward over the long term is valuable in that context. Most homes, certainly

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111 City of Edinburgh Council. Written submission.
112 COSLA. Written submission.
113 City of Edinburgh Council. Written submission.
in Edinburgh, were built before the second world war, and 70 per cent are flats.”\textsuperscript{114}

164. While the SFHA said—

“We have adaptations because we can go forward only from where we are; we cannot reinvent the housing stock that we have inherited. Over many years, we have developed a housing stock that may not be compliant with wheelchair housing needs or indeed housing for varying needs.”\textsuperscript{115}

165. The Committee notes the view of Bield, Hanover (Scotland) and Trust (BHT) which, in their joint submission, state that—

“diversification and better creative use of existing stock in all tenures is essential if we are to meet future demand.”\textsuperscript{116}

166. While COSLA also highlighted design in its submission—

“The reality though is that many people, despite their increasing age, will need no or little support in terms of home helps and adaptations and that much need can be met through low levels of service provision, assuming that the design, size, condition and location of housing is appropriate.”\textsuperscript{117}

167. BHT believe that, through “remodelling” many housing units which they state the Scottish Government considers to be “unfit for purpose” could “have an active role” in addressing housing need. They draw attention to the Social Return on Investment study\textsuperscript{118} which demonstrated that on average, each adaptation—

“saved the health and social care system over £10,000, the equivalent of 483 home care hours, or 19 weeks in a Care Home with nursing care, or two orthopaedic operations. In total, the evidence established that from an initial investment of £1.4 million by BHT, it created cost savings to the Scottish Government in the region of £5.3 million or between £5.50 to £6.00 for every £1 invested.”\textsuperscript{119}

168. In response to questioning from the Committee on adaptations the Cabinet Secretary said—

“It is crystal clear that there is a consensus view that…it is best if older people can remain in their own homes for as long as that can be sustained. To enable that to happen, certain adaptations may need to be made.”\textsuperscript{120}


\textsuperscript{116} Bield, Hanover (Scotland) and Trust. Written submission.

\textsuperscript{117} COSLA. Written submission.

\textsuperscript{118} Bield, Hanover (Scotland) and Trust. \textit{Measuring the Social Return on Investment of Stage 3 Adaptations and Very Sheltered Housing in Scotland}. Available at: www.scottish.parliament.uk/S4_FinanceCommittee/Inquiries/Bield_Hanover.pdf.

\textsuperscript{119} Bield, Hanover (Scotland) and Trust. Written submission.

169. He went on to point out that the Minister for Housing and Welfare has a commitment to meet the independent chair of the AWG ahead of the Scottish Government formulating its response to the AWG’s recommendations which it would consider “carefully.”

170. The Committee would welcome a copy of the Scottish Government’s response to the AWG when it becomes available.

171. The Committee notes that the Scottish Government’s housing strategy for older people includes a commitment to “work to increase access” for housing authorities to the Reshaping Care for Older People Change Fund and invites the Scottish Government to provide an update.

**Funding housing adaptations**

172. The level 4 figures provided by the Scottish Government alongside draft budget 2013-14 indicate that £6 million has been allocated to support older and disabled people requiring housing adaptations in both 2012-13 and 2013-14. However, in evidence to the Committee as part of this inquiry the Cabinet Secretary said: “The Government set the budget for adaptations at £6 million for 2012-13. We were then able to increase that budget to £8 million, which provided continuity between 2011-12 and 2012-13.”\textsuperscript{121} The Scottish Government has confirmed that the 2013-14 adaptations budget will be £10 million.

173. A number of witnesses argued for an increase in the adaptations budget. The Trust Housing Association stated that—

> “Nationally, we had an age and adaptations budget of £10 million, but that has been cut to £8 million. It was proposed to cut that again to £6 million, but we produced evidence that the social return on investment - the SROI - from adaptations produced such value for money that the budget should be expanded rather than cut. Now, I give full praise to the Government for agreeing to keep the budget at £8 million rather than cut it, but there is a strong argument for expanding that budget. That is very basic, simple straightforward stuff, but it is very cost effective. There is huge potential to help people to stay in their own homes and save the public services vast amounts of money. Most people want to stay at home; the problem is that many people, when they get old and infirm, need help to have their home adapted to allow them to remain there.”\textsuperscript{122}

174. While the CIHS said—

> “whatever the way forward is structurally - whoever has the lead responsibility, whether health and social care, housing or the individual funding their own support - more money will need to be spent on adaptations. There is a long way to go on that journey for adaptations - some of which can cost £1,000 or £2,000 - for the profile to be where it should be.”\textsuperscript{123}


175. Age Scotland was also concerned at the funding available—

“Given the lack of resource attached to the older people’s housing strategy and the failure to put in place any benchmarking to monitor progress, it is uncertain how local authorities will meet the ambition to create a national housing landscape which supports older people to live at home. The strategy will heavily depend on adaptations to existing housing stock rather than new builds, but given the lack of funding to support adaptation work and the lack of an overview about the state of the existing housing stock, its capacity to be adapted and the totality of adaptation costs, it is unlikely that the potential of adaptations to support independent living will be fully realised.”

176. The CIHS raised a separate concern about the funding system for adaptations which it considers to be—

“something of a mess (because of different funding routes for (respectively) private owners, council tenants and housing association tenants).”

177. It goes on to say that it does not believe it makes sense for current funding streams to be handed over from housing to social work/health—

“This is not in any way to criticise the latter sectors, but is a recognition that whilst adaptations expenditure is largely seen as “preventative spend”, social work and health will always be under intense pressure to meet acute needs, and the housing sector is anxious that the profile of adaptations expenditure could suffer if control was handed over.”

178. The Scottish Government’s housing for older people strategy recognises the preventative benefits which funding for adaptations can bring—

“There is now a significant body of evidence that shows the importance and cost-effectiveness of housing adaptations in reducing accidents in the home. For example, in 2007 the cost of a fractured hip was estimated at £29,000, compared with £6,000 for a major housing adaptation, or a few hundred pounds for grab rails. Bield, Hanover (Scotland) and Trust Housing Associations recently commissioned a Social Return on Investment study of adaptations in their sheltered and very sheltered housing developments. It found that, for an average cost of £2,800, each adaptation saved the Scottish health and social care systems an average of over £10,000.”

179. The AWG states in its final report that—

“Demand for housing adaptations is expected to increase. There is a need to put in place funding arrangements which encourage “preventative”

124 Age Scotland. Written submission.
125 Chartered Institute of Housing in Scotland. Written submission.
provision of adaptations, which would save money in the longer term. However, the Group is clear that increased levels of funding are likely to be required.”

180. The Group recommends that a single local funding pot is created.

181. The Committee notes that the Scottish Government’s housing strategy estimates that the overall number of pensioner households requiring adaptations will rise from 66,300 in 2008 to over 106,000 in 2033 and asks whether this projected increase has been costed and what impact it has had on the Scottish Government’s spending plans.

182. The Committee would welcome a response from the Scottish Government to the recommendations of the AWG that a single local funding pot is created.

New specialist build housing
183. The strategy for housing for Scotland’s older people states—

“Scotland needs more homes to meet the needs of our changing population. Building new, affordable and sustainable housing is a priority for government, with a range of house types and sizes that encourages mobility in the housing system.”

184. The strategy sets out a number of actions the Scottish Government will take including the development of new housing that is suitable for older people; providing practical advice about the development of supported housing; promoting the development of housing that is attractive and well located for the needs of older people by influencing local planning; making new housing more suitable for older people by ensuring appropriate building and design standards; and working to encourage new types of housing for older people by promoting new housing models.

185. Evidence presented to the Committee also focussed on the type of new build housing stock necessary to meet future needs. The CEC states—

“As new build housing in any one year only amounts to about 1% of the total stock, adaptation of the existing stock will inevitably be the main focus for improvements over the short-term. Nevertheless, in order to address long-term changes and minimise the cost of future adaptations it will be important to ensure that new housing is constructed with the future population profile in mind and is capable of being adapted to suit a range of needs. In particular, design and layout should allow sufficient space for persons who may rely on mobility aids. The limitations of the existing housing stock in Edinburgh (i.e. many older, flatted properties) also mean


that higher reliance may have to be placed on new build compared with some other areas of Scotland.”

186. A similar point was made by Fife Council—

“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.”

187. The CIHS suggests that the “way in which local authorities estimate the housing needs of older people leaves a lot to be desired” and that the Scottish Government “has a critical influence on how local authorities deal with housing need.” However, it expressed concern about the “uncertainty” in local authorities in commissioning new build—

“With the current focus on mainstream housing, there is uncertainty in local authorities about exactly what to seek and to commission in the way of a housing programme when we have to consider mainstream issues such as a percentage of new houses being built for wheelchair use.”

188. The CIHS also stated that the consequence of not making new specialist housing provision available (e.g. sheltered) in the coming decades—

“will increasingly be that some of those people who might have been best served by a move to more specialist accommodation will have to stay in their current home. This will add to the pressure to fund adaptations and indeed to the need for mainstream housing suitable for wheelchair users whose home has become entirely unsuitable.”

189. COSLA, in its submission, highlighted the need for early planning on new build—

“For Scotland to meet its aspiration on outcomes based on early intervention and prevention we need a planned and delivered housing supply that responds to people’s needs as they get older. If new housing in Scotland is accessible and adaptable it will better meet the needs of older people and obviate the need for expensive adaptations later in the life cycle of a household.”

190. The Committee asked the Cabinet Secretary about the provision of specialist new build housing—

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129 City of Edinburgh Council. Written submission.
130 Fife Council. Written submission.
132 Chartered Institute of Housing in Scotland. Written submission.
133 COSLA. Written submission.
“Should we be looking to build a lot more new housing that is suitable for people to carry on living in as they grow older, get a wheelchair and so on, or would it be too expensive to do that?”

191. In response the Cabinet Secretary said—

“The way to approach the issue is to ensure that our planning of the housing sector—whether we are talking about new development or refurbishment or adaptation of existing properties—is undertaken in alignment with our expectations about demand in localities in our communities. For example, as we plan to meet housing demand in different areas, it is essential that we take due account of the demographic change that is likely to take place to ensure that we have a housing stock that is appropriate for the needs of individuals at given times in their lives.”

192. The Cabinet Secretary also spoke of the need—

“to ensure that there is a strong and integrated dialogue between the local authority as a housing provider and the housing associations in an area ……. so that they can work together closely to determine how they can meet the needs of the population and manage the transition that is necessary for individuals who might require a different housing approach.”

193. The Committee notes that there are a number of aspects to the Scottish Government’s policy approach to delivering new build houses including planning policy, building standards and the supply of affordable housing. The Committee asks whether each of these policy strands is monitored and evaluated to assess the extent to which they are contributing towards the objectives of the housing strategy and, in particular, that new housing should be accessible and adaptable and meet the needs of older people.

Integration of health and social care services

194. In the “health and social care” section of this report the Committee highlights the Scottish Government’s proposals on the integration of health and social care including the Reshaping Care for Older People Change Fund. The Committee here considers how this approach is supporting the Scottish Government’s housing for older people strategy including its “policy of ‘shifting the balance of care’ and supporting people to remain at home independently for as long as possible, rather than in care homes or hospitals.”

195. The Committee notes the concern of the SFHA that: “housing was not really mentioned in the health and social care integration consultation.” It said in evidence—

“The committee should be mindful of how important it is to include housing. How can we shift the balance of care into the community if we do not have appropriate home settings? Our sector is more than able to provide those settings.”

196. On the change funding and its impact the SFHA states—

“the cultural and strategic shift required by all parties should not be underestimated. In common with many other third sector partners, housing associations and co-operatives have not yet seen much “change” as a result of the Change Fund. So far, the housing sector’s experience of Change Fund can be best described as “patchy”, so it is difficult for us to have any great confidence that this mechanism will deliver the degree of change that is required.”

197. The SFHA also said—

“Currently, less than a third of change fund applications made by housing associations are successful. Far too often, I hear anecdotal evidence that major players in the sector—I think that the committee will take evidence from Bield Housing Association, Hanover Housing Association and Trust Housing Association—are extremely frustrated because they are not getting the opportunity to provide services or to help in the shift towards preventative spend.”

198. North Lanarkshire Council suggests that change funding: “will not address the entirety of the housing issues linked to population change.”

199. BHT drew attention to the “desire” of the Scottish Government to “shift the balance” of care away from the hospital environment. They “believe” that—

“any shift, coupled with changing household compositions and individual aspirations, will serve to significantly increase the pressure on service providers, such as housing associations and local authorities. Faced with limited resources and rising need, the current housing arrangements are inadequate and unsustainable over the long-term.”

200. The Cabinet Secretary responded to these concerns—

“In the guidance that has been given to the recently formed health and social care partnerships, we have required the inclusion in the process of a
housing contribution statement. At the heart of the integration debate is an acknowledgement by us of the importance of housing as a contributory factor. The housing contribution statement will clearly articulate the links between housing plans and the approaches to health and social care commissioning."\(^{143}\)

201. **The Committee asks the Scottish Government whether it has any examples of good practice in the inclusion of housing in health and social care partnerships and what mechanisms are available to disseminate good practice.**

202. **The Committee would welcome further details on the aims and objectives of the “housing contribution statement” including how its effectiveness will be measured.**

**PENSIONS AND LABOUR FORCE**

203. In this section of the report the Committee will address the impact of demographic change on pensions and the labour force and pension reform as carried out by both the UK and Scottish Governments.

204. A number of reports were referred to in written evidence, for example, the Independent Public Service Pensions Commission (the Hutton report).\(^{144}\) In addition, the reports of the Independent Budget Review\(^{145}\) and the Christie Commission\(^{146}\) have considered the impact of demographic change and an ageing population on pensions and the labour force.

*Background*

205. SPICe has advised in a briefing on demographic change that there are six main public sector pension schemes in Scotland: local government, NHS, teachers, police, firefighters and civil servants.\(^{147}\) Although pensions policy is primarily a reserved matter the Scottish Government has responsibility for some policy aspects of all of the schemes apart from the civil service scheme which is funded directly by the UK Government. This includes aspects of scheme design.

206. Audit Scotland states in its report, *The cost of public sector pensions in Scotland*,\(^{148}\) that the six schemes in Scotland are very different. It recommended that there needs to be a clear statement of objectives: “Our aim was to get the Government to set out the aims and objectives of schemes and to explain why


\(^{144}\) Independent Public Service Pensions Commission. Available at: [www.hm-treasury.gov.uk/indreview_johnhutton_pensions.htm](http://www.hm-treasury.gov.uk/indreview_johnhutton_pensions.htm).


there were differences in the schemes, because we could see no rationale for
them.”

207. Both the teachers’ pension scheme contributions and NHS pension scheme
contributions are funded from the Annually Managed Expenditure (AME) budget.
Draft budget 2013-14 details the latest figures as follows:150

<table>
<thead>
<tr>
<th>Scheme</th>
<th>2012-13 Budget £m</th>
<th>2013-14 Budget £m</th>
<th>Draft 2013-14 Budget £m</th>
<th>2014-15 Plans £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scottish Teachers’ Superannuation Scheme</td>
<td>1,434.2</td>
<td>1,355.9</td>
<td>1,397.5</td>
<td></td>
</tr>
<tr>
<td>NHS Superannuation Scheme (Scotland)</td>
<td>1,766.6</td>
<td>1,471.7</td>
<td>1,542.2</td>
<td></td>
</tr>
<tr>
<td>AME</td>
<td>3,200.8</td>
<td>2,827.6</td>
<td>2,939.7</td>
<td></td>
</tr>
</tbody>
</table>

208. The Police Pension Scheme contributions and the Firefighters’ Pension
Scheme contributions are funded directly out of the Scottish Departmental
Expenditure Limit (DEL) budget. Draft budget 2013-14 sets out these figures as
follows:151

<table>
<thead>
<tr>
<th>Scheme</th>
<th>2012-13 Budget £m</th>
<th>2013-14 Draft Budget £m</th>
<th>2014-15 Plans £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Police Pensions</td>
<td>222.6</td>
<td>231.0</td>
<td>249.6</td>
</tr>
<tr>
<td>Fire Pensions</td>
<td>59.3</td>
<td>60.8</td>
<td>60.2</td>
</tr>
<tr>
<td>Total</td>
<td>281.9</td>
<td>291.8</td>
<td>309.8</td>
</tr>
</tbody>
</table>

209. Local Government pension contributions are funded from the operating
budgets of each local authority and employees can be members of either the Local
Government Pension Scheme (LGPS) or the Teachers’ Pension Scheme in
Scotland. Employers’ contributions and employees’ contributions to the LGPS for
2006-07 to 2010-11 are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Employers’ contributions £ thousands</th>
<th>Employees’ contributions £ thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>599,840</td>
<td>252,639</td>
</tr>
<tr>
<td>2007-08</td>
<td>696,104</td>
<td>236,844</td>
</tr>
<tr>
<td>2008-09</td>
<td>759,185</td>
<td>247,052</td>
</tr>
<tr>
<td>2009-10</td>
<td>866,785</td>
<td>273,280</td>
</tr>
<tr>
<td>2010-11</td>
<td>958,045</td>
<td>276,179</td>
</tr>
</tbody>
</table>

Source: Scottish Local Government Financial Statistics152

210. COSLA states in its written submission that—

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“Local Government remains committed to delivering public sector pension schemes to our workforce which are both affordable and sustainable to scheme members and employers alike.”

211. Audit Scotland states in its report on the cost of public sector pensions in Scotland that: “Over the last five years, employers’ contributions to the 11 LGPS pension funds increased 25 per cent in real terms, from £667 million to £836 million a year...The higher contribution rates reflect the need to meet higher than expected costs arising from people living longer than expected and poorer than expected pension fund investment performance in recent years.” Audit Scotland also suggests that: “Further increase in employer contributions may be required from April 2012 to respond to cost pressures.”

212. The table below sets out the various schemes, contribution rates, costs and memberships—

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153 COSLA. Written submission.
Audit Scotland found that: "In March 2010, there were 172,300 pensioners and dependants in the five main unfunded schemes, 13 per cent more than in 2005. The number of pensioners in the funded LGPS increased by 11 per cent to 141,400 in the same period." This was partly due to increased employment and partly due to pensioners living longer than previously forecast.

Audit Scotland also states in its written submission that in the five years to 2009-10 employers’ contributions increased by 19% in real terms to £2.2 billion reflecting the growth in the public sector and underlying cost pressures.

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156 Audit Scotland. Written submission.
**Scale of the challenge**

215. The Committee’s Budget Adviser, in his paper prepared for the Committee ahead of the fiscal sustainability round table discussions, states that—

> “Public sector pensions are a potential source of significant pressure on the Scottish budget in the next decade.”\(^{157}\)

216. The Independent Budget Review panel suggest that the current and projected costs of pensions are—

> “an issue of major significance for Scotland’s future public finances. Indeed, this issue dwarfs a number of other issues considered in this Report.”\(^{158}\)

217. They recommend that—

> “the Scottish Government recognises that changes to the current public sector pension arrangements are essential and almost certainly unavoidable and that it should engage proactively with the work of the Independent Public Services Pensions Commission.”\(^{159}\)

218. Audit Scotland has projected the contributions and payments from the five main public sector pensions from 2007-08 to 2014-15\(^{160}\)—

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219. According to the OBR forecast (November 2010) net public service pensions expenditure for the UK was £3.2 billion in 2009-10 “and is forecast to rise to £7 billion by 2015-16.”

220. The CEC states in its written submission that—

“Steadily improving longevity has the effect of increasing pension fund liabilities. For Lothian Pension Fund (LPF), the actuarial assessment is that over the years 1999 to 2011 liabilities increased by approximately 11%, that is £214m, owing to improved life expectancy.”

Life expectancy

221. The Committee considered issues around life expectancy and healthy life expectancy earlier in this report. This issue has a further relevance in the context of pensions. The table below shows life expectancy in Scotland for males and females from 1951 to 2009.
222. Over this period, life expectancy of males increased from 64.4 to 75.8, while that of females increased from 68.7 to 80.3. In 1980, male life expectancy was 69.1 years, while that of females was 75.3 years. Males retiring at 65 in 1980 could only expect to live for a further 4.1 years and females for 15.3 years if they retired aged 60. In 2009, males could expect to live for 10.8 years if they retired aged 65, while women retiring aged 60 could expect a further 20.3 years of life.\textsuperscript{163}

223. In practice, not all individuals retire at the age they become eligible for a state pension. However, the increase in effective pension age has not kept pace with life expectancy. This is one of the major challenges facing pension providers. The length of working life has not increased but life expectancy post retirement has.

224. Issues around life expectancy were discussed at the Committee’s evidence session on pensions during this inquiry. Unison referred to a visit to Scotland by Lord Hutton following the publication of his report—

“When John Hutton came up to visit in connection with his report, he kept talking about broad averages for the UK, with life expectancy rising into the 70s, but that is not the case for large parts of our communities. That is a real issue, particularly at the lower-paid end of the scale. We have to recognise that aspect in our pension policies and retirement-age policies.”\textsuperscript{164}

225. A further point was made by the Pensions Institute who said—

“one in five Scottish workers still has a pension with a very good public sector scheme, but that means that four out of five do not—and they are not

\textsuperscript{163} Professor David Bell. \textit{Fiscal sustainability: Issues for the Finance Committee work programme 2012}. Available at: \url{www.scottish.parliament.uk/S4_FinanceCommittee/Inquiries/DBP_paper.pdf}.

saving anywhere near enough, taking into account the life expectancy differences.”\textsuperscript{165}

226. Finally, the Committee draws attention to the point made by both Professor David Bell and Unison about the rate of life expectancy, particularly in the west of Scotland. Unison said—

“I have addressed large numbers of low-paid workers in the west of Scotland about pensions and, knowing the life expectancy of most of the people in the room, I have looked out at them and wondered why some of them pay into a pension scheme.”\textsuperscript{166}

227. The Hutton Commission reported that life expectancy had increased significantly, consequently people are spending more of their lives in retirement and receiving pensions for a lot longer than was expected when the pension schemes were set up. This has led to significant increases in pension costs and calls to make public sector pension schemes more affordable.

228. The Audit Scotland report gives an example of this from the Strathclyde pension fund where the life expectancy at age 65 for pensioners increased by one year between 2005 and 2008, from 19.3 years to 20.3 years for men and from 22.3 years to 23.2 years for women. The Committee notes the point made in that report that—

“There is an unavoidable element of risk involved in the whole pension provision process as forecasts must be made over 60 years or so. Whilst errors in forecasting are therefore inevitable, there is also evidence that life expectancy has been systematically underestimated in actuarial assessments in recent years.”\textsuperscript{167}

229. According to Audit Scotland’s report the reported pension liabilities for the five main unfunded schemes have “increased significantly” in real terms since 2006.

\textit{UK Government response}

230. The UK Government is currently proceeding through the UK Parliament with its Public Service Pensions Bill, the principal purpose of which is: “to legislate for a series of reforms to the main public sector pension schemes in the UK to help reduce the ongoing cost of public service pensions.”\textsuperscript{168} The Bill prescribes a number of elements of scheme design including: the end to current final salary pensions schemes; establishing a link between state pension age and normal pension age; and improving scheme governance arrangements. The reforms are due to be implemented by April 2015 for the main public sector pension schemes.
231. As the Bill contains provisions which fall within the legislative competence of the Scottish Parliament, the Scottish Government lodged a Legislative Consent Memorandum (LCM). The LCM stated that the Scottish Government did not intend to lodge a legislative consent motion. The Committee has considered and reported on the LCM.\(^{169}\)

232. Plans for a new flat-rate state pension to start in April 2017 were recently announced by the UK Government.

233. Unison in its written submission refers to the Hutton report which estimates that changes to public pension schemes will reduce costs (i.e. as a percentage of GDP)—

“the cost of public pensions will fall from 2% of GDP to 1.8% in 2030 and 1.4% in 2060 as a consequence of the 2007-08 reforms.”\(^{170}\)

234. However, it goes on to state that—

“While these changes show a diminishing impact on public finances that is not the whole picture. We have repeatedly warned that increased contributions will lead to greater levels of opt-out from public service pension schemes.”\(^{171}\)

235. It highlights the shift from defined benefit (in which the benefits are defined in the scheme rules and accrue independently of the contributions payable and investment returns - also known as a “final salary” or “salary-related” scheme) to defined contribution (also known as money purchase – benefits are based on how much the member and employer pay into the scheme, and on the performance of the investments made with that money) which has “resulted in a general reduction in pension contributions and therefore income in retirement.”\(^{172}\)

Scottish Government response

236. In evidence to the Committee on the Public Services Pension Bill LCM the Cabinet Secretary stated: “The Scottish Government remains opposed to the way in which the UK Government has conducted the pension reforms in general.” In relation to the devolved aspects of pensions arrangements he stated that: “the Scottish Government will continue to take an inclusive, evidence-based approach to any further reform…If change is necessary it will be made in conjunction with the organisations themselves.”\(^{173}\)

237. COSLA states in its written submission that: “Local Government remains committed to delivering public sector pension schemes to our workforce which are both affordable and sustainable to scheme members and employers alike.”


\(^{170}\) Unison. Written submission.

\(^{171}\) Unison. Written submission.

\(^{172}\) Unison. Written submission.

COSLA is working with the Scottish Government in delivering a series of reforms to the main public sector pension schemes in Scotland.\textsuperscript{174}

238. Audit Scotland suggests in its written submission that there is “some uncertainty” about how the changes arising from UK pension policy will be implemented in Scotland. It states that: “consultation and negotiation between the Scottish Government, trade unions and other public sector employers on changes to the design of the Scottish schemes has not advanced as far as in the rest of the UK.”\textsuperscript{175}

239. In a Ministerial Statement on 28 November 2012 the Cabinet Secretary addressed this uncertainty by pointing out that the Scottish Government had now been given some clarity by the UK Government and that “current schemes must be closed by April 2015 and new schemes put in their place, although there are protections for people who are within 10 years of retirement.”\textsuperscript{176} He also stated that the Scottish Government now has even less flexibility on how to design the Scottish pension schemes but reaffirmed “the Government’s commitment to engage in meaningful negotiations with our negotiating partners in order to utilise all remaining flexibility to deliver schemes that are appropriate to the interests of people in Scotland.”

240. The Committee invites the Scottish Government to provide details on the level of flexibility which it has in making changes to the design of the Scottish pension schemes and provide an update on the progress of its negotiations with relevant public sector bodies.

241. The Committee asks the Scottish Government to set out how the impact of an ageing society will inform the design of the new Scottish pension schemes.

242. The Committee invites the Scottish Government to set out the aims and objectives of the six schemes including an explanation as to why they are all different, as recommended by Audit Scotland.

243. The Committee asks whether the Scottish Government has undertaken any economic modelling to identify the potential impact on the Scottish budget arising from the impact of increasing life expectancy on the cost of pension provision including for local government.

244. The Committee notes the substantial increase in employers’ contributions to the LGPS between 2006-07 and 2010-11 and intends to write to COSLA seeking further details on the reasons for this increase and how it has been funded. The Committee will also seek further details from COSLA on whether the size of employers’ contributions is projected to increase in the same manner in future years and, if so, how this will be funded.

\textsuperscript{174} COSLA. Written submission.
\textsuperscript{175} Audit Scotland. Written submission.
Pension age people and carers in employment

245. A further issue which came up in evidence was that of the number of over 65s and carers who remain in employment and the positive benefits, for example in the continued creation of wealth for that individual and the business and the maintenance of a healthy life expectancy. During the Committee’s fiscal sustainability round table discussion on demography Professor Charlie Jeffery of the University of Edinburgh spoke of the opportunity to—

“release the talents and energies of the over-65s. Given changes in retirement legislation, we do not stop at 65. We can go on and on, and many people have the abilities and the will to do so.”

246. The contribution which working people will make to the pension pot was referred to by Audit Scotland in its report—

“Projected changes in Scotland’s population mean that the ratio of pensioners to working people is predicted to rise from one in four of the population to one in three by 2050. This means that there may be a smaller proportion of working age people to support pensions in future.”

247. The Committee notes the points made by Carers Scotland about carers remaining in employment and the impact of this on income and pensions. In evidence it said—

“In our submission, we argued a few points, one of which was about sustaining carers to allow them to remain in employment. As I have said, we will need more carers in the next 20 years, but we will also need more people in the workplace. If we do not support carers so that they can continue to work, they will fall out of employment and that will be another cost to the state.”

248. It went on to say—

“Carers tend to retire earlier, their employment rates are lower, and the loss of income means that they cannot build up pensions and savings for the future, which then impacts on their future retirement and chances of a healthy old age.”

249. The Committee raised with the Cabinet Secretary the issue of older people who wish to remain in employment. In response the Cabinet Secretary said—

“It is clear that there is a strong opportunity for older people to remain in employment. We will find—some of these points were made in yesterday’s debate—that, despite the current levels of unemployment, which are too high, there are still skills shortages in different parts of the economy and the

country that I am quite sure older people could fill in certain circumstances….There might be questions in the eyes of employers about age being an impediment to individuals making a contribution. That matter should simply be left to assessments of what individuals are capable of contributing. However, the Government certainly welcomes that approach in principle.”

The Committee also discussed the role of carers with the Cabinet Secretary and asked how the Scottish Government was planning to support such carers and what its strategy was “to deal with the changed demographic situation.”

The Cabinet Secretary in response said—

“The Government’s carers strategy has been constructed after significant dialogue with the carers sector within Scotland. Carers contribute enormously to providing support for individuals in our society—the state would be unable to fulfil their role or to replace their commitment and contribution.”

The strategy includes ensuring that carers have the supporting infrastructure that can assist them in supporting their commitments.

The Committee would welcome an update from the Scottish Government on the progress in implementing the action points at the end of Chapter 18 of the carers strategy on employment and skills.

CONCLUSION

The Committee publishes this report as a contribution to the on-going and essential debate as to how we radically reform the way our public services are delivered in response to an ageing society. In addition to all those organisations who contributed to the inquiry the report will also be forwarded to the Health and Sport Committee, the Local Government and Regeneration Committee and the Infrastructure and Capital Investment Committee. The Committee will also invite COSLA to give oral evidence on relevant recommendations within the report and looks forward to the Committee’s debate in the Chamber and the response of the Scottish Government.

It is clear from the evidence which the Committee has considered during this inquiry that there is a great deal of work being done both by the Scottish Government and the main public services in responding to demographic change and the impact of an ageing society. However, the Committee is concerned that there would appear to be a lack of real progress in addressing some of the main challenges and barriers which prevent the necessary cultural and structural change which is required in the way our public services are delivered. While there are a myriad of strategies and initiatives it is not clear that these are having the desired effect in terms of facilitating real change. The Committee wishes to

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emphasis that while many of these strategies and initiatives are welcome they are not in themselves a solution. For example, Audit Scotland notes in its report on health inequalities: “There is limited evidence that strategies and initiatives for reducing health inequalities have made a significant impact. Better partnership working is needed.”

256. Both this Committee and its predecessor have consistently called for the need for more effective collaborative working across the public services including the need to pool resources and to share good practice. There is also a need to develop a more performance based and target based approach as a means of measuring the effectiveness of the various government strategies and policy initiatives which in turn should provide an increasing evidence base for accelerating the cultural and structural change which is essential if the challenges of demographic change and an ageing society are to be met.
ANNEXE A: INDEX OF ORAL EVIDENCE SESSIONS

23rd Meeting, 2012 (Session 4) Wednesday 19 September 2012
Alan Sinclair, Centre for Confidence and Wellbeing; Barbara Hurst, Director of Performance Audit, Audit Scotland; Colin Mair, Chief Executive, Improvement Service; Professor Elspeth Graham, ESRC Centre for Population Change; Anne Simpson, Development Manager, National Osteoporosis Society; Delia Henry, Director, Action on Hearing Loss Scotland; Lord Sutherland of Houndwood, Royal Society of Edinburgh; Professor Robert Logie, Centre for Cognitive Ageing and Cognitive Epidemiology; Robert Parry, Associate Director, Nursing, Midwifery and Allied Health Professions Directorate, NHS Education for Scotland; Simon Fevre, British Diatetic Association.

30th Meeting, 2012 (Session 4) Wednesday 21 November 2012
Callum Chomczuk, Senior Policy and Parliamentary Officer, Age Scotland; David Ogilvie, Policy Manager, Scottish Federation of Housing Associations; Fiona Collie, Policy and Public Affairs Manager, Carers Scotland; Mike Brown, Convener, Association of Directors of Social Work Resources Standing Committee; David Bookbinder, Head of Policy and Public Affairs, Chartered Institute of Housing in Scotland; Nancy Fancott, Policy and Development Officer, Coalition of Care and Support Providers in Scotland.

31st Meeting, 2012 (Session 4) Wednesday 28 November 2012
Bob McDougall, Chief Executive, Trust Housing Association; Marlene McMillan, Lead Public Health Practitioner, NHS Ayrshire & Arran; Catriona Renfrew, Director of Corporate Planning and Policy, NHS Greater Glasgow & Clyde; Soumen Sengupta, Head of Strategy, Planning and Health Improvement, West Dunbartonshire Community Health & Care Partnership; Michael Thain, Strategy & Investment Manager, City of Edinburgh Council.

33rd Meeting, 2012 (Session 4) Wednesday 12 December 2012
Professor David Bell, University of Stirling; Professor David Blake, Director, Pensions Institute; Angela Cullen, Assistant Director, Audit Scotland; Dave Moxham, Deputy Secretary, STUC; Clare Scott, Investment & Pensions Service Manager, Lothian Pension Fund; Dave Watson, Scottish Organiser (Bargaining & Campaigns), UNISON.

1st Meeting, 2013 (Session 4) Wednesday 9 January 2013
John Swinney, Cabinet Secretary for Finance, Employment and Sustainable Growth; Katriona Carmichael, Policy Adviser, Public Service Reform Unit; Andrew Watson, Head of Finance Policy; and Peter Whitehouse, Unit Head, Analytical Services, Health Directorate, Scottish Government.

ANNEXE B: INDEX OF WRITTEN EVIDENCE

- Fiscal sustainability: Summary of evidence (340KB pdf)

Written submissions—
• **Action on Hearing Loss Scotland and RNIB Scotland (11.2KB pdf)**
• **Age Scotland (84.2KB pdf)**
• **Association of Directors of Social Work (59.1KB pdf)**
• **Audit Scotland (225KB pdf)**
• **Bield Hanover (Scotland and Trust) (1.45MB pdf)**
• **BMA Scotland (25.7KB pdf)**
• **British Diatetic Association (49.2KB pdf)**
• **Capability Scotland (41.5KB pdf)**
• **Carers Scotland (84.7KB pdf)**
• **Centre for Cognitive Ageing and Cognitive Epidemiology (28.7KB pdf)**
• **Chartered Institute of Housing in Scotland (23.8KB pdf)**
• **Coalition of Care and Support Providers in Scotland (28.0KB pdf)**
• **Comhairle nan Eilean Siar (25.9KB pdf)**
• **COSLA (213KB pdf)**
• **East Ayrshire Council (38.9KB pdf)**
• **City of Edinburgh Council (366KB pdf)**
• **Fife Council (41.2KB pdf)**
• **Government Actuary's Department (30.1KB pdf)**
• **Highland Council (29.2KB pdf)**
• **Homes for Scotland (32.3KB pdf)**
• **Improvement Scotland (60.9KB pdf)**
• **Macmillan Cancer Support (31.3KB pdf)**
• **McCarthy & Stone (198KB pdf)**
• **National Osteoporosis Society (56.6KB pdf)**
• **National Records of Scotland (19.6KB pdf)**
• **NHS Ayrshire and Arran (25.0KB pdf)**
• **NHS Dumfries and Galloway (60.3KB pdf)**
• **NHS Education for Scotland (41.4KB pdf)**
• **NHS Greater Glasgow and Clyde (43.4KB pdf)**
• **NHS Highland (42.2KB pdf)**
• **NHS National Services Scotland (43.3KB pdf)**
• **North Lanarkshire Council (58.2KB pdf)**
• **Pensions Institute (705KB pdf)**
• **Primary Care and Community Services (25.5KB pdf)**
• **Renfrewshire Council (178KB pdf)**
• **Royal College of Nursing (48.7KB pdf)**
• **Royal Society of Edinburgh (73.6KB pdf)**
• **Scottish Collaboration for Public Health Research and Policy (23.5KB pdf)**
• **SCVO (57.7KB pdf)**
• **Scottish Federation of Housing Associations (25.7KB pdf)**
• **Scottish Social Services Council (37.2KB pdf)**
• **Scottish Sports Association (42.2KB pdf)**
• **Alan Sinclair (34.9KB pdf)**
• **South Ayrshire Council (24.4KB pdf)**
• **South Lanarkshire Council (48.3KB pdf)**
• **Strathclyde Partnership for Transport (41.9KB pdf)**
- Unison Scotland (94.3KB pdf)
- West Dunbartonshire Council (85.9KB pdf)
- West Lothian Council (27.0KB pdf)
- WRVS (35.5KB pdf)
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