

FINANCE COMMITTEE

DEMOGRAPHIC CHANGE AND AGEING POPULATION INQUIRY

SUBMISSION FROM HIGHLAND COUNCIL

General

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

1. There is no doubt that demographic change and an ageing population will have a significant impact on health and social care. There is clear evidence to support the principle that the older the person the increasing likelihood is that they will place greater demand on current health and social care services. The challenge is therefore to change the way in which services are delivered, to focus more attention on preventative spend, and therefore to offer more appropriate support. This will have the added benefit of reducing cost.

2. In some respects sustainability of housing services is linked to wider economic aspects than demography and an ageing population. However the fact that tenants will live longer has the potential to reduce turnover of properties and further reduce the availability of properties to new tenants. This is a particular issue in the current financial climate where there is an increasing demand for rented accommodation. A changing and ageing tenancy may further challenge the sustainability of social and rented housing to support a person in their home.

3. The age profile and proportion of people of working age will impact on tax generating levels to support the wider cost of demographic change. An ageing population will mean that fewer people are contributing tax to fund the cost of an ageing population. Further consideration will no doubt be required on the level of contributions people would need to make through taxation (either in terms of contributions through national insurance schemes and through thresholds of taxation) as well as through pension contributions. The Council is aware that taxation is a matter reserved for the UK Government.

4. This also increases pressure on pension funds which will require to receive a higher level of contributions to meet the increasing funding requirements. In general health and social care is likely to see the largest demand for services through more age related illness. However if health improvements can be achieved then other demands may materialise eg transport, leisure, as an active retired population looks to other pursuits.

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

5. 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.

2. At a national level, re-design of pension schemes and increase in the retirement age, are essential if the impact of demographic changes are to be mitigated. A review of taxation thresholds and personal contributions should be considered as well, although the Council recognises that this is a matter reserved for the UK Government.

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

3. Long-term financial planning is a key part of the annual budget process. Demographic trends form one element of the assessment of future demand-led pressures on services.

4. The weakness of this type of modelling however is that it assumes the “status quo” in terms of service delivery. The challenge, as stated above, is to change the method of service delivery by focussing more on prevention. Further integration of public services be supported to find more efficient and effective ways of working.

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

5. Collected data largely looks at historical trends. This is then linked to population forecasts to calculate future funding requirements. This is a common technique used in all categories, with the caveats of the weakness identified in 3 above.

6. The other aspect relating to pensions is the use of actuarial analysis to assess future liabilities of pension funds.

Health and social care

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

7. 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.

8. As stated above preventative spend is essential to re-design services. By providing additional funding it allows existing services and budgets to be maintained and to offset existing budget pressures. The absence of a Change Fund would make the move towards prevention much more difficult to achieve.

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

9. Ageing population is one significant example of pressures on health and social care. However there are clearly other aspects of health which will also create financial pressures. Obesity is another example where preventative spend on health education can deliver health benefits and a resultant reduction in expenditure.

Housing

What is likely to be the main pressures on both the public and private housing stock arising from demographic change and what action should government and other public bodies be taking now to address this?

10. The main pressure is to ensure that there is an adequate supply of affordable housing. The Scottish Government needs to provide funding to support a house building programme that supports this demand.

11. There is clear evidence to link good quality housing with health, so investment in housing represents an opportunity to deliver wider benefits. It also supports the construction industry which in turn can lead to economic development and growth.

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

12. This is clearly an extremely difficult area to forecast, and many adaptations can be achieved quite easily eg handrails. However in rural areas it is more difficult to relocate tenants to more suitable accommodation.

13. Modern building standards need to take account of disabled access, and Councils need to consider whether ground floor accommodation needs to be provided.

Pensions and labour force

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

14. The likely impact is significant as investment returns are restricted in the current economic climate, and pensions are payable for longer with an ageing population. Government need to review pension schemes, increase retiral age and push people to making their own arrangements for pension schemes. It would be productive to do this alongside a consideration of tax contributions and thresholds (although this is a matter reserved to the UK Government).

What should be the balance within public policy of support for older people who wish to remain in employment versus creating opportunities for youth employment?

15. A better awareness of the reasons for older people wishing to remain in work would help to answer this question. If a key reason is their low pay and poor personal pension provision then remaining in work may be essential rather than desirable for them. Also, the question of balance between support for older people and younger people is partly a concern where employment opportunities are constrained; if more employment can be created the balance of support for people of different ages is less contentious. The Council is mindful of the duties it has under the Equality Act and the implications this has in terms of policies that might have an impact on people of different ages.