



The Scottish Parliament
Pàrlamaid na h-Alba

FINANCE COMMITTEE

AGENDA

1st Meeting, 2013 (Session 4)

Wednesday 9 January 2013

The Committee will meet at 9.30 am in Committee Room 2.

1. **Declaration of interests:** Malcolm Chisholm will be invited to declare any relevant interests.
2. **Decision on taking business in private:** The Committee will decide whether to take item 5 in private.
3. **Demographic change and ageing population:** The Committee will take evidence from—

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.

4. **Public Service Pensions Bill (UK Parliament legislation):** The Committee will take evidence on legislative consent memorandum LCM (S4)19.1 from—

John Swinney, Cabinet Secretary for Finance, Employment and Sustainable Growth, Stuart Foubister, Divisional Solicitor, Legal Directorate, and Chad Dawtry, Director of Policy, Strategy and Development, Scottish Public Pensions Agency, Scottish Government.

5. **Forth Road Bridge Bill:** The Committee will consider its approach to the scrutiny of the Financial Memorandum.

FI/S4/13/1/A

James Johnston
Clerk to the Finance Committee
Room T3.60
The Scottish Parliament
Edinburgh
Tel: 0131 348 5215
Email: james.johnston@scottish.parliament.uk

The papers for this meeting are as follows—

Agenda item 3

Paper by the clerk

FI/S4/13/1/1

Agenda Item 4

Paper by the clerk

FI/S4/13/1/2

Agenda Item 5

PRIVATE PAPER

FI/S4/13/1/3 (P)

Finance Committee

1st Meeting, 2013 (Session 4), Wednesday 9 January 2013

Demographic change and ageing population inquiry

Purpose

1. The purpose of this paper is to provide information for the demographic change and ageing population inquiry evidence session with the Cabinet Secretary for Finance, Employment and Sustainable Growth.

Background

Demographic changes and ageing population

2. The Committee will recall from its [January fiscal sustainability round table discussions](#) that two of the most significant challenges facing the public finances in Scotland over the coming years are demographic change and an ageing society, and increasing sustainable economic growth. The importance of this issue has been highlighted in other evidence considered by the Committee. For example, the OBR in its [fiscal sustainability paper of 2011](#) stated 'demographic change is a key source of long-term pressure on the public finances'. Aspects of it were also touched on in written submissions received in response to the [preventative spend](#) call for evidence in 2011 as part of the Committee's draft budget scrutiny. Demography was a key point discussed in the wider fiscal sustainability debate which the Committee led in the Chamber on [9 May 2012](#).

3. The reports of the [Independent Budget Review](#) and the [Christie Commission](#) have considered the impact of demographic change and ageing population on public services and finances.

4. A [summary of evidence](#) for the January fiscal sustainability sessions was published. A [briefing by the Financial Scrutiny Unit on demographic change](#) has been published as has the Committee's [budget adviser fiscal sustainability paper](#).

Remit

5. Given the breadth and scale of the topic, the Committee agreed it was important to maintain focus on particular issues. The remit agreed for the inquiry is—

'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.'

6. The Committee agreed that identification and planning are the key aspects - identify what the budgetary impacts will be within each of these areas and that the Scottish Government and key public agencies (e.g. local authorities and NHS boards) have appropriate and active plans in place to tackle them. The inquiry is focussing on three particular policy areas: health and social care; housing; and pensions and labour force.

7. A general call for evidence was issued (24 May) seeking written views. The responses are available on the [Committee's inquiry page](#).

Evidence

8. Across many written submissions were references to the integration of health and social care (through the [Social Care \(Self-directed Support\) \(Scotland\) Bill](#)); the [Reshaping Care for Older People Change Fund](#); and the Scottish Government's [Strategy for Housing for Scotland's Older People](#). The attached Annex provides extracts from the clerk's paper for each oral evidence session and which summarised issues arising from participants written submissions.

Conclusion

9. **The Committee is invited to note the above.**

Fergus D. Cochrane
Senior Assistant Clerk to the Committee

Annex

Oral evidence sessions

The Committee has held five oral evidence sessions on the three inquiry themes (health and social care; housing; pensions and labour force). Extracts from the clerk's paper for each session, which summarised issues from participants written submissions, are provided below—

Wednesday 19 September 2012: 'Scene setting' session with Audit Scotland; Alan Sinclair; Improvement Service; ESRC Centre for Population Change

Wednesday 19 September 2012: Health and social care session with National Osteoporosis Society; British Dietetic Association; Centre for Cognitive Ageing and Cognitive Epidemiology; NHS Education for Scotland; Royal Society of Edinburgh; Action of Hearing Loss Scotland and RNIB Scotland

Written evidence

[Alan Sinclair](#) seeks to put some context around the scale of this issue and sets out a number of key issues and questions e.g. the need for long-term thinking, whether we want to continue spending in the same way on health and social care for older people ('no' being his answer), the importance of directing public services to people's specific individual needs, the need for greater efficiency in health, care and housing services.

Reference is made to Nairn, North Lanarkshire and the Scottish Borders where services are being 'rethought and delivered in a different way. There is no elaboration of this. However, written submissions have been received from both [Highland](#) and [North Lanarkshire](#) councils. While the written submission from Highland Council does not refer to Nairn, members will recall earlier evidence from the Council on preventative spending that a greater emphasis was being placed on this and that it and the local NHS board were involved in budget pooling/alignment and a greater integration of services ('breaking down silos').

[Audit Scotland](#) highlights previous work in this area including its report, [Scotland's public finances: Addressing the challenge](#) (the Committee [took oral evidence](#) from the then Auditor General for Scotland on that report in 2011). It states in its submission that while there is recognition that services need to change as a result of demographic change, 'in reality services have been slow to adapt and we have found it hard to see evidence of meaningful shifts in the way resources are used over time'.

A consistent point made by [Audit Scotland](#) in its submission, and which has emerged elsewhere in the work of the Committee e.g. in relation to preventative spending, is that of the lack of good performance information across the public sector. This point is highlighted here as the 'identification' of impacts is a key aspect of the Committee's inquiry. The submission states—

‘Without better information on costs and needs, there is a significant risk that organisations will take short-term decisions to reduce what they spend rather than focus on the longer-term picture. Such short-term decisions could include reducing funding for preventative services and focusing on providing care for those with the most intensive needs. This may add to future pressures for other parts of the public sector.’

On a related point, the Committee will recall the ‘difficulties’ expressed by councils and NHS boards during the preventative spend work caused by short-term budget provision. The issue is whether the current system for allocating funding to councils and NHS boards allows them to properly plan for the long-term provision and funding of services for an ageing population.

[Audit Scotland](#) also refers to the checklists it publishes alongside its reports which are aimed at delivering efficiency and productivity improvements. The Committee may wish to discuss how such checklists are, or could be, used in relation to ‘identification’ and ‘planning’ by the public sector (e.g. councils, NHS boards).

[Audit Scotland](#) draws attention to what the impact of demographic change and an ageing population could have on various services e.g. increase in health spending, the number of emergency admission hospital beds, increased demand for housing adaptations, increase in sheltered housing for older people and people with disabilities, types of services people will want to access, and the sustainability of public sector pensions.

The [Royal Society of Edinburgh](#) provides a summary of the main points within its submission.

A particular issue highlighted, and which has been raised with the Committee previously (again during its [preventative spend](#) work), is that of short-term funding cycles. RSE states that ‘the annuality of the current budget process should be reviewed as it restricts longer-term prioritisation of spend and reduction of costs at a time of tightening public expenditure’. It also highlights the importance of data gathering and linkage (the Committee has [held evidence sessions](#) on this).

The submission highlights the importance of building up savings and investing in pensions schemes while people are in work to offset demand for health and housing services in the future. It also draws attention to the ‘substantial regional differences in health and mortality rates’.

The [British Dietetic Association](#) (BDA) submission states it is important to ‘address the needs of our younger and very young population’ when considering the impact of diet and nutrition. This point is made given the longer term financial and social implication of poor diet and nutrition. This point crosses over to the preventative spend agenda and of the need to remove or reduce early the risk of later negative or adverse impacts.

The BDA states that a number of dietetic departments are in receipt of change funding and the projects funded are 'showing good results' although it does point out that this funding is temporary and that 'sustained investment is recommended to develop sustainable results'. It also highlights the need to share results which again is a point made previously to the Committee during its [preventative spending](#) work about sharing information.

A recent [article in The Guardian](#) drew attention to a New Scientist article which states—

'It is well known that bad diets can trigger obesity and diabetes. There is growing evidence that they trigger Alzheimer's disease too, and some researchers now see it as just another form of diabetes'

[Action of Hearing Loss Scotland and RNIB Scotland](#) projects the number of people, by 2031, with hearing loss and with sight loss (and both). While both increases are mainly due to a large rise in the elderly population a 'variety of health factors, such as Scotland's persistently poor health record (e.g. diet), also play a part. It highlights the 'additional demands' on public services which this will bring.

[NHS Education for Scotland](#) sets out various strategies being taken forward with regards the expected increased demand for psychological services. It draws attention to, [The Challenge of Delivering Psychological Therapies for Older People in Scotland](#). This report (by the Scottish Government's Older People's Psychological Therapies Working Group) states—

'There is a strong evidence-base that psychological interventions with older people are effective. This is summarised in the MATRIX which accompanies this report. Despite robust evidence for this, older people do not have access to appropriate psychological approaches and treatments'

And that—

'Current capacity for psychological therapy provision for older people is seriously compromised'.

NES also refers to the work of the Reshaping Care for Older People Workforce Group (having the right workforce is a point touched on by [Alan Sinclair](#) in his submission - 'reorganising technical public services is only part of the task').

The [Centre for Cognitive Ageing and Cognitive Epidemiology](#) submission highlights the 'major impact' with respect to cognitive functions (thinking skills) which demographic change and an ageing population will have. It states that 'due weight should be given to the possibilities for detecting accelerated cognitive decline early' thereby 'ameliorating cognitive decline'.

It draws attention to the impacts on families and carers of individuals with cognitive impairments and of the implications for society as a whole. This evidence may tie in with

that from [NHS Education for Scotland](#) with regards the expected increased demand for psychological services.

The [National Osteoporosis Society](#), similar to the submissions from the BDA and Action on Hearing Loss Scotland and RNIB Scotland, draws attention to the long term financial (and social) cost caused by osteoporosis and sets out projections for the number of hospital admissions and associated cost by 2036. It also highlights the preventative actions which can be taken (which can be 'cheap and effective') and which can reduce a person's chances of fracture by up to 50%.

It also details the four policy documents which 'support the implementation of comprehensive FLS [Fracture Liaison Service] throughout Scotland'. However it also draws attention to the absence of a FLS in some areas and to routine post-fracture assessments. The NOS does set out the savings which can be achieved through FLS (which relates back to the preventative aspects of this inquiry).

The [Improvement Service](#) has been involved in modelling the relationship between income and demand trends for local government services and analysing factors which influence the conversion of potential into actual demand for services. A 'key point' made by the IS is around the projected impacts which have been made (e.g. by the OBR, IFS, Scottish Government) of demography on public spending and services. It goes on to state that these projections are rarely explicit about their assumptions about the costs associated with meeting the demand and that, if costs could be reduced over time, then 'the volume of demand a given level of budget could support would increase'.

The submission sets out the short to medium term spending pressures and the associated 'problems'. It sets out its estimates of the funding reductions which may be necessary over the next five years and how demography and demand will 'interact with the need to make short to medium term cuts to public spending'. It identifies the importance of the preventative agenda as being 'critical' in this regard and raises the issue of 'the need to re-examine' entitlement to universal services as a way of addressing both immediate and long-term funding pressures.

The Committee will recall issues around entitlement, means testing etc. were discussed during its fiscal sustainability [roundtable on the provision of universal services](#).

[Wednesday 21 November 2012](#): Health and social care and housing session with Association of Directors of Social Work; Age Scotland; Scottish Federation of Housing Associations; Society of Local Authority Chief Executives; Chartered Institute of Housing in Scotland; Coalition of Care and Support Providers in Scotland; Carers Scotland

Written evidence

[Age Scotland](#) has provided a summary of its evidence. It highlights 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.

It goes on to state—

‘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.’

[Age Scotland](#) also refers (para.4) to the projected costs of community care and the ‘benefit’ of updating the modelling used to project these costs. It is unclear whether this modelling has been updated or whether any other modelling has been produced which would project short and long term community care costs. It goes on (para.6) to state that a—

‘major problem with the current system for care is that the wrong services are often commissioned by statutory bodies, which can result in poor quality care and, subsequently, more expensive intervention to correct the initial care plan. For example, some home care for people with dementia is generic rather than specialist and can pose a risk for the individual which can raise the risk of admission to a hospital or care home.’

On housing, [Age Scotland](#) highlights the challenge in investing in preventative measures (para.23) and states that—

‘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*.’

[\[*The Scottish Government’s Age, Home and Community: A Strategy for Housing for Scotland’s Older People: 2012 - 2021\]](#)

It goes on to state (para.46) that—

‘In both the public and private sectors, it is clear that new build housing stock will play a diminishing role in providing any substantive response to the changing demographics.’

[Association of Directors of Social Work](#) summarises the main points in its submission. It does make the point (iv and expanded on at para.29) 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.’

And that—

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

It also states (this point is again made at para.26) 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.’

The Committee will recall that the issue of hospital admissions was raised by a number of participants in the initial round table discussion on [19 September 2012](#). A number of studies regarding reducing hospital admissions were highlighted (for example by Audit Scotland) while 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.”

[ADSW](#) also highlights the issue of data collection which the Committee has an ongoing [interest in generally](#). It also highlights (para.31) areas where the information base is ‘insufficient’.

[Carers Scotland](#) highlights the increasing role which carers will play with an ageing population. It estimates 1 million carers by 2037 with the current cost of replacing the care provided by carers at more than £10 billion. [ADSW](#) in its submission (para.vii) states there is ‘a growing consensus that much more investment is required to improve support to carers’.

[Carers Scotland](#) highlights the preventative and cost effective benefits of carer support (paras.5-11). Its submission also highlights other issues around support to carers to sustain employment and with regards older carers and support where it states (para.31)—

‘whilst the population of very old older people increases so too will the number of older carers.’

[Coalition of Care and Support Providers in Scotland](#) summarises the key points in its written submission. It highlights the importance of shifting to a preventative approach. Related to this it does (para.6) have ‘concerns that the execution [of the change fund] has been problematic’.

It also highlights the self-directed support strategy which ‘provides potentially powerful solutions to improve outcomes for individuals. (para.8) and which could manage ‘demands on the system’.

With regards housing, it raises a concern about ‘a reduction in lower level housing support’ (para.10). It refers to the report by Bield, Hanover and Trust Housing Associations about the improved outcomes and financial savings ‘to be had by investing in low level housing support and adaptations’.

[Chartered Institute of Housing in Scotland](#) 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
- newly built specialist accommodation which is effectively a housing-based alternative to traditional models of residential care.

It does welcome the Scottish Government’s [strategy for housing for Scotland's older people](#) but considers there do not seem to be ‘a wide enough range of alternative options on the table’ with regards ‘the solutions to the massive challenges in front of us (para.1). With regards adaptations, [CHIS](#) is—

‘convinced that the money currently being invested in adaptations for council tenants, housing association tenants and private owners has never been more important, and that expenditure on adaptations across all housing tenures will have to increase significantly in the future’ (para.9).

It goes on to state that 'whilst the current funding system for adaptations is indeed something of a mess' it 'does not believe it makes sense for current funding streams to be handed over from housing to social work/health' (para.11).

Further, on the issue of adaptations, it states (para.7) 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'.

It also states—

'it is crucial that homes built as part of the Scottish Government's affordable housing programme meet the long-established Housing for Varying Needs (HVN) standards. These standards were unceremoniously dropped (as a funding condition) from the Scottish Government's 2011 Innovation and Investment Fund, and, whilst that particular fund lasted for just one year, it remains unclear whether HVN standards are required within the new three year affordable housing supply programme' (para.12).

[Scottish Federation of Housing Associations](#) considers (para.9) that—

'the needs and expectations of older people in Scotland in terms of health and social care and in terms of housing and housing-related services will change significantly over the coming years. There will be greater demand for housing adaptations, housing support services, sheltered, very sheltered and amenity housing, extra care housing and more generally, an increased demand for information and advice on housing and support services.

While it welcomes the Scottish Government's [strategy for housing for Scotland's older people](#) it is 'concerned that, as yet, there are no explicit resources associated with the delivery of the Strategy' (para.14). 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'.

On health and social care, the [SFHA](#) refers (para.22) to the Adult Care Change Fund which it considers to be—

‘a commendable first step towards bringing together the key organisations who can meet this challenge’.

However, it goes on to state (para.22) that—

‘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’.

Wednesday 28 November 2012: Health and social care and housing session with City of Edinburgh Council; West Dunbartonshire Council; NHS Greater Glasgow and Clyde; NHS Ayrshire and Arran; Bield, Hanover (Scotland) and Trust

Written evidence

[City of Edinburgh Council](#) has provided a summary of projected key demographic trends to 2035 and a review of how these will impact on service areas. It is unclear where other local authorities have undertaken similar assessments. It expects a ‘rapid growth’ over the next 30 years in the elderly population. It has highlighted the need for more investment in early intervention/preventative measures. It also highlights the increasing investment in housing and health and social care (paragraph 3).

It highlights the ‘Long Term Financial Plan’ model adopted to identify the costs of delivering services and to calculate what savings could be achieved (paragraph 7). This Plan has attracted enquiries from other councils.

The submission also highlights the methodology used by CEC (paragraphs 9-19) to model the impacts of the ageing population on demand for social care services for older people. It does state (paragraph 20) that in respect of housing--

‘there is a need for improved modelling of future numbers, sizes and types of households.’

[CEC](#) is predicting (paragraph 32) a 43% growth in the number of households over the next 25 years. It highlights a further demographic pressure (paragraph 33) with regards the type and size of properties available.

The Committee will recall the issue of housing stock (number, type, quality) featured in the [11 January 2012](#) round table discussion. The Committee will also recall the Registrar General for Scotland produced an estimate of the number of households in May 2012. In addition, the Scottish Government published (December 2011) [Age, Home And Community: A Strategy For Housing For Scotland's Older People: 2012 -](#)

[2021](#) which looks at the implications for housing and what might be done to have the right type of housing stock over the coming years.

The issue of data gathering is highlighted by the Council (paragraphs 23-4).

While [CEC](#) does recognise the ‘welcome contribution’ which the Scottish Government’s change funds are making, it does believe that—

‘While current preventative strategies and change funds will reduce the financial impact of demographic change, they are very **unlikely to address it in full**, let alone reverse it. Prevention – based on clear evidence of what works over various timescales, many of which will be long-term – is essential for fiscal sustainability, but will not be sufficient.’

[West Dunbartonshire Council](#) does ‘not use demographic projections beyond the three year budgeting cycle’ (paragraph 4). It states that is based on financial settlements being ‘fixed’. It expands on this issue in paragraphs 27-33). For example it states (paragraph 29)—

‘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.’

[WDC](#) also highlights the ‘requirement for more detailed national analysis to be available from the current range of reported data’ (paragraph 35).

[WDC](#) welcomes the change fund programme but does highlight that this should not be ‘viewed as a panacea or magic bullet for the considerable challenges presented in terms of growing and changing demands of an ageing population.’ WDC highlights the joint planning approach being taken forward with the NHS board (paragraphs 17-26). For example its Older People’s Commissioning Strategy will seek to project how local provision of services will need to be developed over the next decade.

[NHS Greater Glasgow and Clyde](#) 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’ (paragraph 3).

The submission also sets out projections with respect to healthy life expectancy in the area (paragraph 5). It goes on to state (paragraph 7)—

‘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. A key aspect of Government policy for reducing health inequalities is to focus on the early years of life through health visiting, intensive home support, parenting and promotion of attachment. 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.'

It does identify the planning work it is taking forward in this regard which 'needs to be better connected across the public services, and address the determinants of health including poverty and employment' (paragraph 10).

On a related point it highlights the 'profound impacts on health needs and people living in deprived areas' which disadvantage and poverty have. With regards early intervention and preventative spend it states (paragraph 19)—

'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.'

With regards the provision of funding [NHS GGC](#) states 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.'

The submission also identifies concerns around data gathering (paragraph 14).

[NHS Ayrshire and Arran](#) states that 'more accurate data on the number of people who are well and who have a long term condition will allow calculation of dependency ratios'.

With regards the provision of health and social care services, which 'increases' and 'is more prevalent in those from multiply deprived communities' it states that the—

'consequence is that current service models will not be sustainable as demand outstrips supply and this is likely to affect all services. For instance if hospitals continue to admit over 75 year olds at current rates we will need twice as many hospital beds in twenty years time.'

It also states (paragraph 3) that, with regards 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'.

[Bield, Hanover \(Scotland\) and Trust](#) draws attention to decisions on spending levels in the housing sector (paragraph 7) and the 'desire' of the Scottish Government to 'shift the balance of care away from the hospital environment. It 'believes' 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.

With regards property types it states (paragraph 8) that—

'Too often Government's focus and measure of success is centred on the number of new housing constructed. This is a narrow focus, and it fails to recognise that new build provision, whether in the public or private sector. There is a danger that this provision will only meet the needs of a small proportion of Scotland's older population. Consequently, diversification and better creative use of existing stock in all tenures is essential if we are to meet future demand.

It believes that, through 'remodelling' many housing units which it states the Scottish Government considers to be 'unfit for purpose' could still 'have an active role' in addressing housing need (paragraph 9). Where possible, this could be done through adaptations. It sets out potential savings as a result (paragraphs 11-12). It elaborates on this (paragraphs 15-17) when it highlights potential savings which could be achieved through funding on housing support services for older people.

While [BHT](#) believes that—

'preventative polices such as the Change Fund are central to addressing the pressure placed on the public finances by demographic changes.'

It does highlight (paragraphs 21-2) that—

'Scotland currently spends around four times more on emergency admissions to hospitals for the over 70s than on the entire free personal nursing care budget. This is suggestive of a system that is not resilient enough and defaults to emergency admissions and we believe that the Government can do much more to increase resilience at community level to avoid unnecessary hospitalisation and relieving bed blocking.

In this respect, housing needs to be given a more prominent role in the development and delivery of local Change Fund Plans. Under the current system, housing is significantly under-represented. This has resulted in housing providers in the independent sector finding it increasingly difficult to effectively engage (and are not actively encouraged to engage) with local partnerships. We believe that through engaging with local housing providers earlier, local authorities and the

NHS can ensure that maximum participation, cooperation and outcomes are achieved in a fiscally sustainable manner.'

With regards funding, BHT believes that the question of 'who pays for what, how and when must be addressed now to enable individuals, organisations and the Scottish Government to properly plan and put systems in place to help, fund, manage and deliver services in the medium to longer term'.

Wednesday 12 December 2012: Pensions and labour force session with Pensions Institute; STUC; UNISON; Audit Scotland; Lothian Pension Fund; Professor David Bell, University of Stirling

Written evidence

Unison refers to the Hutton report and that changes to public pension schemes will reduce costs (i.e. as a % of GDP). However, it states (paragraph 27) 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.'

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'.

It highlights the reduction in the number of public sector staff and the 'very low levels' of recruitment (paragraph 29) which 'is reflected in high levels of youth unemployment'. The Committee considered the role of the public sector as employer in its recent 'Improving employability' report (paragraphs 186-193).

Pensions Institute provides a series of charts with those at pages 14-20 setting out its conclusions on the 'consequences of an ageing population' and pages 29-41 addressing issues around pensions and labour markets.

Lothian Pension Fund provides pension services for local government employees in Edinburgh and the Lothians. The Fund sits within the Investment and Pensions Division of the City of Edinburgh Council which also acts as the Adminstrating Authority. It carries out the specialist activities of investing and administering the benefits of the fund. Governance is provided through the Council's Pensions Committee. The Fund is one of the largest in the UK, has over 100 associated employers and over 65,000 members.

Finance Committee

1st Meeting, 2013 (Session 4), Wednesday 9 January 2013

Legislative Consent Memorandum – Public Service Pensions Bill

Purpose

1. The purpose of this paper is to invite the Committee to consider its approach to a Legislative Consent Memorandum (LCM) on the Public Service Pensions Bill (copy attached). The LCM was lodged by the Scottish Government on 28 November 2012. The LCM does not contain a legislative consent motion.
2. The Committee will take evidence from the Cabinet Secretary for Finance, Employment and Sustainable Growth. The Committee will recall the Cabinet Secretary made a Ministerial Statement on public service pension reform on [28 November 2012](#).

Procedure

3. A LCM is a document prepared by the Scottish Government (or Member) describing a UK Bill which contains devolved provisions, or provisions that would alter the devolved competence of the Scottish Parliament or Scottish Government. In most cases it explains why the Scottish Government (or Member) wishes the Scottish Parliament to give consent to the UK Parliament legislating in this way. The subsequent legislative consent motion would express the Scottish Parliament's consent to this.
4. [Rule 9B of Standing Orders](#) sets out the procedures for the consideration of a LCM. For any Bill under consideration in the UK Parliament which makes provision applying to Scotland for any purpose within the legislative competence of the Parliament, a Scottish Minister shall lodge a legislative consent motion seeking the consent of the Scottish Parliament for the relevant provisions in the Bill.
5. However, Rule 9B.3.3(d) states that a LCM shall—

‘in the case of a memorandum lodged by a member of the Scottish Government who does not intend to lodge a legislative consent motion, explain why.’
6. The Scottish Government sets out its explanation in paragraphs 12-14 of the LCM.
7. The Parliamentary Bureau has referred the LCM to the Committee. The lead committee must consider the LCM and then report its views to the Parliament no later than five sitting days before the Parliament considers the motion (if one has been lodged).

8. Standing Orders require that the Scottish Government lodge a LCM normally within 2 weeks (in practice ten working days) of the relevant Bill's introduction at Westminster. For the reasons set out in the LCM the Scottish Government has not met this deadline.

The Bill

9. The principal purpose of the Bill 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'. 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 must be implemented by April 2015 for the main public sector pension schemes.

10. Paragraphs 4-11 of the LCM give further detail about the content of the Bill and the provisions within the Scottish Parliament's competence. Paragraphs 10 and 11 identify the NDPB and judicial pensions schemes with devolved interests which would be affected by the provisions.

11. The Scottish Government has stated in the LCM that 'earlier engagement by the UK Government in drafting the Bill provisions would have allowed time to make amendments prior to the introduction of the Bill to ensure that there was no intrusion into devolved competence'. The LCM also states that the UK Government has confirmed that, if Scottish Ministers do not wish to support a LCM, then in line with the Sewel Convention, the UK Government will remove any relevant devolved provisions from the Bill. The Scottish Government has advised the UK Government that it will not be lodging a motion.

Consultation

12. The LCM refers to a letter (4 September 2012) from the Chief Secretary to the Treasury requesting the LCM which acknowledges 'there has been less time than he would have liked to discuss this with the Scottish Government'. As a result, the Bill was, according to the Scottish Government, 'introduced prior to any view being offered by the Scottish Government as to whether or not it would support the provisions which are within its devolved competence'.

Financial implications

13. The LCM states that the UK Government has indicated that the Scottish block grant would be adjusted to take account of any cost associated with judicial pension schemes should the schemes not be reformed by April 2015 and that 'any financial impact on the Scottish Government arising from not meeting that date would be limited'.

Conclusion

14. While no motion has been lodged, Rule 9B.3.5 states that the Committee 'shall consider and report on the legislative consent memorandum'.

15. The Committee is invited to consider whether it is content with the LCM.

Fergus D. Cochrane
Senior Assistant Clerk to the Committee

Legislative Consent Memorandum – Public Service Pensions Bill

The above document can be accessed via the following link—

www.scottish.parliament.uk/parliamentarybusiness/Bills/57193.aspx