



The Scottish Parliament
Pàrlamaid na h-Alba

FINANCE COMMITTEE

AGENDA

33rd Meeting, 2012 (Session 4)

Wednesday 12 December 2012

The Committee will meet at 10.00 am in Committee Room 2.

1. **Decision on taking business in private:** The Committee will decide whether to take item 4 in private.
2. **Demographic change and ageing population:** The Committee will take evidence in a round table format from—

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.

3. **High Hedges (Scotland) Bill:** The Committee will take evidence from—

Mark McDonald MSP;

John Brownlee, Senior Policy Adviser, and Gery McLaughlin, Head of Community Safety Law, Scottish Government.

4. **Scotland Act 2012:** The Committee will further consider its approach to the financial powers arising from the Scotland Act 2012.

F/S4/12/33/A

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The papers for this meeting are as follows—

Agenda item 2

Paper by the clerk

FI/S4/12/33/1

Agenda Item 3

Paper by the clerk

FI/S4/12/33/2

Agenda Item 4

PRIVATE PAPER

FI/S4/12/33/3 (P)

Finance Committee

33rd Meeting, 2012 (Session 4), Wednesday 12 December 2012

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 round table discussion on pensions and labour force.
2. Taking part in the discussion are—
 - Pensions Institute
 - STUC
 - Unison
 - CBI Scotland
 - Audit Scotland
 - Lothian Pension Fund
 - Professor David Bell, University of Stirling

Background

Demographic changes and ageing population

3. 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’. The issue also has cross-over to other fiscal sustainability work around universal services and employability. Aspects of it were also touched on in written submissions received in response to the [preventative spend](#) call for evidence in 2011. Demography was a key point discussed in the wider fiscal sustainability debate which the Committee led in the Chamber on [9 May 2012](#).
4. A number of reports have been referred to in written evidence, for example, the [Hutton review of public sector pensions](#). 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.
5. A [summary of evidence](#) for the January fiscal sustainability sessions was published. A [briefing by the Financial Scrutiny Unit](#) has also been published as has the Committee’s [budget adviser fiscal sustainability paper](#). Extracts on pensions from both these briefings are attached.

6. Audit Scotland published its report, [The cost of public sector pensions in Scotland](#) (February 2011) which sets out information on the costs of the six main public sector pension schemes. The report was published ahead of the [report of the Independent Public Service Pensions Commission](#) (March 2011). A copy of the Audit Scotland report summary is attached.

Remit

7. Given the breadth and scale of the topic, the Committee agreed it was important to maintain focus on particular issues and work to an achievable timetable. 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.’

8. 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 will focus on three particular policy areas: health and social care; housing; and pensions and labour force. This session will focus on pensions and labour force.

Approach

9. A general call for evidence was issued (24 May) seeking written views. The responses are available on the [Committee’s inquiry page](#). Below is a summary of issues to emerge from participants written submissions.

Unison

10. 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.’

11. 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’.

12. 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 (PI)

13. The PI 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

14. 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 Administrating 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.

Conclusion

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

Fergus D. Cochrane
Senior Assistant Clerk to the Committee

Annex

The following documents can be accessed via the hyperlinks below

[Briefing by the Financial Scrutiny Unit](#) (pages 13-17)

[Finance Committee budget adviser fiscal sustainability paper](#) (pages 21-29)

Audit Scotland: [The cost of public sector pensions in Scotland](#) (summary)

[Pensions Institute submission to Finance Committee](#)

[Unison submission to Finance Committee](#)

Finance Committee

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High Hedges (Scotland) Bill

Purpose

1. The purpose of this paper is to provide information for the Committee's oral evidence session on the High Hedges (Scotland) Bill Financial Memorandum (FM).
2. The Committee will take oral evidence from Mark McDonald MSP and Scottish Government Bill team.

Background

3. A call for evidence on the FM was issued on 26 October 2012. The [responses](#) received are available on the Committee's webpage. Copies of the responses, and the FM, are attached.
4. There is currently no legislation in Scotland governing the height of a hedge. The Bill will enable individuals to apply to the local authority for a high hedge notice, to address the interference caused by certain high hedges. Individuals will have to be able to demonstrate, to the satisfaction of the local authority, that they have made attempts to resolve the dispute themselves before applying to the authority. A fee will be payable by the applicant for the cost to the authority of making the decision. A high hedge notice, if issued, will advise what action is to be taken by the hedge owner. This will be at the owners cost. If this is not done, the local authority can do the work and recover costs from the owner.
5. The provisions of the Bill are intended to be largely cost neutral as the applicant will lodge a fee at the time of making the application, which is based on what the authority considers will be a reasonable cost to it of assessing an application, making a decision and issuing a high hedge notice. This allows different local authorities to charge different levels of fees to reflect their own circumstances. The local authority will be able to fix different levels of fees for different applications or types of applications. Currently, local authorities might already receive high hedge complaints and there will be a cost attached to this, but have no formal powers to deal with them or any way to recover that cost. According to the Policy Memorandum—

‘the Bill gives local authorities new powers to decide whether a high hedge adversely affects the reasonable enjoyment of domestic property. It enables a local authority to reject an application if it concludes the applicant has not taken all reasonable steps to resolve the matter before applying, or where the application is frivolous or vexatious’.

6. A local authority can order the hedge owner to take action to remedy the problem and prevent it recurring by issuing a high hedge notice. This advises the owner what action must be taken and by when. This will be at the hedge owners cost. Ultimately, where such an order is not complied with, the local authority may carry out the work itself. The costs incurred in taking this action will be recoverable from the hedge owner. Experience in England and Wales shows only a small number of formal applications made, with an even smaller number of enforcement actions required despite fears of a large number of enquiries generating a lot of applications (see table on p.15 of FM). Should the notice not be complied with within a certain time, then the authority will be able to enter the owner's property and carry out the necessary works itself. The local authority will be able to recover the costs of undertaking this work

Written evidence

7. Some of the points made in written submissions are highlighted below.

8. [Angus Council](#) states that although the indicative costs on making a decision on a high hedge are feasible, it is concerned that 'there is limited spare capacity and any additional duties placed on the authority could have significant impact on current priorities and outcomes'.

9. [Dundee City Council](#) highlights concerns, mainly with the estimated fee in the FM. The submission states that the FM 'has made no provisions for time spent dealing with both during and post decision making with applicants and hedge owners'. The Council states it does not have the capacity to recruit new staff and that there would be significant impact on other work areas.

10. [East Ayrshire Council's](#) submission identifies the impact the Bill will have on other existing work areas. It, also, highlights the issues of further costs and time should its organisation be unable to locate the owner of the land in which the hedge sits on.

11. [East Renfrewshire Council](#) believe the Bill will 'increase staff time and resources'. [North Lanarkshire Council](#) states that the FM does not accurately reflect the costs of dealing with local authorities.

12. [South Lanarkshire Council](#) is concerned with 'determining land ownership, leading to protracted investigation costs in trying to establish in whose ownership the hedge lies', and that if the high hedge notice is not fully complied with then its organisation will incur further costs and time in dealing with this matter. [Stirling Council](#) draws attention to further costs that which it may incur should the owner of the hedge have financial difficulties or simply does not respond to the high hedge notice.

Conclusion

13. The Committee is invited to consider the above.

**Parminder Kaur
Committee Assistant**

High Hedges (Scotland) Bill: Financial Memorandum

The above document can be accessed via the link below:

[http://www.scottish.parliament.uk/S4_Bills/High%20Hedges%20Bill%20\(Scotland\)%20Bill/b16s4-introd-en.pdf](http://www.scottish.parliament.uk/S4_Bills/High%20Hedges%20Bill%20(Scotland)%20Bill/b16s4-introd-en.pdf)