The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

FINANCE COMMITTEE

Wednesday 9 January 2013

Session 4

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FINANCE COMMITTEE
1st Meeting 2013, Session 4

CONVENER

*Kenneth Gibson (Cunninghame North) (SNP)

DEPUTY CONVENER

*John Mason (Glasgow Shettleston) (SNP)

COMMITTEE MEMBERS

*Gavin Brown (Lothian) (Con)
*Malcolm Chisholm (Edinburgh Northern and Leith) (Lab)
*Jamie Hepburn (Cumbernauld and Kilsyth) (SNP)
*Michael McMahon (Uddingston and Bellshill) (Lab)
*Jean Urquhart (Highlands and Islands) (Ind)

*attended

THE FOLLOWING ALSO PARTICIPATED:

John Swinney (Cabinet Secretary for Finance, Employment and Sustainable Growth)

CLERK TO THE COMMITTEE

James Johnston

LOCATION

Committee Room 2

Scottish Parliament

Finance Committee

Wednesday 9 January 2013

[The Convener *opened the meeting at 09:30*]

Interests

The Convener (Kenneth Gibson): Good morning and welcome to the first meeting in 2013 of the Scottish Parliament's Finance Committee. I hope that everyone had an enjoyable and relaxing recess.

I remind everyone to turn off mobile phones, tablets, electronic devices, BlackBerrys and so on.

I welcome to the meeting and the committee our new member, Malcolm Chisholm, who is replacing Elaine Murray. Elaine Murray was an extremely productive and hard-working member of the committee. I pay tribute to all her efforts while she was a member of the committee and hope that she enjoys her new posting.

Agenda item 1 is a declaration of interests. Does Malcolm Chisholm have anything to declare?

Malcolm Chisholm (Edinburgh Northern and Leith) (Lab): I will simply repeat what is in my written declaration: I am a member of the Educational Institute of Scotland and Unison.

The Convener: Thank you very much.

Decision on Taking Business in Private

09:31

The Convener: Item 2 is to decide whether to take item 5 in private. Do members agree to do so?

Members *indicated agreement.*

Demographic Change and Ageing Population Inquiry

09:31

The Convener: Item 3 is to take evidence from the Cabinet Secretary for Finance, Employment and Sustainable Growth, John Swinney, on demographic change and the ageing population. The cabinet secretary is accompanied by Katriona Carmichael, Andrew Watson and Peter Whitehouse from the Scottish Government.

I welcome the cabinet secretary to the first of what will no doubt be many visits to the committee over the year, and I invite him to make a short opening statement.

The Cabinet Secretary for Finance, Employment and Sustainable Growth (John Swinney): Thank you, convener. I welcome the opportunity to participate in the committee's wide-ranging inquiry into demographic change and the ageing population. The issues that the committee has been considering are of real importance to public policy making and the public finances. The Government recognises that there are real challenges to be faced, and I welcome the committee's input into the deliberations.

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, we need to discuss 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, how we design those 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.

I have followed with interest the committee's previous evidence sessions, and I welcome the broad consensus that has emerged on some of the issues. In particular, there is consensus on the need for a more preventative approach that has the potential to improve the lives of individuals and communities while reducing costs. As the committee will know, the Government is committed to such an approach, which is central to our budget proposals and our response to the work of the Christie commission.

I share the concern of others that we need to ensure the effective monitoring of performance across the public sector to support that agenda. The Government is committed to working with others to make that happen. One step that we have already taken is to make it a requirement that the next round of single outcome agreements includes a prevention plan from all community planning partnerships.

I think that there is also consensus support for continuing reform of our public services, particularly around steps that will help different organisations to work more effectively across institutional boundaries. Our programme to reshape care for older people is of central importance in that respect, of course, but the issues apply across the public sector, and those issues will be critical to our thinking as we prepare for the further financial constraints that the Chancellor of the Exchequer has signalled. I very much welcome the contribution that the committee's work can make to that process.

The Convener: Thank you very much, Mr Swinney.

As usual, I will ask questions first; I will then open out the session to colleagues around the table.

Obviously, we have received a lot of evidence from organisations such as national health service boards and local authorities. It came up in yesterday's employability debate that they have indicated that short-term budget provision makes it difficult for them to plan as strategically as they would like to. Will the current system of allocating resources be reconsidered in any way to help in planning the long-term provision of services for our ageing population?

John Swinney: There are a couple of relevant points to make in that regard. I will focus on health boards and local authorities and in so doing separate that aspect of the issue from the point that Mr Brown made about the third sector in yesterday's committee debate in the chamber.

The financial allocations that local authorities and health boards receive are pretty clear over the current three-year period of the spending review. In autumn 2011, I set out indicative financial allocations for all budget areas, which were based on the information that had been made available to me. The principal blocks of health board and local authority expenditure were clearly expressed for a three-year period.

I accept that there is an annual budget process and that there could well be changes, but such changes will be at the margin. An assessment of the 2013-14 budget against what I set out in the spending review in 2011 demonstrates that changes to the budget are pretty peripheral. I do not think that anything inhibits a health board or a 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. That is my second point. If my memory serves me right, when the chancellor made his spending review announcement in autumn 2010 he set out a four-year perspective for financial years 2011-12 to 2014-15. The Scottish Government provided a three-year spending review in autumn 2011 after the Government had been returned, which I think gave a fair amount of clarity, in particular to health boards and local authorities.

The clarity that is then given to other organisations is a separate issue. That is the point that Mr Brown made in yesterday's debate, and I will consider whether the Government could do more to assist in that respect.

The Convener: The Royal Society of Edinburgh said in its submission:

"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."

That is an issue for a number of organisations.

The RSE also highlighted the need for employees to build up savings and invest in pension schemes, given that we have an ageing population. How realistic is that for the foreseeable future, in the current economic climate?

John Swinney: Before I talk about savings, let me add something to my previous answer, which your point about the RSE prompted me to consider. The Government set out a three-year spending review perspective, but we also set out long-term directions of policy. You might say that policy will change when there is a change in political leadership, but if we think about some of the policies that our predecessors established, particularly in public health and social care, it is clear that many of our policies continue a direction of travel that was established long before this Government came into office. We willingly acknowledge that we are continuing directions of travel that were agreed broadly across the parliamentary spectrum.

I make that point because I think that it is a bit of an excuse for people to say that there is no long-term clarity on policy. Anyone who considers Scottish National Party members' contributions to the debate on banning smoking in public places, for example—you were a prominent exponent of the policy in the first session of the Parliament, convener—and then considers what the Labour and Liberal Administration did between 2003 and 2007 can see that, regardless of who happened to be in Government, it was pretty clear that sustained pressure would be applied across the political spectrum on that major issue of public health policy.

Any assessment of the debate in Parliament should give people reasonable confidence about the long-term direction of policy travel. Indeed, yesterday's debate on employability, assisted by the Finance Committee's dispassionate report, rather helped to illustrate that point. Anybody listening to the debate was given a pretty clear signal about not only the Government's position but where Parliament is as a whole, so a certain amount of long-term policy clarity could be established. Regardless of whether or not more than a three-year budget settlement is offered, lessons can be deduced by public bodies about the direction of public policy and, as a consequence, long-term preparations can be undertaken.

The convener made a point about the ability of individuals to build-up savings pots. It is important that we structure the debate around encouraging individuals to plan for the long term. If there is any lesson to be deduced from the financial crash, it is that having an eye on long-term financial issues is a good thing for institutions and individuals. We therefore encourage individuals to plan and save for the long term.

Clearly, at a time of increasing financial pressure on households—there has been pay constraint in both the private and public sectors for a reasonable period and the cost of living is rising with some particularly acute increased costs on individuals—the ability of individuals to save for the long term is constrained by the resources that they will have available to them at any given time.

The Convener: Pooling and aligning local authority and health budgets seems a sensible way forward, and that appears to be happening in a number of places—the Highlands and Islands is one area in particular that has been drawn to our attention. How is the Scottish Government ensuring that such work takes place across the country? How is the silo mentality that the committee has heard a lot about over the past year or so being broken down?

John Swinney: To answer that question, we must go back to the thinking that the Government put in place in 2007.

During the spending review in 2007, we set out to make a number of reforms in local government, particularly the removal of ring fencing. That enabled local authorities to exercise greater financial discretion about how they allocated their resources. With that came a renewed emphasis on the role of community planning partnerships, particularly in formulating the outcome agreements that would be produced not only by local authorities but by all public bodies taking part in those partnerships. We made it mandatory that, by 1 April 2009, all community planning partnerships must formulate an outcome agreement

representing all community planning partnership interests. That was fulfilled by all those partnerships, and it has created a better climate in which organisations can plan jointly how to use their financial resources.

Clearly, in terms of public sector accountability, an NHS board chief executive remains the accountable officer for the resources that they are spending in the same way as a chief executive of a local authority remains an accountable officer. That does not in any way inhibit the ability of those organisations through the community planning infrastructure to utilise their resources in a complementary fashion.

The Government has reinforced that whole approach through its response to the Christie commission, which has placed greater requirements on community planning partnerships to formulate agreed plans representing a range of different public bodies focused on the achievement of the same outcomes. That is used as a device to tackle what I acknowledge is a fair assessment that some of the practice within the public sector is affected by what would be described as a silo mentality.

The whole approach to community planning and to encouraging public bodies to work together at the local level is designed to achieve the objective that you set out. Some of that will be given further legislative force by the adult health and social care integration bill that my colleagues in the health department are working on, which is the subject of active discussion with stakeholders at the present time. That bill will assist in trying to entrench the direction of travel that the Government has established.

09:45

The Convener: A number of organisations have raised concerns about the lack of resources that are available to fund housing adaptations, which many witnesses have told us would be particularly cost effective with regard to enabling older people to live independently. Are there any plans to look again at that budget?

When Age Scotland raised that point, I asked how those resources would be funded. During the evidence-taking sessions on the budget and the demographic inquiry, the committee has been concerned about the fact that every witness has said that, if only more money could be spent in their sector, the Scottish budget could be saved a certain amount of money. When we hear that, John Mason and I, in particular, always ask what area should be cut in order to deliver the funding that is being asked for. To be honest, we do not often get a reply, but Age Scotland said that we could increase the age at which people qualify for concessionary travel to 65. Is that something that the Scottish Government would be willing to consider?

John Swinney: The Government has made it clear that we have no plans to change the eligibility criteria for concessionary travel. I will merely restate that position.

On the point about housing adaptations, I acknowledge the significance of the point that you are making. With relatively modest—or, in some cases, substantial—adaptations, there are better ways of ensuring that older people can remain in their own homes. It is crystal clear that there is a consensus view that, with the necessary assessment of their circumstances, 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.

I know that some of the fire and rescue service personnel in my constituency spend a large part of their time fitting smoke alarms in the houses of elderly people or removing extension cables that are propping up some piece of electrical equipment that, in all of our interests, should be removed. They are right to consider that to be a good use of their time. Fire and rescue service personnel removing hazardous extension cables that someone could trip over is a good example of the way in which all of our public services can make preventative interventions.

There is a good case for adaptations. 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.

Margaret Burgess, the Minister for Housing and Welfare, has an outstanding commitment to meet the independent chair of the adaptations working group that has considered the issues. It reported in November, and the report was published on the Government's website in December. To summarise the working group's recommendations, it argued in essence that we should focus much more on a person-centred approach rather than a tenure-based approach, which is the nature of the current programme.

Margaret Burgess will meet the working group and the Government will form its response accordingly. Housing adaptations are another policy area in which preventative measures may have a greater impact in supporting older people, and we will consider the group's recommendations carefully.

The Convener: My next question concerns an issue that has been raised on a number of occasions, including in discussions on demography and most recently by Age Scotland.

A whopping £1.5 billion of the older people's health and care budget of £4.6 billion is spent annually on delayed discharges and unexpected admissions. How is the Scottish Government addressing that?

John Swinney: Through joint working by health boards and local authorities, a sustained amount of activity is undertaken to avoid delayed discharges. I do not have in front of me specific information on the current performance on delayed discharges, but I am certainly happy to furnish the committee with an up-to-date position on that. It is a major priority of the ministerial team to work with local government and health boards to minimise delayed discharges.

The fair point is made that, certainly according to the last figures that I saw, we spend more money on unplanned admissions than on social care. In 2008-09, we spent £1.4 billion on unplanned admissions for older people and £1.2 billion on social care for the same group.

If we can minimise unplanned admissions and maximise the amount of support that is delivered for individuals in their own homes or another care setting that delivers the best results, the outcomes for them will be better and, crucially, the use of public sector resources will be improved. That 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.

We will work to address the short-term issue of ensuring that older people are cared for in the most appropriate setting, which means their own homes if possible or a more appropriate setting than an acute hospital bed. That is the purpose of our focus on delayed discharge. However, there is also a need to pursue the integration of health and social care, which lies at the heart of providing a strategic answer to the question that you raise, convener.

The Convener: I will now open out the discussion to the committee, with the first questions from the deputy convener.

John Mason (Glasgow Shettleston) (SNP): I will start with a question on the broader picture. I would be interested in your and the Government's view on that.

Sometimes, the media coverage of the fact that people are living longer makes it out to be bad news. It is made out to be all doom and gloom and that, if people live five years longer, they will be five years in hospital or a care home and we all must subsidise it. However, the committee has had some evidence that having more older people means that there are more carers and that people can work a bit longer.

There seems to be a bit of doubt about healthy life expectancy and how long unhealthy life expectancy will be in the future. The jury still seems to be out on that. Is the Government generally happy that people are living longer or does it share the pessimistic view that the future is all doom and gloom?

John Swinney: Mr Mason knows me long enough to know that I am not, in any way, a pessimist. I confirm that the Government is delighted that people are living longer, in case there is any doubt about that point.

Over the festive break, I was greatly encouraged by a newspaper article—I am not often encouraged by newspaper articles—that said that 60 is the new 40. That convinced me that I have a lot to look forward to in the many years that I must wait until I reach my 60th birthday. However, I think that Mr Mason fairly characterises the debate, which often suggests that an extension to longevity will inevitably be a problem for our society.

Anecdotally, I can think of individuals in their 90s who are utterly thriving and who need next to no intervention whatsoever from the state. They have led good, strong, healthy lives and they continue to fulfil a great commitment to their communities. As I sit here, I can think of a number of people who fall into that category, so I think that we need to take a broader perspective of the issue.

Clearly, increased longevity will mean that individuals in certain circumstances will require more support, but individuals in other circumstances will be able to continue to make a vibrant contribution to our society. When I look at the volunteering efforts and leadership exercised by retired people in social enterprises and other organisations—members will see that in their own communities across the country—I think that many of those organisations and many social care situations could not survive without that type of commitment. I take a fundamentally optimistic view of the situation.

John Mason: We received some quite stark figures, especially from NHS Greater Glasgow and Clyde, about the divergence in life expectancy between some areas where people both live longer and have a longer healthy life expectancy and other areas, such as the east end of Glasgow, where neither healthy life expectancy nor total life expectancy is very great. Does the Government have any thinking on how we might compress those two groups and bring them together?

John Swinney: That perhaps gets to the heart of the debate that we take forward on a whole host of different questions. In addition to the measures that, as I mentioned in my answers to the

convener a moment ago, both the previous Government and our Government have taken to reduce smoking, our Government has taken forward an approach to minimum pricing for alcohol that recognises that alcohol abuse, like the relationship with smoking, has significant consequences for the life expectancy of individuals in the categories to which Mr Mason refers.

A range of public health interventions are being taken. Some of those are about the very simple steps that individuals can take to better manage their own health. I recall that, back in 2007 when the Government was considering the strategic focus that we should give to the health service and the focus of our message, we ultimately settled on the best expression of our approach to health as being that we should enable people to lead healthier lives. That is not about saying that the state should do everything for individuals but about giving people the equipment, the arguments and the knowledge they need to lead healthier lives. Some of that comes down to relatively simple public health messages about the routine, pretty elementary exercises that individuals can undertake to improve their own health.

Obviously, education interventions also need to be undertaken to ensure that, in dealing with the population groups in areas of deprivation within our society, we make the earliest of interventions so that we can try to support individuals as they are born into those communities and structure better life chances for them. That lies at the heart of the preventative spending agenda that the Government is taking forward.

A lot of that can be applied at different stages in people's lives. In the community that Mr Mason represents, the way in which the Government's approaches are structured means that older people should be better able to receive support that anticipates some of the further challenges that they may well face in the longer term. The policy response that the Government has in place of shifting the focus to preventative measures and of pursuing proactive public health and public education messages is designed to tackle some of the issues that Mr Mason raises.

10:00

John Mason: Thank you.

I would like to move on to housing, which the convener mentioned. We took quite a lot of evidence and, as far as I am concerned, housing is a key issue. Looking beyond the three-year period to the longer term—whether we are talking about five, 10 or 20 years from now—do we need to change the emphasis? Should we emphasise housing adaptations, as has been suggested, or is that just a short-term approach? 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?

A related issue is whether, if we are serious about preventative spending and we think that we are spending too much on hospital admissions, we will, at some point in the future, be able to cut the health budget and put more into housing. Should we be able to do that?

John Swinney: 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.

We all wrestle with the fact that there are families who live in overcrowded accommodation and who could do with living in larger public sector housing. I deal with such families in my constituency. Such larger housing exists in the communities that I represent, but it is currently occupied by people who have been in those properties for 30 or 40 years. The way to solve all that is to ensure that we have appropriate accommodation to offer people—such as accommodation that is all on one level, which would avoid all the inherent dangers of having to go up and downstairs—that will enable them to live in a better set of circumstances at a later stage in their lives. However, that requires effective planning of the housing sector at local level.

In my answer to the convener at the outset of the discussion, I mentioned the focus on community planning, which is designed to get together all the key players at local level to ensure that the public sector resources that are available to be spent in any given locality are spent in a fashion that meets the wide range of public policy expectations. We 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—there is certainly such a dialogue in the area that I represent in Perth and Kinross—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.

John Mason: I will press you on that point. Do you think that the willingness or the ability exists at

local level to invest in the very sheltered housing that we were told about, or does there need to be some direction from the centre?

John Swinney: 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. It is designed essentially to fill a gap—to ensure that the housing contribution is utilised to address the particular requirements in health and social care. We have given guidance at national level that that has to be undertaken at local level. The planning and the articulation of it are best done at local level, because that is where the patterns and the factors will be best determined. However the strategic direction of ensuring that housing is recognised as a key part of the integration debate lies at the heart of the Government approach.

John Mason: If there was to be a switch at some stage in the future—from health to housing, for example—could that also be done at a local level, or would that have to be done centrally?

John Swinney: Resources are allocated by the Government through particular channels, on budget headings that the committee is closely familiar with. Changes can take place in budget allocations. It is important to note that that does not need to be the only way in which contributions are made to housing provision. With the joint approach to planning and development of budgets at local level, there is nothing to stop different public bodies from making a contribution to the creation of integrated pots of funding to deliver particular outcomes at local level.

I can think of projects in my constituency that are happening only because the health board and the local authority both put in money to ensure that they could happen. Joint projects enable us to get past the silo mentality and the obstacles that can be created by institutional budgets that the convener was talking about earlier. That is another way in which such changes can happen. That can happen today—public bodies are perfectly empowered to take forward some of that work if they are jointly planning and commissioning services.

Jamie Hepburn (Cumbernauld and Kilsyth) (SNP): The deputy convener, John Mason, mentioned earlier that, as we get an increased number of older people in our population, there will also be an increased number of carers. Indeed, Carers Scotland estimates that there will be 1 million carers by 2037. Carers Scotland has also made the point that, as the population lives longer, there will be an increase in the number of older carers in particular. How is the Scottish Government planning to factor that in and support such people? Is there any strategy to deal with the changed demographic situation?

John Swinney: 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 formulation of a carers strategy that has had input from carers organisations is important in structuring the different priorities to take forward. There will be a whole range of elements—some of them will relate to the training, the support and the advice that can be given to carers. That may be about some of the physical requirements involved in such a role or perhaps about some of the financial issues that carers need to be aware of. There will also be other aspects of specific support, such as respite support for carers and ensuring that carers have access to all the supporting infrastructure that can assist them in fulfilling their commitments.

Making sure that we maintain a strong and open dialogue with the carers sector as we approach those challenges is an important part of the Government's response.

Malcolm Chisholm: I have a sense of déjà vu, as the last thing that I did before I left the Government was work on the strategy for Scotland with an ageing population, and there were many similar themes. We were keen to emphasise not only all the service and care issues, but the contribution of older people. I know that you have covered that to some extent under volunteering, caring, the spending power in local economies, and employment.

My question is partly connected with yesterday's debate. Given the different economic and employment situation, what is the Government's view on older people and work? It is clear that that could be another area in which older people can contribute, given that 60 is the new 40—as I can confirm—and 70 is, I hope, the new 50. I would welcome your comments on that.

More generally, I am curious to know to what extent the many recommendations in the report that came out just before the 2007 election were progressed, or whether you started to work on the issues from scratch.

John Swinney: On Mr Chisholm's final point about the policy agenda, there is a great misconception about large parts of politics. I suppose that politics almost inevitably gets

characterised by what happens in this institution between 12 and 12.30 on Thursdays. That can be a good or a bad thing, depending on one's perspective. However, a tremendous amount of very good and consistent work is done that transcends changes in political Administrations. I have made no secret of the fact that I consider that many of the approaches that this Administration takes build on sensible plans and policy directions that our predecessors established, many of which we supported in opposition. I am thinking of a whole range of areas.

On the general direction of policy, I do not think that we have changed tack in any way from the approach that our predecessors took, but we have intensified the pace at which the issues have to be confronted because of the issues to do with the pattern of longevity and how we need to respond to it that Mr Mason raised. That flows into issues that we are taking forward on public service reform and the preventative agenda, and intensifying the work that is undertaken in that respect.

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. We must be aware of the contribution that older people can make in employment, but we have to be careful that, although we all might support the idea of 60 being the new 40, that might not always be perceived to be the case in employment practices. 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.

Malcolm Chisholm: I want to mention another document from the past: the David Kerr report on health. I know that you accepted its general thrust. The fundamental point made by that report—although perhaps this point was not most publicised—was that, unless we start to care for older people in a different way, the health service budget will be unsustainable. The main thing that was flagged up was unscheduled and unplanned emergency admissions. In a way, it could be said that doing something about that has almost been one of the central objectives of health policy over the past seven or eight years. I raised that issue with Alex Neil yesterday. It is rather worrying that, despite that being such an important part of health policy, it does not seem to have shifted and there are increasing numbers of unplanned admissions.

Has there been any analysis of why the issue has been so difficult to shift? As John Mason said—or perhaps it was Kenny Gibson—a lot of money could be saved if more people could be cared for appropriately in the community. Is that being reconsidered? Has such a move turned out to be a lot more difficult than people had hoped, not least because an increasing number of people are living until they are over 85, or are you confident that the integration agenda that you have flagged up will, in itself, make the step change?

10:15

John Swinney: That, essentially, is my answer. The integration agenda has momentum and continues the direction of travel that we set in 2007, and the legislation will give greater force to the point.

Although this is not an identical comparison, I might be able to illustrate the significance of the issue that Mr Chisholm has raised by pointing out that an average home care package costs about £6,000 per annum while a geriatric long-stay hospital bed costs £47,000 per annum. Of course, if someone needs to be in an acute hospital, that is where they need to be, but if they do not, they could be getting care and support in their own home, which would deliver a better outcome for them at a much lower cost to the public purse. The integration of health and social care is crucial to achieving that objective, which is why there has been so much emphasis on and impetus behind the proposition.

Malcolm Chisholm: My final question is about the recent census. The really good news was the perhaps unexpected increase in the very young population, which will in due course change some of the ratios between the working population and older people. Although the headlines were mostly about the number of older people, my impression was that there was nothing all that new in that respect.

One of the problems with the projections for free personal care in 2001 was that we did not have up-to-date census information; there was certainly no defect in the person who carried out the work, because it was our own adviser, Professor David Bell. Has the Government analysed the census and, if so, has that analysis changed any of the projections for the elderly population over the next few years?

John Swinney: Mr Chisholm is correct to say that, with regard to the older population, the media coverage on the headline information that has come out so far about the census has not said anything particularly different from the information that was previously projected. For example, for

people aged 65 or over, the census was 0.3 per cent below the 2011 mid-year estimate and, for the over-80s, it was 2 per cent below. There was some difference, but the information that we had a lot more older people was characterised as being something of a great revelation. However, not only was it not a great revelation—we knew it all along—the content of the census undermined that view.

As I have said, we have just got the headline information on the census. A great deal more information will emerge throughout 2013, which will be enormously significant in planning the future provision of public services.

Gavin Brown (Lothian) (Con): Returning to the convener's question about Age Scotland's figure of £1.5 billion for the amount spent on delayed discharge and unexpected admissions to hospital—which I presume is the figure for one financial year—I wonder whether you have a sense of the trend in that respect. Is the figure going up or going down or has it been static?

John Swinney: I do not have detailed figures in front of me today. For unplanned admissions, the figure that I have for 2008-09 is £1.4 billion. I assume that Age Scotland's £1.5 billion figure for delayed discharge and unplanned admissions is a combined figure, but I would want to take care before making any judgment about that number. I am not familiar with the number that Age Scotland has used.

Gavin Brown: If you do not have the figures in front of you, that is fair enough. Could the Government provide the figure to the committee? Telling us that unplanned admissions cost £1.4 billion in 2008-09 is a useful starting point. Could the figure be easily given to the committee?

John Swinney: If there are specific points of information that the committee would find helpful, we will certainly do all that we can to try to provide those.

Gavin Brown: The second point that I want to raise follows on from the evidence that the City of Edinburgh Council gave to us a couple of months ago. The City of Edinburgh Council said that it has a project under which key demographic trends are projected to 2035, so the council can consider what the impact of those will be on the service areas for which it is responsible. However, whereas that council is planning over a period of more than 20 years, another council—I forget which, I have to confess—told us that it takes a five-year planning approach. There is quite a big difference between a plan for more than 20 years and a five-year plan. Where does the Scottish Government sit in relation to that long-term planning? Are you more at the 20-year end or more at the five-year end?

John Swinney: The Government uses a range of available indicators, which are principally extrapolated from the census, to provide population and household projections. Those indicators vary in different policy areas, as we seek to provide clarity on the range of issues that we have to consider as a Government. Clearly, the approach that we take must take into account the evidence base that is available from the population projections. As I said a moment ago, those population projections tend to be in the right ballpark, but most people were surprised by the increase in the population that has taken place. Over my time, I have read very significant media commentary on how the Scottish population was about to decline to its lowest ever level, but it is now at its highest ever level, so we need to take a certain amount of caution with all these projections.

Gavin Brown: At one point, there were fears that the population would go below 5 million within 10 to 15 years.

John Swinney: It is now well above 5 million.

Gavin Brown: So the indicators depend on the policy area. As a general rule, does the Government do 10-year planning or 20-year planning? Does it have a period that it aims for as a general rule?

John Swinney: 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.

Michael McMahon (Uddingston and Bellshill) (Lab): I thank the cabinet secretary for his contribution so far. Every one of us around the table would sign up to the consensus that exists, and has existed for a long time, about the direction of travel in terms of the demographic change that is taking place. As John Mason said, the realisation that there is demographic change is not bad news; indeed, it is not news at all, as Malcolm Chisholm said, because the issue has been considered by the Kerr report, the Beveridge report and the Christie commission. There is a lot of consensus on the issue around the table and among the politicians in the Parliament, who all accept that demographic change is a reality, so there really has to be a consensus.

However, in the discussions that we have had, I have sensed a lot of frustration from practitioners, academics and others about the fact that, although the consensus exists, there are barriers to making the progress to which everyone is signed up and which everyone says must be made. The Association of Directors of Social Work summed that up when it said:

"That will require political leadership and public confidence that planned bed closures are not service cuts."

My question is more philosophical than practical. How do we get over the barriers between political parties and between layers of government? Everyone signs up and there is consensus about what needs to be done, but that breaks down because making tough decisions locally, centrally or wherever is difficult, so the approach does not chime with the desires of academics and practitioners.

John Swinney: Will you give me the quote from the Association of Directors of Social Work again? I did not quite hear it.

Michael McMahon: The comment related to emergency admissions. The example is specific, but I suppose that the point could apply to an array of issues. The ADSW talked about emergency in-patient admissions, demographic change and getting the balance right, and it said that making what is needed happen would

"require political leadership and public confidence that planned bed closures are not service cuts."

John Swinney: I am familiar with the territory—let me put it like that. The quote rather gets to the nub of the issue. I return to the point that I made to Mr Chisholm. Admission to a geriatric care ward costs £47,000 a year, while providing care in someone's home costs £6,000. It is clear that we can provide a lot more care for people in their homes by saving one geriatric ward bed. That is completely straightforward and sensible. Apart from anything else—apart from my desire as finance minister to ensure that the money goes as far as we can make it go—spending money on care in somebody's house will give them a better quality of life than being in a hospital ward would. A debate that articulates that point of view must be taken forward.

Like Mr McMahon, I have seen debates taking place in my community about a change to dementia assessment, for example. In the past, an individual was taken from their home and into a local hospital to be assessed there for about a fortnight—if my memory serves me right—so that the care that they required could be decided on. If somebody has dementia, the act of taking them out of their home and putting them in hospital will be confusing for them. That service has all been changed, but managing that process was difficult. The health board had to do that, in partnership with the local authority, but that was difficult.

Mr McMahon quoted the ADSW using the term "political leadership". There is no lack of political leadership; the Government could not be clearer about its view on how we should proceed. When such issues are considered, there is sometimes political difficulty, but we must exercise clear leadership and work with public bodies to bring about change.

Michael McMahon: I could probably break the consensus by giving examples of situations where political leadership did not exist and where, although everyone signed up to the general principles, politicians ignored the evidence when tough decisions had to be made locally and went with the headline-grabbing campaign instead of defending the position and showing the political leadership that would allow decisions to be made that matched the consensus. However, I will resist the temptation to give such examples.

John Swinney: Resist the temptation.

Michael McMahon: The issue comes down to the evidence. In talking about the same issue, Lord Sutherland said:

"Where is the survey? Where is the check on where this is happening ... so that we can ask why?"—[*Official Report*, *Finance Committee*, 19 September 2012; c 1582.]

If we are going to avoid the political difficulties, do we need more evidence so that, when we decide to move from acute services to primary services, or from emergency spend to preventative spend, the empirical evidence is there that will give people confidence that the decisions that are being made by health boards and others are the right ones for the longer term?

10:30

John Swinney: I do not think that there is a lack of evidence. We have evidence all around us on those questions.

I regularly monitor the effectiveness of the preventative spend agenda and the wider public service reform agenda, so when I was preparing to come to the committee today, I was looking at a range of different approaches that have been taken around the country to fulfil that agenda. The approach is evidence based and designed to deliver improvements in the provision of services to individuals and to deliver fiscal sustainability into the bargain. We are increasingly using that evidence base and the practice of what has been achieved to inform and encourage the debate that is taking place and the planning that is being undertaken in all parts of the country. Where there are good examples, we are encouraging broader knowledge about those. The work that local authority chief executives are doing on the benchmarking of public services is designed to inform the process into the bargain, not in some crude league tables kind of way but just by providing comparative evidence. We should never be frightened of comparative evidence. If we are, we have got a problem in relation to why services can be delivered more efficiently and effectively and with better outcomes in one part of the country than in another. We should be open to

such evidence. That is the type of climate that the Government is encouraging.

Jean Urquhart (Highlands and Islands) (Ind): I have three short questions, cabinet secretary.

First, you mentioned Highland Council, and I have some experience of trying to merge services and ensure co-operation between NHS Highland—the health board—and council departments, which was not easy. People were quite uncomfortable and unsure because of the uncertainty. However, there have been some notable successes, and people have come a long way—they now see the positives. How is that approach spreading across the country, especially given the Government's desire to see an end to silo working and more progress in local authorities and the NHS working together?

Secondly, we have evidence from Bield, Hanover and Trust housing associations that gives an extraordinary comparison of the cost of emergency admissions. The housing associations say:

"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."

I do not know whether that is right but it is in our evidence. I wonder about the comparison. Gavin Brown asked about how we keep an eye on the figures and about the increase in emergency admissions. Is the increase in any way related to the changeover to NHS 24?

Just for information, I note that it may be difficult to get information in the Highlands and Islands about the number of times ambulances are called out or the number of times people are taken to hospital tagged as an emergency who previously might have been dealt with locally because there was a doctor in the community. The figures would also indicate whether the cost of the ambulance service is increasing and what the cause might be.

Finally, on a more positive note, I return to John Mason's point about good news—for example, the decrease in the incidence of heart disease. Iain Macwhirter recently wrote a positive article in which he said that we constantly think about the negatives—we tend to think the worst of our health—but in fact there are good-news stories. How do we reflect that? I realise that that question is probably not for you but for another minister. On demographics and how we reflect on people getting older, I can be quite excited about the future as somebody who recently became 40.

John Swinney: First, on the experience in Highland, I pay warm public tribute to Highland Council and NHS Highland because, notwithstanding how difficult integrating budgets and working together can be, I think that those two bodies have demonstrated tremendous commitment in making a challenging and demanding model work. In my assessment, that has come about because of absolutely crystal-clear leadership from Highland Council and NHS Highland. The process took some time, but a great deal has been achieved. The foundations that are now in place will start to deliver for people in the Highlands.

Having said all that, I accept that the Highland model may not be appropriate for other parts of the country. The principle is that integration and collaboration are being undertaken by those two bodies. A strong foundation has been established, about which there should be tremendous pride.

Secondly, I do not have the detail in front of me that would enable me to give a specific answer on unplanned admissions and the relationship with NHS 24. However, another issue at the heart of the integration of health and social care is that certain admissions to hospital are undertaken because no other credible option is available at, for example, 5 to 5 on a Friday night or late into the evening. That is where the integration of health and social care really matters. An individual might not need to go to an acute hospital and be admitted to accident and emergency—and the costs are significant the minute an individual sets foot in A and E. Mr Neil made the point in the chamber yesterday in response to one of the supplementary questions to Mr Hume's question that if fewer people presented at A and E because of alcohol abuse, we would be a great deal better off as a country. That was an extremely well-made point by the Cabinet Secretary for Health and Wellbeing.

One of the purposes of health and social care integration is to provide more credible alternatives for the care and support of individuals who, at different stages, may have just tipped into vulnerability. That will be a benefit of integration.

Finally, on the point about good news, during the Finance Committee debate before the Christmas recess, I referred to the great deal of media coverage and attention that was given just a few weeks earlier to the point in the Audit Scotland report about there having been no impact on reducing health inequalities in our society. In the past 10 years, the number of deaths through heart disease and stroke has reduced by 43 per cent, which is an astonishing achievement. In that debate before Christmas, I paid tribute to our predecessors, who had started to make tackling the issue a priority, and said that we had continued that approach and that results had been delivered.

I am not normally associated with being the minister for good news, but I think that there is a time and place for us to recognise that we are making progress on some of the difficult issues.

The Convener: That appears to have exhausted questions from committee members, but I have a further question. You just said that you were heartened by the crystal-clear leadership in the Highlands. Similarly, I am encouraged by the work that has been undertaken by the City of Edinburgh Council on its long-term financial plan. For example, the council's projections for the next 25 years include a projection that there will be 43 per cent more households in Edinburgh, as a result of which it is looking to redesign services. Some of the demographic projections that Edinburgh is looking at may not be exactly accurate, but the council is taking steps to ensure that it is prepared for the projected changes.

What would you say to local authorities such as West Dunbartonshire Council, which has said that it does not use

"demographic projections beyond the three year budgeting cycle",

because it does not have

"funding plans over a longer period of time than 3 years"?

You talked about that perhaps being an excuse. Do you think that it is really a cop-out, in that the council has failed to take a long-term view when other councils, such as the City of Edinburgh Council and Highland Council, are doing so?

John Swinney: A lot of drama can be associated with a spending review, with people saying that they cannot do anything until they know its outcome. Mr Chisholm is smiling wryly, so I suspect that he has heard or has said something similar, depending on which side of the argument he was on.

From the pattern of public expenditure, a reasonable set of assumptions can be made about the level of continuity of funding that most public bodies could experience. There are some exceptions, of course, where changes come in. Such changes can be difficult and, as Mr McMahon said, controversial—I understand and appreciate that. However, I think that adequate information is available to enable people to make reasonable medium-term decisions about the delivery and deployment of public services. That is what informed the Government's response to the Christie commission and it has affected the design of our public service reform agenda.

The Convener: Thank you for that and for all your responses. We will of course see more of you later this morning.

That was the committee's final oral evidence session for our inquiry. The committee will consider a draft report before the February recess. We will debate the final report in the chamber in March.

I suspend the meeting briefly until 10.50 to allow for a changeover of witnesses and a break for committee members.

10:42

Meeting suspended.

10:50

On resuming—

Public Service Pensions Bill

The Convener: We come to the second of our two sessions with the cabinet secretary, which relates to our consideration of the Public Service Pensions Bill legislative consent memorandum. Accompanying the cabinet secretary are Stuart Foubister—I hope that I have said that correctly—from the Scottish Government and Chad Dawtry from the Scottish Public Pensions Agency. I invite the cabinet secretary to make an opening statement that explains the LCM.

John Swinney: Thank you, convener. I welcome the opportunity to discuss with the committee the legislative consent memorandum that concerns certain components of the UK Government's Public Service Pensions Bill.

As the committee will be aware, I made a statement to Parliament on public service pension reform on 28 November, in which I set out the Scottish Government's position on the UK Government's approach to these wide-ranging reforms. I also ensured that the Parliament was aware of the Chief Secretary to the Treasury's request that the Scottish Government should support a legislative consent motion relating to certain provisions in the draft bill that encroached on devolved matters; our consideration of that request and our decision not to give it support; and the opportunity that existed to consider the matter by discussing the legislative consent memorandum that is before the committee.

I will make a number of points on the legislative consent memorandum. The UK Government asked the Scottish Government to support a legislative consent motion that would, in effect, allow Westminster to take decisions on devolved pension schemes for six non-departmental public bodies and a small number of holders of devolved judicial roles. The Scottish Government believes that the Scottish Parliament, not the Westminster Parliament, should decide on the terms of pensions for public service workers in Scotland. Consequently, I was not willing to lodge the legislative consent motion that the Chief Secretary to the Treasury proposed.

There has been some debate about the scope of potential legislative consent. The Scottish Government does not believe that the UK Government is required to seek the support of the Scottish Parliament for primary legislation to make changes to public service pensions in Scotland beyond those that are covered in the memorandum that we are considering. As all the main pension schemes—those for local government, national health service workers, teachers, police officers, firefighters and civil servants—are only executively devolved to Scottish ministers or are entirely reserved, Westminster continues to set the main terms for those schemes.

In his request that we support the LCM, the chief secretary gave an undertaking that the provisions in question would be removed from the bill if the Scottish Government did not support the LCM. When I wrote to the chief secretary on 28 November 2012, I indicated that I would not agree to his request. I am pleased to confirm that the UK Government has already begun the process of making the necessary amendments to the bill to remove those provisions.

The Scottish Government remains opposed to the way in which the UK Government has conducted the pension reforms in general. Its directive approach on employee contribution increases has left us no alternative other than to introduce them in Scotland, and its piecemeal approach to policy development has lacked transparency and has resulted in a continued lack of certainty over its policy intentions.

As far as devolved pension arrangements are concerned, I have already indicated to Parliament that the Scottish Government will continue to take an inclusive, evidence-based approach to any further reform. That means using independent advice to assess the financial health of the schemes in question and the benefits that they provide. If change is necessary, it will be made in conjunction with the organisations themselves and with the support of legislation, if that is required.

The Scottish Government has set out its views in the legislative consent memorandum, which I am happy to discuss with the committee.

The Convener: Thank you very much, cabinet secretary. I do not have any questions for you, as you answered the questions that I was going to ask in your opening remarks. I invite questions from colleagues.

John Mason: I want to ask just one question. The financial implications section of the committee's paper on the LCM states that the financial impact of not meeting the stipulated date "would be limited", because of the small number of people involved. Can you give us any indication—even an estimate—of the kind of figures that we are talking about?

John Swinney: The total number of people involved in the schemes is 1,750, which is 0.3 per cent of the total membership of Scottish schemes. The financial implications are therefore of a minimal level.

John Mason: Are we talking tens of thousands or hundreds of thousands of pounds?

John Swinney: I do not want to give a figure at this stage, but the numbers are very small. As I indicated, we will undertake an assessment of the financial health of the relevant schemes and formulate a view as to whether any reform is required in due course and determine any actions that are required to ensure the fiscal sustainability of the schemes.

Jamie Hepburn: I have a quick question about the process by which we have arrived here. The Scottish Government's legislative consent memorandum states:

"There was minimal formal engagement by the UK Government prior to the introduction of the Bill."

Can you quantify how that compares to the normal experience of consultation where the UK Government is seeking this Parliament's legislative consent?

John Swinney: The UK Government advised me on 4 September 2012 that a legislative consent memorandum would be required for the bill. That was seven working days prior to the bill's introduction in the House of Commons on 13 September 2012. That is completely and utterly at odds with the normal course of events, which would involve significant consultation. As Mr Hepburn will appreciate, a bill of the complexity of the Public Service Pensions Bill requires tremendous preparation, scrutiny and dialogue on a whole host of different questions, so we would normally be very much involved in the process very early on. However, those were the circumstances in this case.

Malcolm Chisholm: I agree with your decision not to have a motion on the bill. More generally, is there a clear dividing line between what is executively devolved and what is reserved under primary legislation? Many of us received emails suggesting that there was perhaps some doubt about what that dividing line is.

John Swinney: Let me try to give the committee some clarity on that point. Essentially, schedule 5 to the Scotland Act 1998, at section F3, defines pension schemes as a reserved matter. As I said, that includes the local government, NHS, teachers, police and fire schemes. Ultimately, therefore, the United Kingdom Government has the ability to introduce primary legislation to change any of those schemes.

For example—I have had meetings with various trade unions to explain this position—the local government pension scheme, which is a final salary scheme, is perfectly financially sustainable at the present moment, but the United Kingdom Government legislation will say that final salary schemes must end. Essentially, primary legislation can be used to specify the character of individual schemes, and it can also be used to set out particular constraints. For example, a requirement to ensure that all schemes have the normal pension age and the state pension age as one and the same thing can be specified in primary legislation.

Various elements of the schemes are executively devolved. However, under the bill, Treasury consent will be required for any so-called "cost-sensitive" issues. That says to me that there will be a great deal more scrutiny by the Treasury of the components of pension schemes than has been the case in the past.

Malcolm Chisholm: Is that why there is provision on the level of contributions? Will the Treasury invoke that to penalise you if you allow smaller contributions?

John Swinney: Contributions are slightly different. The increases in contribution rates in the short term are not about pension schemes but simply about contributions to the public purse—they do not make the pension schemes any stronger but simply make a contribution to deficit reduction. They also create a platform for deciding the size of the cost envelope that is available to support pension schemes, which ultimately determines the future scale and scope of individual pension schemes and the degree of flexibility that we can have in the process.

Malcolm Chisholm: So the issue of contributions is not covered by the legislation as such. The Treasury would invoke that simply for public expenditure control.

John Swinney: That is correct.

The Convener: As there are no further questions, I thank the cabinet secretary for his evidence this morning both on our inquiry into demographic change and on the LCM. I will allow the cabinet secretary and his officials to leave before we discuss the LCM further.

Colleagues, the committee will now consider the evidence given by the cabinet secretary on the LCM. The committee has to report to Parliament on the LCM. Are there any issues that members wish to raise in our report? Are members content for our report simply to refer to the *Official Report* of this evidence session?

Members *indicated agreement.*

The Convener: Are members content with the terms of the legislative consent memorandum and are they content to report accordingly?

Members *indicated agreement.*

The Convener: We now move into private session, as was agreed at the beginning of the meeting. I will allow the public and the official report staff to leave before we move on to item 5.

11:01

Meeting continued in private until 11:03.

Members who would like a printed copy of the *Official Report* to be forwarded to them should give notice to SPICe.

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