

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Third Delegated Legislation Committee

DRAFT NUCLEAR DECOMMISSIONING
AUTHORITY (PENSION SCHEME AMENDMENT)
REGULATIONS 2024

Tuesday 20 February 2024

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The Committee consisted of the following Members:

Chair: DAME MARIA MILLER

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| † Barker, Paula (<i>Liverpool, Wavertree</i>) (Lab) | † Mills, Nigel (<i>Amber Valley</i>) (Con) |
| † Bowie, Andrew (<i>Parliamentary Under-Secretary of State for Energy Security and Net Zero</i>) | † Osborne, Kate (<i>Jarrow</i>) (Lab) |
| † Byrne, Liam (<i>Birmingham, Hodge Hill</i>) (Lab) | † Smith, Greg (<i>Buckingham</i>) (Con) |
| † Dunne, Philip (<i>Ludlow</i>) (Con) | † Smith, Jeff (<i>Manchester, Withington</i>) (Lab) |
| † Fletcher, Mark (<i>Bolsover</i>) (Con) | † Tracey, Craig (<i>North Warwickshire</i>) (Con) |
| † Holmes, Paul (<i>Eastleigh</i>) (Con) | † Tuckwell, Steve (<i>Uxbridge and South Ruislip</i>) (Con) |
| Hopkins, Rachel (<i>Luton South</i>) (Lab) | † Zahawi, Nadhim (<i>Stratford-on-Avon</i>) (Con) |
| † McCarthy, Kerry (<i>Bristol East</i>) (Lab) | |
| † Mather, Keir (<i>Selby and Ainsty</i>) (Lab) | Peter Stam, <i>Committee Clerk</i> |
| † Metcalfe, Stephen (<i>South Basildon and East Thurrock</i>) (Con) | † attended the Committee |

Third Delegated Legislation Committee

Tuesday 20 February 2024

[DAME MARIA MILLER *in the Chair*]

Draft Nuclear Decommissioning Authority (Pension Scheme Amendment) Regulations 2024

2.30 pm

The Parliamentary Under-Secretary of State for Energy Security and Net Zero (Andrew Bowie): I beg to move,

That the Committee has considered the draft Nuclear Decommissioning Authority (Pension Scheme Amendment) Regulations 2024.

It is a pleasure to serve under your chairship this afternoon, Dame Maria. The regulations were laid before the House on 19 December 2023.

Lord Hutton's 2011 report into public sector pensions fired the starting gun on a long process of reform. While the Public Service Pensions Act 2013 made wide-ranging and important changes, it did not cover all public sector bodies, including those within the Nuclear Decommissioning Authority group.

The NDA was created in 2005 as the statutory body responsible for the decommissioning and safe handling of the UK's nuclear legacy. It has 17 sites located across the UK, including Sellafield in Cumbria, the world's first civil nuclear power station. That means that Sellafield and many parts of the NDA's other sites pre-date the formation of the NDA by several decades, leading to a complicated set of pension arrangements, including two pension schemes closed to new entrants in 2008 that provide for final salary pensions, which are in scope of the reforms. These are the Combined Nuclear Pension Plan and the Site Licence Company section of the Magnox Electric Group of the Electricity Supply Pension Scheme.

The complexities of the schemes clearly required tailored reforms, which is why in 2017, the Department for Business, Energy and Industrial Strategy and the NDA worked with trade unions to agree a reformed pension scheme that maintained valuable benefits for its members while bringing it into line with the rest of the public sector. The result was the proposal of a bespoke career average revalued earnings, or CARE, scheme.

In terms of timing, before bringing forward the provisions we required primary powers in the Energy Act 2023 before secondary legislation could be brought forward. I appreciate that the process has taken rather longer than hoped, but we are confident that the reform will yield financial savings, bolstering the NDA's mission of responsibly decommissioning the UK's nuclear legacy.

Following statutory consultation with NDA employees and a ballot of union members, the CARE scheme was formally accepted by the trade unions. A formal Government consultation was launched in May 2018, with the Government publishing a response to the consultation in December 2018, confirming the proposed

changes. Now, thanks to primary powers introduced in the Energy Act 2023, we are able to bring secondary legislation forward.

The reformed scheme offers excellent benefits to its members. Unlike most other reformed schemes, it still includes provision for members to retire at their current retirement age. For nearly all, that will be 60—most other public sector pension schemes only allow a full pension at 67. Once the CARE scheme is introduced, contributions will increase on average by 3.05%, phased in over three years.

A statutory framework that applies pension benefits across the NDA estate meant that specific legislation was needed to implement this reformed scheme. This secondary legislation is being made to require NDA and Magnox Ltd to amend the relevant NDA pension schemes and implement this CARE-based pension reform. It will also modify the statutory pension protections contained in the Energy Act 2023 and the Electricity (Protected Pensions) (England and Wales) Pension Regulations 1990, in support of the reforms.

These measures will make the NDA group's final salary pensions fairer and more efficient by aligning them with wider public sector pensions. They will also deliver crucial savings to the NDA budget at a time when it is needed, more than ever, to support the decommissioning of this country's proud nuclear legacy.

2.33 pm

Kerry McCarthy (Bristol East) (Lab): It is a pleasure to see you in the Chair, Dame Maria. As the Minister has said, this delegated legislation brings the Nuclear Decommissioning Authority's pensions into line with wider public sector pensions, as a result of the Public Sector Pensions Act 2013, by moving from a final salary scheme to a career average scheme.

We do not object to the broad objectives—as the Minister will recall, we had this discussion during the passage of the Energy Act 2023—but we have a few issues with the way the consultation has been run and how long the process has taken, which have been raised by unions and affected members. I pay tribute to everyone who works at the NDA. They are integral to keeping the public safe, and they should be recognised when determining legislation. We do not want to build in disincentives through watered down pensions for the people who work there.

I want to address a couple of points that have been raised. The unions did vote in favour of the reforms, but that was because they were worried about what the alternative would be; it was not an overwhelming endorsement. Legislation is needed to implement the proposals because the members of these schemes currently have statutory protection against detrimental changes under the Electricity Act 1989 or the Energy Act 2004. Although, as I said, union members voted in favour of the reforms, albeit a little reluctantly, there is concern about these protections being broken again. That was not helped by the fact that during the consultation many respondents felt that the terminology used to describe the application of the powers was too broad or unclear.

Another question has been raised: why are the Government not applying the Hutton reforms to public service pensions in full? Lord Hutton ruled out providing

pensions on a defined contribution basis, but the Government refuse to apply that recommendation to the many thousands of employees in the NDA estate who are in the defined contribution section of the CNPP.

Finally, the Minister talked about the starting gun being fired in 2011; that has been a hell of a long time to get off the starting line. I know that the Minister is a speedy marathon runner, as well as being a speedy talker—it is not like him to drag his feet. Members of the scheme were first balloted on the reforms back in 2017, with the Government taking the decision to bring forward this statutory instrument in December 2018. I know that it required the Energy Act as paving legislation but the fact that it has taken until 2024 to reach implementation is not optimal, to put it mildly.

It is said that the estimated total savings are expected to be about £200 million. What impact has the delay had on the estimated savings?

2.36 pm

Nigel Mills (Amber Valley) (Con): I have a couple of questions for the Minister. Will he talk us through why the age remains at 60? Was that a negotiation position that had to be taken? I understand that those in the fire service or police force may not be able to work until 67, but it seems very generous for the taxpayer to fund a retirement seven years early in this situation. Is there a labour reason for that?

My second question is about what the shadow Minister just referred to. We get an estimate of savings over the long run, although they are not costed in the actual cost-benefit analysis, but it is seven years old. We know from two years ago that the pension funding position is dramatically improved, by hundreds of billions of pounds, for all final salary schemes across the economy, so presumably the estimate is incredibly out of date and the saving is likely to be a lot higher. Will the Minister let us know if he has any update about what the actual impact of the decision that we are taking here is?

2.37 pm

Andrew Bowie: I thank the shadow Minister and my hon. Friend the Member for Amber Valley for their questions. The hon. Lady asked about the time it has taken for us to bring the changes forward. She is absolutely right: it is sub-optimal that it has taken this long. Having met the unions in the latter part of last year, I am aware of the concern and the not inconsiderable worry caused by how long it has taken us to bring this forward. However, we did need to wait for parliamentary time and the actions that we brought forward through the Energy Act to allow us to make the changes required to bring the NDA's pension schemes into a much better place than where they were.

It should be recognised that the pension is very good. Allowing a full pension award at 60 for the majority of members when most public pensions are linked to a state retirement age of 67, as my hon. Friend the Member for Amber Valley mentioned, was a considerable win for workers at the NDA and something we are proud to have achieved. It means that the Nuclear Decommissioning Authority—a vital part of our effort to maintain a safe, sustainable nuclear estate in this country—will continue to be attractive to the best and brightest. We all agree that that should be an ambition.

The NDA will, of course, continue to engage extensively in communicating the reform to employees affected by the changes and the trade unions that provide representations across the NDA group. Of course we are always happy to look at the impact of the changes once they have been implemented. There is the ability after the implementation of this secondary legislation to make changes to how the schemes operate.

Kerry McCarthy: Did the Minister address the point about the £200 million savings or did I miss that?

Andrew Bowie: No, the hon. Lady is absolutely right. Sorry, I had forgotten that she asked. There will be significant savings, of course, for the NDA and that is a good thing. We have reached a good settlement on the new pension scheme. It is a good pension for members. We will continue to attract the brightest and best into the organisation and give people certainty about where they are going to be when they hit retirement age, while providing significant savings for the Nuclear Decommissioning Authority, which will allow it to carry on with its important work for this country, at Sellafield and the other nuclear sites in which it is engaged across the UK. That work is only set to grow, by the way, as more of our civil nuclear fleet reaches the stage of having to consider moving into decommissioning mode. The NDA's work is about to increase exponentially so the savings made by the changes will be important and allow it to do more and do it effectively.

The Government remain committed to ensuring that pension schemes are fair, efficient and in line with the wider public sector. The regulations are essential to the successful implementation of a CARE-based pension reform of the NDA group. Crucially, they preserve commitments to excellent benefits, including provisions for members to retire at the current retirement age. They also yield financial savings that will be used to bolster the NDA's mission of responsibly decommissioning the UK's nuclear legacy. I urge the Committee to support the draft Nuclear Decommissioning Authority (Pension Scheme Amendment) Regulations 2024.

Question put and agreed to.

2.41 pm

Committee rose.

