

Main Estimates memorandum (2024-25) for the UK Atomic Energy Authority Pension Schemes

1 Overview

1.1 Objectives

The Estimate covers the provision of pensions and lump sums to retired members or their dependants, transfer values for members transferring to other schemes and repayments of contributions under the UK Atomic Energy Authority (UKAEA) Pension Schemes. The Authority Pension Schemes are statutory schemes as defined under Section 26(1) of the Finance Act 1970 and are registered schemes under the Finance Act 2004. The Schemes are contracted out under the Pension Schemes Act 1993 and subsequent legislation. Under the terms of the Pensions Act 2014, the Schemes ceased to be contracted out from 31 March 2016.

The Authority's Public Service Pension Schemes comprise the Combined Pension Scheme (CPS), the Principal Non-Industrial Superannuation Scheme (PNISS) and the Protected Persons Superannuation Scheme (PPSS). They relate to the employees of the Authority and until 31 October 2009 UKAEA Ltd, Dounreay Site Restoration Limited (DSRL) and Research Sites Restoration Limited (RSRL).

In addition, the Schemes relate to former employees of British Nuclear Fuels plc (BNFL), employees of the National Nuclear Laboratory (NNL) and International Nuclear Services Limited (INSL), the Civil Nuclear Police Authority (CNPA) and the Health Protection Agency (HPA), which later became part of Public Health England (PHE) (in respect of members who prior to 1 April 2005 were employed by the National Radiological Protection Board), and former INSL employees who are now employed by the Nuclear Decommissioning Authority (NDA), together with some employees of the Engineering and Physical Sciences Research Council (EPSRC), the Science and Technology Facilities Council (STFC), former employees of the Council for the Central Laboratory of the Research Councils (CCLRC), the Particle Physics and Astronomy Research Council (PPARC) and the Science and Engineering Research Council (SERC), the RCUK Shared Services Centre Limited (now UK Shared Business Services (UKSBS) Limited) and former Authority employees who transferred to the Ministry of Defence (Atomic Weapons Establishment).

The UKAEA Pension Schemes are an unfunded, defined benefit pay-as-you-go occupational pension scheme operated by the UKAEA Pension Schemes on behalf of the members who satisfy the membership criteria.

The funding of payments from UKAEA's Pension Schemes is based on the published Parliamentary Supply Estimate and is supplied to the Department for Energy Security and Net Zero (DESNZ) from the Consolidated Fund managed by HM Treasury.

It should be noted that any contributions made to the Schemes are used to meet the payment of Schemes' benefits, however any surplus of such contributions over payments is surrendered to the Consolidated Fund. Similarly, any deficit is met by Parliamentary Supply with payment from the Consolidated Fund.

The Authority is a body corporate by virtue of the Atomic Energy Authority Act 1954.

1.2 Spending controls

The UKAEA Pension Schemes' budget is not subject to pre-set Departmental Expenditure Limit (DEL) control totals; it sits within a category of spending known as Resource Annually Managed Expenditure (AME). This is because net expenditure and cash payments are largely outside the control of the scheme administrators on a day-to-day basis, instead being affected by factors such as membership numbers; salary levels; mortality rates; the age profile of members, and annual pension increases.

The **Resource AME** sought under the UKAEA pension schemes Estimate is essentially the amount by which liabilities under the pension scheme are estimated to increase during the year, less the contributions paid by employers and employees towards those liabilities.

In addition, the **net cash requirement** represents the estimated net cash required for the year to cover payments of pensions, after taking account of estimated contributions and transfer values paid in by employees and employers. A negative value means that more is forecast to be received than paid in year.

1.3 Comparison of net spending totals sought

The table below shows how the totals sought for the pension scheme at the Main Estimate compares with last year:

Net Spending Total Amounts sought this year (Main Estimate 2024-25)		Compared to final budget last year (Supplementary Estimate 2023-24)		Compared to original budget last year (Main Estimate 2023-24)	
		£m	%	£m	%
Resource AME	£224.3m	-£54.6m	-19.6%	-£22.3m	-9.0%
Net Cash Requirement	£230.7m	-£62.0m	-21.2%	-£26.7m	-10.4%

1.4 Key drivers of spending changes since last year

Movement in resource estimates compared to the 2023-24 final budget

The provision sought under Resource AME is lower than the final budget last year. This is due to the fact that provisional values have been rolled over from the Main Estimate 2023-24 submission, with

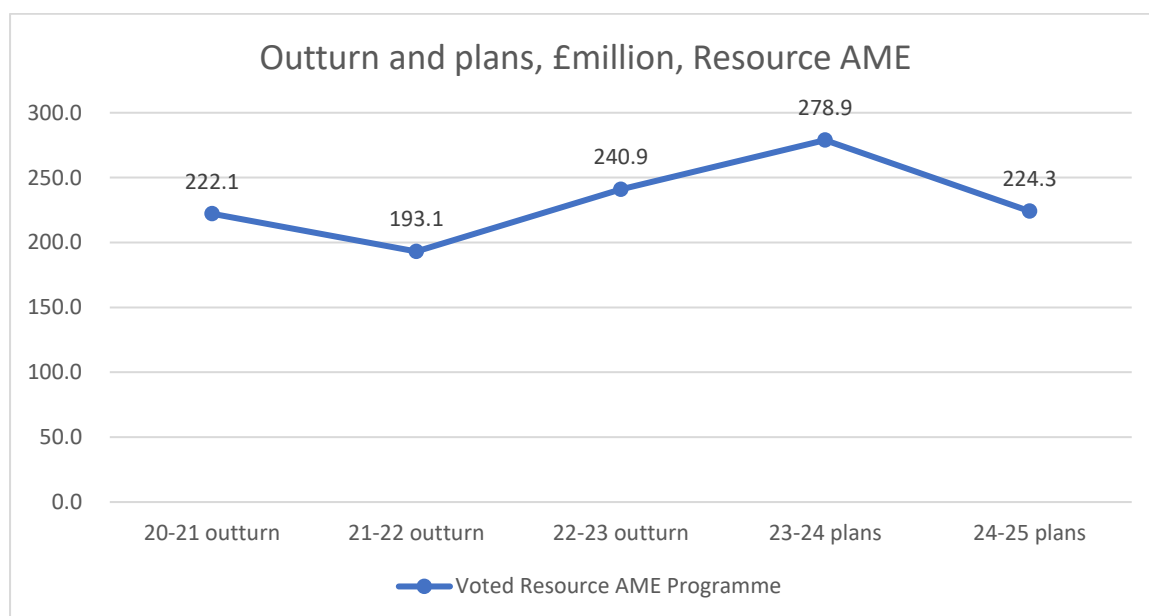
accurate figures to be provided later on in the year in the Supplementary Estimate submission for 2024-25.

Movement in net cash requirement compared to the 2023-24 final budget

Compared to the final budget last year, the 2024-25 net cash requirement has decreased by 21.2%. This is due to the fact that provisional values have been rolled over from the Main Estimate 2023-24 submission, with accurate figures to be provided later on in the year in the Supplementary Estimate submissions for 2024-25.

1.5 Spending trends

The chart below shows the overall spending trends for the last three years, the plans presented in the Estimates for 2023-24 and the current plans for 2024-25.



The net resource requirement has remained reasonably stable but varies each year as the resource items (e.g. current service cost, interest cost) are influenced by the financial assumptions set by HMT in the Public Expenditure System (PES) paper. The financial assumptions are used to derive the calculation of the scheme liabilities, current service cost and interest cost which directly affects the resource requirements.

The AME resource requirement has decreased from £278.9m in 2023-24 to £224.3m in 2024-25. This is due to the fact that provisional values have been rolled over from the Main Estimate 2023-24 submission, with accurate figures to be provided later on in the year in Supplementary Estimate submission for 2024-25.

1.6 Administration costs and efficiency plans

The administration costs are reimbursed by the participating employers on a per capita basis taking account of total scheme membership in each category of member, active, deferred and pensioner.

The administration fees in 2024-25 are expected to be £2.4m, spread across participating employers. This is broadly in line with previous years, with additional costs as a result of change projects (such as the move to alpha and GMP).

2 Spending detail

2.1 Explanations of changes in spending

The tables overleaf compare the current year budget (Main Estimate 2024-25) with the previous year budget (Supplementary Estimate 2023-24) for Expenditure, Income, Cash and Net Cash Requirement. Significant variances above £10m and 10% are explained below:

Subheads	Description	Detail	Resource AME				is change significant? (>£10m & 10%)
			<i>This year (2024-25 Main Estimate)</i>	<i>Last year (2023-24 Supplementary Estimate)</i>	Change from last year		
			£ million			%	see explanation, note/para number
A	Expenditure:	<i>current service costs</i>	132.9	67.5	+65.4	+96.9%	1
		<i>enhancements</i>	0.3	0.4	-0.1	-25%	
		<i>liabilities due to transfers in</i>	0.0	1.5	-1.5	-100.0%	
		<i>interest on scheme liabilities</i>	144.8	265.6	-120.8	-45.5%	2
	Expenditure sub total		278.0	335.0	-57.0	-17.0%	
A	Income:	<i>employer contributions</i>	-35.4	-39.1	3.7	-9.6%	
		<i>employee contributions</i>	-13.6	-15.0	1.4	-9.6%	
		<i>transfers in</i>	-4.7	-1.5	-3.2	203.8%	
		<i>other income</i>	0.0	-0.4	0.4	-100.0%	
	Income sub total¹		-53.7	-56.1	2.4	-4.2%	
A	Net AME resource		224.3	278.9	-54.6	-19.6%	

1. The current service cost is significantly higher in 2024-25 than the final budget for 2023-24 due to the fact that provisional values have been rolled over from the Main Estimate 2023-24 submission, with accurate figures to be provided later on in the year in the Supplementary Estimate submission for 2024-25.
2. The decrease in interest cost in 2024-25 compared with the final budget in 2023-24 is due to the 2023-24 Supplementary Estimate building in higher interest costs as a result of the latest valuation update, which saw the overall scheme liability fall.

¹ Totals may not sum due to rounding

Subheads	Description	Detail	Cash and Net Cash Requirement				is change significant? (>£10m & 10%)
			<i>This year (2024-25 Main Estimate)</i>	<i>Last year (2023-24 Supplementary Estimate)</i>	Change from last year		
			£ million			%	see explanation, note/para number
	Cash:						
		<i>Payments in respect of provisions</i>	274.4	338.8	-64.4	-19.0%	3
		<i>Income from contributions</i>	-53.7	-56.1	2.4	-4.2%	
		<i>Adjustments for movements in debtors/creditors (non-budget)</i>	10.0	10.0	0.0	0.0%	
		Net Cash Requirement	230.7	292.7	-62.0	-21.2%	

3. The decrease in payments in respect of provisions is due to the fact that provisional values have been rolled over from the Main Estimate 2023-24 submission, with accurate figures to be provided later on in the year in the Supplementary Estimate submission for 2024-25.

2.2 Changes to contingent liabilities

There are no contingent liabilities for the UKAEA Pension Schemes.

2.3 Estimated scheme liabilities

The last funding valuation was as at 31 March 2020. New employer contribution rates from the 2020 valuation apply from 1 April 2022.

The amounts recognised in the pension schemes' financial statements for 2022-23 were prepared using full membership data as at 31 March 2020, provided for the 2020 formal actuarial valuation.

The Government Actuary Department's report on the 2022-23 Accounts confirmed that the Schemes' liabilities were £5,833 million on the accounting basis as at 31 March 2023. There were approximately 41,000 members of the scheme (active, active deferred, deferred and pensioners) in March 2023, with a similar number at the end of March 2024.

3. Accounting Officer Approval

This memorandum has been prepared according to the requirements and guidance set out by HM Treasury and the House of Commons Scrutiny Unit, available on the Scrutiny Unit website.

The information in this Estimates Memorandum has been approved by David Thomas as Chief Financial Officer, on behalf of Jeremy Pocklington, Head of Department and Accounting Officer of the Department for Energy Security and Net Zero, who is responsible for this Estimate.

David Thomas

Chief Financial Officer

Department for Energy Security and Net Zero

17 July 2024