

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
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GENERAL COMMITTEES

Public Bill Committee

PUBLIC SERVICE PENSIONS BILL

Fourth Sitting

Thursday 8 November 2012

(Afternoon)

CONTENTS

CLAUSE 3 agreed to, with an amendment.

SCHEDULE 3 agreed to.

CLAUSES 4 to 6 agreed to, with amendments.

CLAUSES 13 and 14 agreed to.

Adjourned till Tuesday 13 November at five minutes to Nine o'clock.

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The Committee consisted of the following Members:

Chairs: MR JOE BENTON, † ANNETTE BROOKE

Abrahams, Debbie (<i>Oldham East and Saddleworth</i>) (Lab)	† Jamieson, Cathy (<i>Kilmarnock and Loudoun</i>) (Lab/ Co-op)
† Ashworth, Jonathan (<i>Leicester South</i>) (Lab)	† Javid, Sajid (<i>Economic Secretary to the Treasury</i>)
† Burt, Lorely (<i>Solihull</i>) (LD)	† Jones, Mr Marcus (<i>Nuneaton</i>) (Con)
Doyle-Price, Jackie (<i>Thurrock</i>) (Con)	Leadsom, Andrea (<i>South Northamptonshire</i>) (Con)
† Evans, Graham (<i>Weaver Vale</i>) (Con)	† Leslie, Chris (<i>Nottingham East</i>) (Lab/Co-op)
† Freer, Mike (<i>Finchley and Golders Green</i>) (Con)	† McGovern, Alison (<i>Wirral South</i>) (Lab)
† Fuller, Richard (<i>Bedford</i>) (Con)	McKenzie, Mr Iain (<i>Inverclyde</i>) (Lab)
† Gibb, Mr Nick (<i>Bognor Regis and Littlehampton</i>) (Con)	Paisley, Ian (<i>North Antrim</i>) (DUP)
† Gilmore, Sheila (<i>Edinburgh East</i>) (Lab)	Williams, Stephen (<i>Bristol West</i>) (LD)
† Hands, Greg (<i>Chelsea and Fulham</i>) (Con)	Kate Emms, Neil Caulfield, <i>Committee Clerks</i>
	† attended the Committee

Public Bill Committee

Thursday 8 November 2012

(Afternoon)

[ANNETTE BROOKE *in the Chair*]

Public Service Pensions Bill

Clause 3

SCHEME REGULATIONS

2 pm

Question proposed. That the clause, as amended, stand part of the Bill.

Cathy Jamieson (Kilmarnock and Loudoun) (Lab/Co-op): It is a pleasure to have you in the Chair this afternoon, Mrs Brooke. We made good progress during the morning and I do not want to upset that progress this afternoon. I will resist the temptation to go over everything that my hon. Friend the Member for Nottingham East said on the clause before the break, but it is important to raise a number of issues. I would like the Minister's response to a couple of points on which we have not tabled amendments because we wish to probe his intentions and the thinking of Government.

I will first refer to the part of the clause that deals with devolution issues. Schedule 5 to the Scotland Act 1998 ensures that policy on these issues is by and large reserved to the UK Parliament, although responsibility for the pensions of some non-profit distributing projects is devolved. For example, power to make regulations has been devolved to Scottish Ministers for the NHS, teachers, local government, police and firefighters pension schemes in Scotland, as the Minister will be aware.

We need from the Minister a clear statement on the record regarding those powers. He will be aware that the Independent Public Service Pensions Commission in its report of 2010 referred to the devolved Administrations having that slightly different arrangement for administering public service pensions. The Scottish Ministers have the power to make the secondary legislation affecting the five public service pension schemes. They have the power to deal with the benefits that schemes provide and the contributions made by scheme members. In practice, the schemes have tended to mirror each other closely. They do, of course, face the same sort of issues.

That Commission recommended that one of the key design features of the new public service pensions should be that, as part of a UK-wide policy framework, there would be limited adaptations to meet local circumstances. The question arising from that is to what extent the wording of the Bill fundamentally changes the nature of the relationship with devolved Administrations. Although pensions policy, including that of public service pensions, is set at national level, a number of public service pension schemes are the responsibility of the devolved Administrations. We would not want to remove inadvertently any of the scope for variations to meet local circumstances or to deal with those schemes in a way that was not in the spirit of the Scotland Act.

However, we have to look at the wording of the Bill. I seek clarification because there are concerns about the terms of the legislative consent motion—or Sewel motion—that would be discussed and debated in the Scottish Parliament. There have been discussions between the Governments, although I understand that the Scottish Government complained that they got the provisions and information late in the day. I am not clear when they did receive them. Concerns have been raised by some of the trade unions and others in Scotland that the Bill could change the range of prescriptions set out in the Superannuation Act 1972. That Act is, essentially, an empowering provision that allows Scottish Ministers to make schemes for local government, for health services and for teachers, with parallel provisions in other legislation specific to firefighters and the police. Any restrictions to what they do are, essentially, financial.

There is concern that, for the new schemes, the clause sets down specific design parameters that are not specified in regulations at all. Then, the regulations could be spelt out in the Bill rather than in secondary legislation or regulations, which would mean that, if the Bill was enacted, regulations would be prevented from going beyond the powers permitted by that new Act.

The question, therefore, is about the scope of the legislative consent motion. It is argued that the motion would not simply deal with the provisions in relation to the Scottish judiciary, for example, and some other aspects surrounding pension scheme closures. Potentially, the wording of the Bill could trigger the need for further consideration as part of the legislative consent motion.

I am sorry if this all sounds terribly dull and boring—

Richard Fuller (Bedford) (Con): Not at all.

Cathy Jamieson: I am relieved to hear that. However, at this stage, it is vital to understand whether anything further needs to be done in relation to discussions with the Scottish Government and the scope of the LCM, because the Scottish Parliament will be discussing this in due course. What the Ministers says today will be read with great interest and will carry weight in terms of how things proceed, so it would be helpful if we could hear from him on this issue.

I want to comment briefly on some of the other concerns raised by my hon. Friend the Member for Nottingham East this morning, particularly on clause 3. I refer back to the public evidence that we took. The retrospective elements of the clause cause some concern, notwithstanding the Minister's comments this morning. In particular, I draw hon. Members' attention to an answer given by a witness to my hon. Friend's question about the current wording of the Bill. He asked:

"Do you believe that there is sufficient protection against retrospective decisions by the Treasury?"

In response, Mr Glyn Jenkins stated:

"As currently worded, no, I do not."

He was clear that, as currently drafted, the Bill did not give that protection. Mr Jenkins went on to give some examples of where there may be problems. He stated also:

"We are in discussion with Treasury through the TUC and we are seeking clarification, but we would like the wording of the Bill to reflect the assurances that we have been given elsewhere."

That is an important section, and I hope that the Minister, who spent the whole day listening to the evidence, and did not ask any questions or make comment during that

time—I am sure that he was keeping his powder dry until today—will now enlighten us in response to those questions. The crucial point is that if assurances were being sought in discussions elsewhere with the Treasury, how will that be reflected in the Bill?

In answer to the same question, another witness, Gail Cartmail, said:

“The question goes to the heart of the fact that the Bill includes a provision for retrospective changes, which is extraordinary and unusual.”—[*Official Report*, Public Service Pensions Public Bill Committee, 6 November 2012; c. 143, Q19.]

That shows the real concerns, again, of the people who gave evidence, which were further reflected in the evidence of Alice Hood from the TUC. I do not want to refer to clauses further on in the Bill, but a number of clauses are interlinked. On the issue of the 25-year guarantee that clause 20 attempts to introduce, crucially, she went on to say:

“That is also potentially undermined by clause 3, which includes the provision to make retrospective changes. Again, that is something that all our affiliates have raised serious concerns about.”—[*Official Report*, Public Service Pensions Public Bill Committee, 6 November 2012; c. 151, Q29.]

The Government are rightly trying to give protection in a later clause, but, right at the outset, people are worried that clause 3 and the retrospective provisions will cause particular problems. That is something we ought to take account of. I had hoped that the Minister would accept our amendment, which I thought was a reasonable one; however, we are still at a stage in proceedings on the Bill where it is possible for him to table amendments, make statements or change the Bill in some way to deal with problems that we identify through our close scrutiny.

Lest the Minister think it is only the TUC, Unison or Unite that had such problems with the Bill and with these clauses in particular, I should tell the Committee that the issue was also raised in the written submission to the Committee from the British Medical Association. Reference was made in the evidence sessions to the fact that the BMA believes, in accordance with expert legal advice—I appreciate that there may be as many different forms of legal advice as there are lawyers, but nevertheless we should take this view into account and either accept it or make a reasoned argument against it—that there are particular concerns about what it describes as

“the constitutional impact of the proposed ‘Henry VIII’ clause in the Bill”—

that is, clause 3. The BMA describes the clause as “breathhtakingly wide”, giving

“retrospective powers to the UK Government for further radical public sector pension changes adversely affecting public sector employees’ pensions”,

and believes that clause 3

“undermines the Government’s claim that this would be a ‘settlement for a generation’.”

Again, we have here a series of expressions of concern from an organisation that has done a considerable amount of work. Such people want to be helpful, and to try, as we said during the evidence sessions, to get the provisions absolutely right. I look forward to hearing what the Minister has to say on those points.

Although I would be very reluctant to vote against clause stand part, as I think that we need elements of the clause in the Bill, I had hoped that we would be able to amend it; indeed, we may want to come back with further amendments at a later stage. I hope that the

Minister will be able to deal with some of the many issues and concerns with the clause. Concerns were raised this morning that the retrospective provisions would allow the reduction of accrued rights—notwithstanding what the Minister has said to us on that issue; we always have to look at the wording of the Bill—could be contrary to the European convention on human rights and could seriously undermine workers’ security and their future retirement.

This is an issue of confidence in the schemes. A member of the Committee pointed out this morning that trade unions are saying to their members that, notwithstanding concerns, they should still sign up for pension schemes because it is important to have that protection and that planning for the future. However, there is a real concern that people will be more likely to opt out of the schemes if they have no confidence in them, or if they feel that it is not worth their while to pay into them because things will change in the short term and they will lose some of the benefits that they have accrued.

I would not go so far as to say that the Government have put this provision in the Bill for malevolent reasons, or because they definitely want to do something to particular schemes in the future. I am not suggesting that. I am suggesting that if this part of the Bill is not amended to give the clarification needed, confidence in the Bill will be undermined, and trade unions, professional associations and individual scheme members may well continue to have concerns. I do not think that the Government would want to be in that position when they are further discussing the Bill, after the deliberations of this Committee are over.

I hope the Minister will respond specifically to the issues raised about devolution and legislative consent. I also hope he will address the points that have been made about the retrospective changes.

2.15 pm

The Economic Secretary to the Treasury (Sajid Javid):

I welcome you to the Chair, Mrs Brooke. It is a pleasure to serve under your chairmanship. I understand this is the first Bill Committee you have chaired. It is my second Committee, so if I can give you any tips, do not hesitate to ask. I also welcome the hon. Member for Kilmarnock and Loudoun, whom I had the pleasure of facing in my first Committee. She made a number of thoughtful interventions in that Committee and she is living up to that now. I thank her for her input in the Committee. What she has to say will definitely not be dull and boring.

With your permission, Mrs Brooke, I will speak to clause 3 and schedule 3 together, given that they are closely linked. Clause 3 provides more detail about how the power to make scheme regulations can be used. It gives the responsible authority discretion to use regulations as it considers appropriate, within the limits set out in the rest of the Bill. In particular, regulations may provide for matters set out in schedule 3, although it is neither an exhaustive nor a mandatory list. Instead, it indicates the broad scope of the public service pension schemes that will be made under the Bill. An individual scheme will not necessarily include all the areas set out in schedule 3, and the fact that a particular feature is not

[Sajid Javid]

mentioned in the schedule does not of itself mean that such a feature could not be included in a scheme under the Bill.

To return to the clause, subsection (3) sets out the flexibilities that are needed when legislating for occupational pensions. In particular, it allows the ability to amend existing legislation and to make retrospective provision, subject to important safeguards to protect members and give appropriate scrutiny to Parliament. Changes to primary legislation will require the affirmative procedure. Retrospective changes will also require the affirmative procedure if they have a significant adverse effect on members of the scheme. Earlier, we had a debate on retrospective changes. I do not wish to revisit those issues. I talked about the Government's approach of making sure that there is a high hurdle for changes, which will often be technical changes that are helpful for scheme members. That is the intention but, as I said, I do not think it would be fruitful to revisit those issues.

Any such retrospective changes will also be subject to enhanced consultation requirements, as we discussed, and an obligation to report to Parliament on why they are needed before making the regulations. The powers set out in subsection (3) are commonplace in pensions legislation, and are needed to help the smooth running of a scheme. They are well-established features of the existing pension service schemes. The powers are not designed to give the discretion to erode accrued rights—indeed, any changes would be subject to the European convention on human rights; rather, they exist to permit the technical changes that are required from time to time.

The hon. Lady rightly raised a number of questions regarding the devolved areas.

Cathy Jamieson: Before we move on to the devolved areas—I look forward to hearing what the Minister has to say on that matter—can I press him on the issue of the TUC and the discussions that have taken place with the Treasury? Is there any intention to table amendments or to deal with those issues in some other way? There certainly seems to be a suggestion that there are ongoing discussions on the matter.

Sajid Javid: I can tell the hon. Lady that throughout the process, there have been negotiations and discussions with the TUC and other representatives. Having been recently appointed to this job, I have not been involved in them apart from one meeting with the TUC general secretary, and I can state for the record that he has taken a constructive approach to the legislation. I can also tell the hon. Lady that we plan to bring in no amendments other than those already tabled.

The clause contains the consent requirements for scheme regulations, which mark a slight extension to the current situation to require Treasury consent for all non-devolved schemes. The clause maintains the current and long-standing consent arrangements with devolved Administrations. Those consent requirements for scheme regulations allow the Treasury and the Executive in Northern Ireland to perform a central scrutiny role across public service schemes. It is right that the Treasury has a role given that it has complete responsibility for public spending and the oversight of public pension policy.

Allow me to say more about devolved authorities, about which the hon. Lady asked questions. The Bill does not seek to change the regulation-making powers for devolved authorities. As we discussed earlier, the devolution of such powers is not cosmetic. They have discretion, within central cost constraints, to make schemes that fit their members. That applies equally to devolved schemes in Scotland as it does to other devolved Administrations. We have corresponded regularly with the Scottish Government about all aspects of the legislation and the proposed reforms. We requested, as is required, that the Scottish Government table a legislative consent motion in respect of the relevant elements of the Bill. We have not received such a motion, but we are proceeding on the basis that we will, which is a practical way to move forward. It goes without saying, however, that if, for any reason, the Scottish Government decided to act differently, they would have the right to do that, and we would have to make appropriate changes to the proposed legislation.

Cathy Jamieson: I apologise for having to intervene again, but how the Scottish Government will proceed is crucial. The explanatory notes state:

“In respect of those devolved authorities for which statutory Treasury consent is not required, an oversight regime for changes to cost-sensitive or repercussive elements will operate in accordance with Memoranda of Understanding between the Treasury and the devolved responsible authorities making those schemes.”

Again, for the record, is the Minister saying that there will be absolutely no change to the memorandums of understanding, that there will be no change as a result of the Bill to the way that the Scottish Government could choose to operate the schemes for which they are responsible, and that there is no suggestion that a legislative consent motion is required? An answer to that would be helpful.

Sajid Javid: What I can say, which I hope will be of some use to the hon. Lady, is that, as we will also find with later clauses, we have moved forward on the assumption that we will get the required legislative consent motion from the Scottish Government; it is even more relevant in the case of Northern Ireland, because there is more devolution on public pensions. If we do not get those legislative consent motions, particularly from Scotland, because a motion has not yet been forthcoming and discussions are ongoing, there will be no change to Scotland's current powers on certain pension arrangements. Without the legislative consent motion, we will not be able to make changes to the devolved elements, but we are discussing a draft memorandum of understanding with the Scottish Government, and I hope that it will move forward smoothly.

Question put and agreed to.

Clause 3, as amended, accordingly ordered to stand part of the Bill.

Schedule 3

SCOPE OF SCHEME REGULATIONS: SUPPLEMENTARY MATTERS

Question proposed, That the schedule be the third schedule to the Bill.

Cathy Jamieson: I hope not to take up too much of the Committee's time. Schedule 3 contains a non-exhaustive list of the types of provision that scheme regulations can make. The Minister and I both served on another Committee fairly recently, so he will not be surprised if now and then I ask a couple of detailed questions to get things on the record. Paragraph 6 of the schedule covers the forfeiture or suspension of benefits, and paragraph 8 the exclusion of double recovery of compensation or damages. I am not entirely clear about the circumstances in which those powers might be used. Will the Minister explain why he has included the provisions, and in what circumstances scheme regulations might need to allow for the forfeiture or suspension of benefits?

Sajid Javid: I thank the hon. Lady for her comments. If I heard her correctly, I believe that she said "skedule" rather than "schedule", and I am glad that the hon. Member for Nottingham East was not here to hear it. I am not sure whether *Hansard* reports that.

Cathy Jamieson: With respect to my hon. Friend the Member for Nottingham East, he and I come from different parts of the UK, and in my part of the world we say "skedule".

Sajid Javid: The hon. Lady has found me out. My love of Scotland and my frequent visits to my relatives in Scotland clearly have had more of an impact on me than I realised. I am glad that she has set the record straight.

The hon. Lady referred to paragraphs 6 and 8. I believe I am correct in saying that under the existing rules, such provisions already exist in most if not all schemes. The Bill ensures that schemes drawn up for individual members are flexible enough to reflect such requirements. She asked for examples to show when somebody may forfeit their pension. I cannot give her examples offhand, but I do not anticipate that such a feature would be used regularly. It is there to give schemes flexibility, and the rules for each scheme will be set as it is drawn up. If she would like me to provide her with examples of when that provision has been used in the past, I will gladly write to her.

Question put and agreed to.

Schedule 3 accordingly agreed to.

Clause 4

SCHEME MANAGER

Sajid Javid: I beg to move amendment 2, in clause 4, page 2, line 38, at end insert—

'() Subsection (1) does not apply to a scheme under section 1 which is an injury or compensation scheme.'

The Chair: With this it will be convenient to discuss Government amendments 6, 7, 23, 24, 26 and 27.

Sajid Javid: The amendment will correct the application of the Bill's governance provisions to schemes made under clause 1 that are not pension schemes but schemes for the payment of injury benefits or for compensation

on loss of office. Clause 4 requires the regulations that establish a scheme to set out who is responsible for managing and administering that scheme.

Clause 5 provides that there will be a pension board to assist the scheme manager to fulfil their statutory obligations to comply with the scheme regulations and wider legislation on the administration and governance of pension schemes. Schedule 4 makes related changes to extend the existing pensions legislation on pension schemes to apply to the governors and administration of public service schemes. These provisions taken together are the core elements of the new pension scheme governance arrangements under the Bill. The amendments restrict the application of the common governance provisions to pension schemes made under clause 1. They exclude other schemes from having to have a scheme manager, a pension board and from the extended administration and governance regime and external scrutiny provided by schedule 4.

2.30 pm

Clause 1 provides that the regulations may establish schemes for the payment of pension and other benefits. There are a number of existing schemes in the public service that are not concerned with the payment of pensions. Although those schemes are not in the scope of our reforms and are not being changed at this time, in future such schemes could be established under clause 1. They provide for matters such as the payment of compensation for loss of earnings arising from an injury suffered at work, for pain or suffering for members of the armed forces injured during active service or for the loss of office by reason of redundancy.

Those injury and compensation schemes do not require the same levels of administration and management as pension schemes. Members do not accrue benefits in them; instead payments are contingent on a redundancy or injury occurring. The purpose of the scheme manager, pension board and regulatory oversight roles under the Bill, as we will discuss in more detail later, is to ensure that there is a clear separation of roles and responsibilities for different aspects—policy, administration and oversight—of the pension schemes. Those roles are not needed or appropriate for injury and compensation schemes. The amendments correct an oversight and I commend them to the Committee.

Cathy Jamieson: I appreciate the Minister giving us some clarification on the amendments. He indicated that some of them relate to clause 17. Once again I simply seek clarity. As he will know, I always have concerns that people reading the Bill may not immediately understand the legal terminology or the way that parliamentary draftspeople set things out. It is therefore quite useful to have on the record what is intended.

The Minister talked about clause 17, which closes the existing injury and compensation schemes. I seek reassurance, because there is no requirement anywhere to provide for automatic replacement of the provision that is being removed. Is he satisfied that removing that provisions will cause no detriment at any point, and that the amendments relate only to the oversight that he described?

The explanatory notes state:

"The schemes listed in Schedule 6 relate to employment in the armed forces, civil service, fire service, local government, NHS, the police and teaching. These injury benefit and compensation

[Cathy Jamieson]

schemes are for the most part separate from the pension schemes for those workforces and their membership is not restricted to persons who are members of those pension schemes.”

The phrase “for the most part” is a concern. I want to be absolutely clear that there will not be unintended consequences of trying to do something that appears to be a tidying-up exercise. I want to limit the risk that people will be disadvantaged at a later stage. Will the Minister reassure us about the injury and compensation schemes that will be closed? We heard concerns about the word “closed” during evidence sessions. Can I be absolutely reassured that no one will suffer any detriment and be less likely to receive the same level of benefits as a result of anything that replaces the schemes? It would be extremely useful to have that put on the record today.

Sajid Javid: I thank the hon. Lady for the points she has just raised. I can tell her that the measure is a tidying-up exercise. The Bill deals with complex matters, and there are numerous schemes in it and many clauses. When we get feedback as the Bill goes through its various stages in Parliament and we see opportunities to correct oversights, it is prudent for us to do so. The intention is as I have explained. Injury and compensation schemes are different from pension schemes, and they require a different type of governance procedure. We need to make that clear. The amendments do not affect current schemes. In future, injury and compensation schemes will be made as set out in the Bill.

Amendment 2 agreed to.

Sajid Javid: I beg to move amendment 3, in clause 4, page 2, line 38, at end insert—

‘() Scheme regulations may comply with the requirement in subsection (1)(a) or (b) by providing for different persons to be responsible for managing or administering different parts of a scheme (and references in this Act to the “scheme manager”, in such a case, are to be construed accordingly).’

The amendment clarifies the fact that there can be more than one scheme manager for a public service pension scheme. Clause 4 sets out that the scheme manager is the person or body responsible for the management and administration of a pension scheme. The amendment provides that the requirement to identify a scheme manager may be achieved by providing for multiple scheme managers who are responsible for different parts of a scheme.

The purpose is to ensure that the scheme manager role operates as intended in the locally administered public service pension schemes. Police, fire and local authorities are responsible for the management and administration of the pension schemes for their staff. The intention is that they will continue to fulfil that role in the new schemes. However, as it stands, the Bill is not sufficiently clear that where a scheme is locally administered and there is more than one scheme manager, each of those scheme managers is responsible for the pension scheme only as it applies to their staff.

As currently drafted, the Bill could be interpreted as requiring each scheme manager to be responsible for the whole scheme, which is clearly not what is intended. The amendment puts it beyond doubt that local authorities can be scheme managers, and, where they are, they can be given responsibility for their part of the scheme. That is exactly what we intend to do in the case of the

police, firefighters and local government schemes. The clause and amendment would allow the devolved Administrations to do the same if that is what they wish to do. I commend the amendment to the Committee.

Cathy Jamieson: I do not intend to take up the Committee’s time other than to say that the amendment is sensible and we welcome the fact that the Minister has drafted such a provision to tidy up matters. Try as I might, I have not been able to find any immediate unintended consequences of such a measure.

Amendment 3 agreed to.

Question proposed, That the clause, as amended, stand part of the Bill.

Sajid Javid: The clause does two things. First, it provides that, when a pension scheme is established under the Bill, the regulations must specify a scheme manager who is responsible for managing and administering the scheme. As I said earlier, the new schemes that we shall introduce for police officers, local government workers and firefighters will continue to be administered by the relevant local authority. Each police authority, fire and rescue authority or pension fund authority in local government will be responsible for administering the scheme insofar as it relates to the employees of that particular authority. The amendments that the Committee accepted earlier have put such matters beyond doubt. The appropriate Minister will be responsible for administering other public sector schemes.

Secondly, the clause establishes the concept of connected schemes, which is also used in subsequent clauses. A connected scheme is simply another statutory pension scheme that makes provision in respect of the same group of public service employees as the new scheme that is being created. The new scheme for teachers will thus be connected to any other teachers pension scheme that exists. A new scheme for civil servants and all their existing schemes will be connected, and so on. The reason for such action is that the connected schemes can, and will, be administered and managed together.

By virtue of subsequent clauses, connected schemes may be valued together; they will have the same pension board to support their effective and efficient delivery and their joint operation will be overseen by an independent regulator. The new schemes and pre-existing schemes will still be separate for the purposes of providing pension benefits to members. The new schemes will make provision in respect of employment after 2015. Existing schemes will provide for employment up to that date, and thereafter only for members who are subject to transitional arrangements.

While it is appropriate to keep the schemes separate for those purposes, it would be inefficient to require them to be run completely separately. By treating the schemes jointly, we will ensure that the existing schemes will also be subject to the strengthened governance, transparency and oversight arrangements introduced under the Bill. Scheme members will benefit from seamless improved administration. The schemes will be more transparent and understandable to members and others. They will be overseen by an independent pension regulator to provide scheme members, Parliament and the public with greater assurance that they are being managed properly.

Finally, the clause provides powers for scheme regulations to provide that a connected scheme is not to be treated as such for some or all purposes of the Bill. That will allow for situations when it would be inappropriate or inefficient to manage an existing scheme alongside one of the new ones. For example, an existing public body pension scheme may be closed under the Bill. The employees of that body may, in future, accrue pension benefits under one of the main pension schemes, such as the new scheme for civil servants.

However, it might be desirable to have the option of managing the closed public body scheme separately from the main scheme, perhaps because of existing contractual arrangements or because it is cheaper to continue to administrate it separately. The Bill allows for them to be treated separately, provided that the treatment is specified under the regulations of the new pension scheme.

Question put and agreed to.

Clause 4, as amended, accordingly ordered to stand part of the Bill.

Clause 5

PENSION BOARD

2.45 pm

Cathy Jamieson: I beg to move amendment 45, in clause 5, page 3, line 4, leave out ‘following’ and insert ‘in subsection (2).

‘(1A) Regulations shall provide for the establishment of a pensions board for each individual pension fund which makes provision for local government workers.’.

The Chair: With this it will be convenient to discuss Government amendments 4, 5 and 39.

Cathy Jamieson: Once again, we come to a clause to which a significant number of amendments have been tabled. There are a significant number of issues that need to be teased out in further detail and probed to determine the Government’s intentions and whether the wording of the Bill does what they say it does. A number of concerns were raised during the evidence sessions about the 89 local government schemes that we were told are currently in operation. Lord Hutton’s report made a significant point in one of its recommendations, which was:

“Every public service pension scheme (and individual LGPS Fund) should have a properly constituted, trained and competent Pension Board, with member nominees, responsible for meeting good standards of governance including effective and efficient administration.”

Subsection (1) provides for the establishment of a pension board for a scheme. However—I want to probe this—that leaves it unclear whether there is a requirement for one pension board for each fund in the local government pension scheme. The amendment would clarify that one pension board would be required per local government pension fund. As I have said, we heard during the evidence sessions about the different natures of the different schemes, and there needs to be appropriate oversight of that.

Lord Hutton’s report also states that pension boards should be

“responsible for meeting good standards of governance, including effective and efficient administration.”

As I said, there are 89 local government pension funds, with more than £150 billion of assets under management. The question has to be asked whether one pension board could effectively ensure that all 89 funds meet those high standards of governance and administration. As the Hutton report said:

“All scheme members deserve to know that their scheme is being properly run”.

In other words, a pension board for each pension fund would be a prerequisite for ensuring that scheme members had confidence in local government funds. The question is whether a single pension board for the local government pension scheme would be capable of fulfilling the statutory role under subsection (2), which provides that a pension board has responsibility for assisting the scheme manager in

“securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme”.

As I have said, each local government scheme has different scheme rules and different membership. Would a single pension board be capable of effectively ensuring that all 89 schemes comply with the relevant regulations and legislation? That is why we have tabled the amendment. I want to hear what the Minister has to say on that, as well as on the two Government amendments. The Government should consider our amendment seriously, and our decision on whether to press it to a vote depends on whether the Minister is able to give assurances during the debate.

Sajid Javid: The amendment is unnecessary and I will explain why. Under amendment 3, which we have discussed and made to clause 4, each local authority pension fund will be a scheme manager and responsible for the management and administration of its part of the local government scheme. The clause provides that the scheme regulations must provide for the establishment of a board to support the scheme manager in carrying out their responsibilities. It follows, therefore, that there will be a pension board for each scheme manager. The amendment would achieve that, but it is unnecessary because that is already required by the combined effects of clause 4, regarding scheme managers, and clause 5, for pension boards. To be clear, police, fire and local authorities will be scheme managers in respect of their part of the schemes for those work forces. Each will be required to establish a pension board to assist it in that role. With those reassurances, I hope that hon. Lady will withdraw her amendment.

I shall speak to amendments 4, 5 and 39, which are minor and technical. They will ensure that the clause can operate as intended in locally administered pension schemes. Where a police, fire or local government authority is a scheme manager, it may choose to appoint a committee to discharge that function. The power for such bodies to appoint committees to discharge their functions is set out in the Local Government Act 1972. It is not new. The proposal simply recognises that and will ensure that a committee established to fulfil the scheme manager role can operate within the established framework. The measure provides that the scheme regulations for a

[Sajid Javid]

locally administered pension scheme may provide that such a committee may also be the pension board for the purposes of the Bill.

The clause does not prescribe that, but allows for the outcome, if that is what is wanted. If alternative arrangements are wanted—for example, a separate pension board—the Bill allows for that as well. The purpose of amendment 4 is simply to ensure the option for a committee that is the scheme manager also to be the pension board. The decision is rightly left for scheme-level decision following discussion and consultation. The amendment will not affect that in any way.

Amendment 5 will simplify the existing definition of local authorities in England and Wales by referring to an existing statutory definition. Amendment 39 will allow local authority committees acting as scheme manager, or scheme manager and pension board, to decide whether to give external members of such committees voting rights.

Cathy Jamieson: I wonder whether the Minister can provide further clarity on Government amendment 4. While we understand that it appears simply to tidy up some of the language in clause 5(6), who will provide the oversight if the scheme manager and the pension board are the same entity? Concerns have been raised about that during discussions. Reassurance from him would be helpful.

Sajid Javid: Perhaps it will help if I reassure the hon. Lady that the amendments clarify arrangements in existing schemes. They will do no more than allow each scheme, where appropriate, to continue with such arrangements. It is also important to point out that, if a scheme wishes to go down that road, open and transparent consultation with all interested parties is required.

Cathy Jamieson: Given the Minister's assurances, I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Cathy Jamieson: I beg to move amendment 46, in clause 5, page 3, line 8, at end insert—

“(b) oversight of financial management of the scheme and, in the case of funded schemes, oversight of investment management.”

The amendment has emerged from some of the discussions around and recommendations in Lord Hutton's report, which is a recurring theme that the Minister will see throughout our discussions and proposals to improve the Bill. Lord Hutton made several sensible suggestions, and, where those suggestions have not been incorporated into the Bill, we want to ensure that we have an opportunity to debate and discuss them and to see how the Bill can be improved.

The amendment would make public sector pension boards responsible for the oversight of the financial management of schemes and of the investment management in the cases of funded schemes. Lord Hutton's report set out the proposed governance arrangements for public service pension scheme administration. Those proposals include pension boards being responsible for the oversight of financial management and, in the case of the local government pension scheme, the oversight of investment management.

Mr Nick Gibb (Bognor Regis and Littlehampton) (Con): I seek clarification of precisely what the amendment means. It says that there should be oversight of financial management for an unfunded scheme and of investment management for a funded scheme, and would do so by amending clause 5(2) to add a new paragraph (b). However, subsection (2) already contains enabling powers that allow the Treasury to make the regulations it needs where it states that a pension board has responsibility for matters such as

“securing compliance with requirements imposed... by the Pensions Regulator”

and

“such other matters as the scheme regulations may specify.”

The legislation seems to be broadly drafted already, and I seek to discover what the hon. Lady is trying to achieve with her amendment.

Cathy Jamieson: I thank the hon. Gentleman for making those good points about the way the Bill is drafted. With Lord Hutton's recommendations in mind, we are looking for areas where it would be more appropriate to include something in the Bill, rather than simply having broadly drafted provisions, which may or may not lead to such regulations. We tabled the amendment to probe that issue further and to hear what the Minister has to say about how he proposes to use the Bill's powers. It is important that we have the opportunity to debate whether the recommendations should be more clearly defined in the Bill or simply left for the future.

Mike Freer (Finchley and Golders Green) (Con): If the hon. Lady's memory coincides with mine, the Minister said a few minutes ago that the Local Government Act and the provisions therein, as they relate to the governance of existing schemes, particularly the local government pension scheme, are not contradicted here. Those provisions already allow for investment management oversight, so has the Minister not already given the assurance she seeks?

Cathy Jamieson: I thank the hon. Gentleman for that intervention. I heard what the Minister said and it is useful to refer back to existing legislation. We certainly would not want to make matters any less sensible, but we have a Bill before us, so we have an opportunity to scrutinise and see whether any improvements could be made. Given the history of Lord Hutton's report, I would have hoped that the Government wanted to take account of what it contained and recommended. I am simply offering the Government an opportunity to look again at Lord Hutton's recommendation on governance arrangements and to consider amending the Bill to take it into account.

Mike Freer: I hate legislation that seems to go on for page after page, prescribing for every foreseeable eventuality. Notwithstanding the Minister's previous assurance with respect to the Local Government Act, clause 5(3) of the Bill states:

“In making the regulations the responsible authority must have regard to the desirability of securing the effective and efficient governance and administration of the scheme”.

If my understanding is correct, if any pension board maladministered the investments it would be in breach of that measure.

3 pm

Cathy Jamieson: I am sure that the Minister will be inspired to comment in due course on what I am saying, and perhaps on what Government Members are saying.

To return to my main point about Lord Hutton's recommendations, some Government Members might find it rather strange, given some of the criticisms that have been made of me, for me to suggest that we make pension boards in the public sector more like boards of trustees in the private sector. There—I have actually come out and said it. Boards of trustees are responsible for the investment of scheme assets, setting appropriate funding principles and ensuring that adequate internal controls are in place.

Hutton's report emphasised the need to bring pension boards in line with best practice in the private sector. The amendment supports that objective, so I am surprised that Government Members do not seem to think that it would be a useful improvement to the Bill. Pension boards are obliged under clause 6(2)(c) to publish information about the matters that fall within their responsibility, so I argue that the amendment would increase transparency in the oversight of financial and investment management of public service pension funds.

3.2 pm

Sitting suspended for a Division in the House.

3.17 pm

On resuming—

Cathy Jamieson: I apologise for having had to cease just when the Division bell went, but it is probably as well that we can move on, so that we hear the Minister, who, I am sure, has found loads of inspiration during the short break, or other Members who might wish to contribute.

Richard Fuller: It is a great pleasure to welcome you to the Chair, Mrs Brooke.

I am delighted to be able to speak about the amendment and to pick up on some of the comments of the hon. Member for Kilmarnock and Loudoun on the improvement of pensions management, and on moving that improvement that she so rightly perceives in the private sector into some aspects of public sector pensions provision. It is a pleasure to hear Labour Members looking for improved financial management not only in pensions provision but in other aspects of public sector obligations. It is a shame that her message has not yet reached her shadow Treasury Front-Bench colleagues.

On the specifics of the clause about improving financial management of the scheme, the hon. Lady made an important point, which is quite encompassing for the overall arrangement of public sector pensions management. That is essentially because, in the Bill, the Government with, it seems, a lot of consensus and support from the Opposition, are creating a framework for public sector pensions that will last for at least 10 years without further amendment, or great strictures on the Government of the day trying to bring forward further amendment. The process therefore essentially provides for the financial management of all the public sector pensions schemes, inasmuch as it falls on taxpayers today and tomorrow

to go out every day, to work hard and to pay their taxes to pay for the pensions obligations of our public sector workers. That is the financial management and oversight that we have, and the amendment seeks in part to put some of that financial management responsibility into the individual schemes and,

“in the case of funded schemes, oversight of investment management”.

I shall come on to the second part of the amendment later.

Let us start with the overall view of the financial management of the scheme. That brings us to the core of whether we believe that the parliamentary process of providing pensions on a tax-as-you-go basis, with potentially unknown amounts of obligations in a defined benefit scheme, is the appropriate and full extent of the financial management that we would wish for our public sector pensions, which are then implemented by the various pension boards and regulators in each of the various schemes.

For some of us and, admittedly, in terms of voice, not a significant number, the overall approach in the Bill—starting with the report by Lord Hutton, adopted strongly by the coalition Government and supported by the Opposition—does not provide the ideal basis for financial control or management of public sector pensions. For some of us, better financial management would have come from moving schemes on to a fully funded basis.

A fully funded scheme provides some of the rigour that we would want in terms of the reliance on taxpayers, particularly future taxpayers, to fund that missing part of the pensions that our public sector workers gain, which come in the form of employer contributions. An approach towards a fully funded scheme, moving what is done ordinarily in the case of local government workers on to the other 85% of public sector workers who would be covered by the scheme, provides a far more prudent approach to the financial management of public sector pensions obligations than is currently the case. In an evidence session yesterday perhaps, or earlier this week—[HON. MEMBERS: “Tuesday.”] Thank you. Wednesday was such an exciting day I missed it. On Tuesday, we heard from a number of witnesses before the Committee about some pros and cons of moving to that form of fully funded scheme and what that would mean for financial management and prudence.

The Minister understands that I am concerned—we have had some good discussions—and I understand his position, but it would be useful, as we are establishing this financial framework, to hear again in Committee some of Treasury's arguments for why we should not look to move to fully funded schemes for our public sector pensions. I believe that those schemes, by their very nature, would provide some of the aspects of additional control for which the hon. Lady is looking with the amendment.

The second part of the amendment deals with the oversight of investment management, which brings us to the risk element: who bears the risk in some of the schemes that we have currently? In a funded scheme, in which the participants receive a return based on the returns made by the fund, the risk is based on how the trustees of the fund invest the money on behalf of the pension fund members. In the current tax-as-you-go scheme, the responsibility lies on current and future taxpayers. In that instance, there is a tremendous pressure

[Richard Fuller]

on the Government of the day to make somewhat rosy projections about how they see those obligations in the future. Such rosy obligations might be in the form of rather inflated expectations about future growth, or in the setting of rather arbitrary actuarial assumptions and discount rates, so my concern is that the investment management process does not cover a sufficient amount of our obligations in public sector pensions. At the moment, that is covered by only 15% of the obligations of the public sector pensions, and some of us would like to see far more rigour in the rest of those obligations by moving to better financial and investment management.

I am not sure that the hon. Lady shares my view that we should be looking to find extra money in our public finances, even in these difficult times, to move to fully funded schemes, but I hope that she would see the merits in a Government's being fully responsible in their time for the obligations that they set, and not being in a position whereby they can easily pass on those obligations to future voters who have no say now, but have to pick up the bill later. If the hon. Lady shares some of those views, perhaps we can find merit together in looking for ways to have enhanced financial management and investment management in the overall view of pension schemes.

Mike Freer: Listening to what my hon. Friend says, unfortunately I disagree to the extent that it is simply tinkering with an existing system. Could it not be said that the Government are being far too timid and that all defined benefit schemes should be closed and everyone should move to a defined contribution scheme, which would resolve the problem overnight?

Richard Fuller: My hon. Friend makes a very good point. There are a number of strands covered here that have led the Government to their position. One is fairness between private sector and public sector workers. As my hon. Friend the Member for Bognor Regis and Littlehampton made clear several times in the evidence sessions, the number of private sector workers in defined benefit schemes has reduced significantly. I believe that it is his hope, because he values the role of defined benefit schemes in the public sector, to see the private sector move to offer those options, too. I do not want to stray too far from the amendment here, but I think that that is more of a hope than an expectation.

My hon. Friend the Member for Finchley and Golders Green is closer to the mark when he says that the Government have not been bold enough here in striking for fairness between public and private sector workers. There was no intrinsic problem in moving to a defined contribution scheme from a defined benefit scheme, but it would somehow be seen as a race to the bottom. If we had achieved that, we would have been able to move a comprehensive policy for improving the way in which people's compensation packages are biased towards deferred compensation, rather than immediate compensation. We could have gone for a far more comprehensive basis, embracing both public sector and private sector workers in that campaign because their schemes would have been very similar. That does not happen with the schemes in this proposal because the majority of public sector workers will continue to be covered by defined benefit schemes and the majority of private sector workers will

be covered by defined contribution schemes. There is not the clarity, the equality and the fairness in those two.

But that is where my hon. Friend the Minister has chosen to go and we bring ourselves back to the amendment tabled by the hon. Member for Kilmarnock and Loudoun on financial and investment management. Could the hon. Lady perhaps spare a moment to talk about those issues of fairness? I know that she agrees almost wholeheartedly with where the Government are going with this proposal. Perhaps she could address some of my concerns and the points made by my hon. Friend the Member for Finchley and Golders Green to enable us to understand precisely where the intention of her amendment lies.

Sajid Javid: For reasons that I shall explain, the amendment is inappropriate. First, in funded public service pension schemes it seeks to give the pension board responsibility for oversight of investment management. In the private sector, legislation provides for a clear separation of pension funds from the employer. With very good reason, that separation is concerned with ensuring that members' benefits are protected from employer insolvency or interference. Members' benefits in defined benefit-trust-based occupational pension schemes depend upon adequate funds being put aside to meet those needs. As a fall-back, we have the Pension Protection Fund to offer some protection to members should an employer default on their pension liabilities.

In public service schemes, pension benefits are determined by scheme regulations. That is, members' entitlements are specified and guaranteed in statute. The existence, performance or level of any pension fund is irrelevant. Indeed, local authority funds are not pension funds in the sense of pensions legislation; they exist simply to defray the costs to local authorities and allow them better to manage their cash flow. Without the funds, the liability must be met by the authority responsible for the management of the fund—the administering or fund authority. In public service schemes, members are entirely protected from the investment performance of any pension fund. The employer bears the risks, and should determine how to manage them.

3.30 pm

The financial and investment management of local government schemes is already subject to a wide range of safeguards that protect taxpayers against improper and inappropriate decision making. They include internal and external audit, monitoring officers, and a full range of accounting standards and regulations. The scheme's regulatory framework also includes statutory guidance on scheme governance, which includes the recommendation that all pension investment committees should include an independent observer and a scheme member representative. In addition, scheme regulations require LGPS fund authorities to take proper advice when making investment decisions, and set out prescriptive limits on certain types of investments to reduce risk and to increase diversification. Some local authorities invite member representatives and others to sit on committees overseeing pension investments. That is rightly a choice that should sit with them as the body that holds the risk. The Bill should not give a role to pension boards that bear none of the risk.

Secondly, the amendment would give a pension board in a pay-as-you-go public service scheme a role in the scheme's financial management. Clause 5 is concerned with ensuring the proper governance and administration of public service pension schemes. It provides a clear role for pension boards to ensure that schemes comply with the legislative framework applying to pension schemes. The pension board can, in turn, be supported in that by the Pensions Regulator.

The pension board and the Pensions Regulator roles are concerned with ensuring compliance with pensions legislation. That is amended by schedule 4 to extend governance and administration provisions to public service schemes. In those amendments, there is a requirement for schemes to have robust internal controls in place. Those controls include matters concerning the management of the schemes' financial assets—that is, employer and employee contributions and payments to members and others. The pension board's role already encompasses some aspects of schemes' financial management. It is concerned not with investment strategies and performance, but with the proper management of receipts and payments. It would not be appropriate for a pension board to have a wider role in the finances of public service schemes.

Cathy Jamieson: I thank the Minister for his explanation. I want to be absolutely clear where he is coming from. Does he disagree with the information and recommendations in Lord Hutton's report, which sets out those proposed Government arrangements, and the reference to bringing pension boards into line with best practice in the private sector? Is he suggesting that the existing arrangements are in line with best practice, and that no further improvements can be made?

Sajid Javid: I am suggesting that the Government's arrangements in the enabling Bill and how that will eventually make a difference to new schemes are the sort of arrangements that I believe Lord Hutton had in mind for governance and transparency. One focus here is whether pension boards should be involved in investment advice, and the key point is that, because these are public sector schemes and defined benefit schemes, such a role will be redundant because there are no funds to manage in that type of arrangement.

That brings me to some of the issues that my hon. Friend the Member for Bedford raised. I hear him and, as he said, we have discussed such matters in the past at which time he made his position clear. His thoughtful opinion is the same as that considered by other countries, when dealing with long-term public sector pension costs. Some countries have gone a long way in the direction that my hon. Friend has advocated which, if I understood it correctly, proposes fully funded-type schemes rather than defined benefit schemes. The gist of his remarks can be summarised fairly as being that the Government have offered a too generous reform of the public sector pensions. Given the intervention made earlier by my hon. Friend the Member for Finchley and Golders, Green who used the words "too timid", perhaps he is also suggesting that the Government have been too generous.

Richard Fuller: I am not sure that the issue is generosity. The Government are rightly trying to give members of public sector pension schemes some certainty that there

will be no further changes but, as all members of the Committee are well aware, an important part of people wanting to maintain their membership of a pension scheme is to ensure that the rules will not change again in a few years' time.

The underlying issue is whether we are providing a sound enough basis for such certainty, given the parlous state of our public finances that the Government inherited, so we can be sure that the ability of future taxpayers to confirm that certainty in 10, 15 or 20 years' time will stand the test of time, as the coalition Government attempt to get our public sector finances back into shape.

Sajid Javid: As always, my hon. Friend asks the right questions. As for certainty, he will know that the Government have made a clear commitment that has not changed in any way. We planned for the set of reforms to be long lasting and to be in place for at least 25 years and to put the financing of public sector pensions on a long-term sustainable footing.

It is also fair to say that if, theoretically, we were to use a fully funded-type system, it would result in significant transitional costs. Contributions in respect of current employees would have to be diverted to the new fully funded pension funds, meaning that pensions in payment would have to be financed through extra Government spending, which would mean more borrowing, more taxation or spending cuts. The Office for Budget Responsibility has estimated, that if we had that type of scheme in the initial years, it would lead to an extra £25 billion of spending each year, which clearly would be a significant strain on public finances.

Richard Fuller: I might be at risk of taking the Minister too far away from the amendment, but the Government have again rightly created assets of £375 billion through printing money to assist paying for the public sector debt over the past few years.

When the Minister's predecessor answered a Westminster Hall debate about that issue, one of the worries was that setting up a future fund, in which some of those assets could have been placed, would somehow not have been appropriate. It is perfectly feasible to have done that. I do not actually think that that was a true answer.

I say again that I do not want to drag my hon. Friend too far away from the amendment, but the issue of rigour on public sector pensions through the £25 billion or whatever it was per annum should have been achieved and could have achieved far more security in terms of some of the issues raised in the amendment and in the Bill overall.

Sajid Javid: My hon. Friend has again made a thoughtful contribution. He is aware that I do not want to stray too far from the amendment but, as always, I am more than happy to discuss such issues with him at a later date.

For the reasons that I have outlined, amendment 46 is unnecessary given the pay-as-you-go public service schemes. It would not be appropriate in respect of investment decisions in funded public service schemes. I hope that the hon. Lady will withdraw the amendment.

Cathy Jamieson: It has been an interesting debate. I did not anticipate that amendment 46 would create so much interest, discussion and interventions from

[Cathy Jamieson]

Government Members. It just goes to show that the strangest things can happen in Committee, not least at times when I seemed to be in danger of agreeing with the hon. Member for Bedford. I will have to put the record straight and ensure that I do not appear to agree with him on a whole range of issues.

To answer the hon. Gentleman's point about fairness, fairness must be at the heart of all discussions and debates about pensions. Without straying from the clause, I find it frustrating that I consistently hear people talk about so-called gold-plated public sector pensions—

Richard Fuller *indicated assent.*

Cathy Jamieson: I see that the hon. Gentleman is nodding in agreement. I find it frustrating because we heard clearly in the evidence from people representing the public sector work force the average amount of those pensions. Many people in the public sector who pay into the pension pot see it as deferred wages. They know that they are doing the right thing by ensuring that they pay into the pension pot, and they do the best that they can to provide for later in life when they will no longer be able to be part of the work force.

As a member of a previous pensions Bill Committee, I remember that we had some interesting debates about the impact of changing the normal retirement age, particularly about how it would affect people's planning. It concerns me. We heard in some of our evidence sessions that younger people are having to decide whether it is viable or feasible for them to pay into a pension now in order to build up pension funds for the future, or whether, given the current squeeze on their incomes—an extra few pounds a week might make all the difference to them—they simply cannot afford to. That is a difficult situation, and it is about fairness. That is why we want to do everything that we can in the Bill to make the arrangements sustainable, give people certainty to plan for the future and minimise the risk that they will opt out. That is why we have proposed a series of amendments to raise those particular issues.

I do not want to stray into a range of other issues relating to clauses that we will discuss later. I asked about Lord Hutton's emphasis on the need to bring pension boards into line with best practice in the private sector. It was interesting to hear some welcome comments from the Minister and other Government Members that the public sector can actually do things pretty well and that, in some instances, we already have safeguards, oversight and the ability to be trusted with financial management and ensure that pension schemes are doing their best. It has been particularly helpful to hear that.

The Minister made a range of points about why he felt the amendment was not necessary, and he gave us some welcome assurances about the Government's intentions on other policies. On that basis, I do not propose to press the amendment to a vote. I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Chris Leslie (Nottingham East) (Lab/Co-op): I beg to move amendment 47, in clause 5, page 3, line 16, at end insert—

- (i) to publish a policy governing the appointment of board members.'

The Chair: With this it will be convenient to discuss the following:

Amendment 48, in clause 5, page 3, line 24, at end insert—

- '(c) requiring that at least one third of pension board members are nominated by members of the scheme; and
- (d) requiring that at least one member of the pension board is an independent board member.'

Amendment 49, in clause 5, page 3, line 29, at end insert—

'(5A) For a board member to be nominated by scheme members under subsection 4(c) that member must—

- (a) be nominated as the result of a process in which at least the following are eligible to participate—
 - (i) all the active members of the scheme or an organisation which adequately represents the active members, and
 - (ii) all the pensioner members of the scheme or an organisation which adequately represents the pensioner members, and
- (b) be selected as a result of a process which involves some or all of the members of the scheme.

(5B) In subsection 4(d) an "independent board member" is a board member who—

- (a) has no interest in the assets of the scheme or of the scheme employer or employers; and
- (b) is neither connected with, nor an associate of, the employer or employers.'

Chris Leslie: My apologies for being absent momentarily, Mrs Brooke. I hope that I did not miss anything too exciting. I heard that Government Committee members made speeches and hope that all Committee members abided by the best practices of literature and the vocabulary therein.

The group of amendments relates to the appointment of members and others to pension boards. We have already debated concerns about pension boards focusing on the matters before them, but it is important to pick up on the recommendations of Lord Hutton's report if we are to ensure that the legislation is optimising the governance standards that many of us want in the new schemes.

3.45pm

Amendment 47 would insert a provision in the clause in relation to the manner in which appointments to the pension boards are made, simply asking that scheme managers are required to publish a policy governing the appointment of board members. High-quality board members are essential if public service pension schemes are to be well run. As Lord Hutton said in his report:

"Good board member appointments and behaviours are arguably more important than board structures".

It is therefore vital that the appointment process is clear and well considered. On the appointment of pension board members, Lord Hutton specifically said,

"There will need to be coherent policies on the appointment of members."

Therefore amendment 47 follows faithfully his recommendation and would put that requirement in the Bill.

On appointments, many have doubts about how people find themselves on boards. It cannot just be Buggins's turn. There has to be a process by which, hopefully,

there is some competition and challenge. There could be appointment on merit and appointment with the assent of the membership, where possible. Transparency in terms of protocols to be followed by pensions boards is incredibly important, so that members can be reassured about the quality of the board members and to promote a level of fairness in the appointment process.

Under clause 5(4), scheme managers have an obligation to ensure that board members do not have any conflicts of interests. A clear, open appointment process with established criteria for appointment will aid scheme managers in fulfilling that statutory obligation. I am glad that that conflict of interest provision has been put into the Bill, but it is not quite as strong as it could be without a parallel requirement on the publication of how people find themselves on the boards of the pensions boards.

The publication of a policy covering the appointment of pension board members will also allow people who want to be a board member to understand how the process works and, of course, to put themselves forward. An open appointment process will ensure that schemes publicly set out the skills, training and time required to be on those boards.

I hope that the Minister has got the gist of my argument. The reason why we want such arrangements put in place is fairly straightforward. This is one area where we can point to some of the best practice in the private sector. The trustees of many private sector pension schemes come from among the membership of those schemes. There are standards that we should not fall short of in the public side of the schemes.

Building on that, amendment 48 is about who should and could be appointed to the pensions boards. It was wise of you, Mrs Brooke, to group these amendments. The amendment would insert provisions—extra paragraphs (c) and (d)—into clause 5(4), first requiring that at least one third of pension board members are nominated by members of the scheme.

Secondly, there should be a requirement that at least one member of the pension board is independent. In that, we are again building on the recommendations that Lord Hutton made. He said that scheme members in all of the public services should be able to nominate persons to pension boards and committees along similar lines to the rights of members in the private sector to nominate persons to sit on the board of trustees. The amendment seeks to emulate best practice in the private sector, where at least a third of trustees are typically nominated by members of those schemes.

The inclusion of member nominees on pension boards will ensure that members' interests as key stakeholders in the pension scheme are properly represented. The amendment would help promote good relations with members of public service pension schemes, which the Chief Secretary to the Treasury, no less, has said is of utmost importance.

Lord Hutton stated:

“How people are treated in the process is as important as the changes to the pension schemes themselves.”

Establishing that relationship of trust and confidence between the Government and public service workers is critical to the success of these reforms.

In addition to including member nominees on pension boards, Lord Hutton's report recommended that pension boards should include an independent member to bring some professional expertise to the running of the scheme. That is part of the purpose behind amendment 48, to help improve the administration of these very important schemes.

Amendment 49 would help to elaborate on the definitions of member nomination and independent board membership and uses the same definitions as in the Pensions Act 2004. I know many hon. Members will be familiar with those provisions. Section 241 of the Pensions Act includes a definition of member-nominated trustees; section 36 relates to independent trustees. We have looked to emulate some of those provisions in the amendment. The definition of member-nominated trustees allows for the involvement of trade unions, for example. The nomination process could involve unions putting forward nominees, but those nominees must then be selected by members of the pension scheme. It would, of course, also be open to others to stand.

Mirroring the Pensions Act 2004, the definition of independent board members relates only to their independence. It does not specify that they should be pensions professionals. In practice, they are likely to be so, as is often the case in the private sector. We think it is wise to look at the existing legislation and try to ensure that best practice is followed. That is the purpose of amendment 49.

Having set out the purpose of the three amendments, I hope the Committee will look favourably on the proposals.

Sajid Javid: Amendment 47 would require a scheme manager to publish information about the policy governing the appointment of pension board members. While the amendment is clearly well intended, it would be inconsistent with the better approach under the Bill of scheme regulations providing how pension boards are to be constituted and appointed.

Subsection(1) provides that

“Scheme regulations...must provide for the establishment of a board”.

It would be entirely appropriate for the scheme regulations to prescribe matters concerning the appointment of persons to the board, be that concerning eligibility, process or quotas for different types of members. That level of detail could be provided in scheme regulations or statutory guidance rather than policy statement as proposed by the amendment. That would have the advantage of allowing a considered approach to be taken following scheme-level discussions and consultation with stakeholders. Equally, scheme regulations could instead delegate some or all of those matters to scheme managers. If that approach were favoured, following due consideration at scheme level, then scheme regulations could require the scheme manager to publish details.

It would be wrong for the Bill to prejudge the outcome. There is no need to prescribe a one-size-fits-all approach in the Bill. We agree that pension boards must be transparent and representative of stakeholders' interests, including members and employers. That is why clause 6 already requires the publication of details of the membership of the pension board, how members are represented on the board and its responsibilities.

Sheila Gilmore (Edinburgh East) (Lab): Will the Minister comment on whether the provision suggests one size fits all or simply sets down a basic, almost floor, requirement? It would still be open to different schemes to decide, for example, how many member representatives it had. This is not as prescriptive as the Minister believes it to be.

Sajid Javid: The Bill is structured and worded to give flexibility to each scheme, so if one scheme wants to have a different approach from another, that is already provided for. As I go on to talk about this and related amendments, the matter will become clearer.

Amendment 47 risks inadvertently constraining the scope to establish clear and consistent policy on board member appointments. I hope that the hon. Member for Nottingham East will withdraw that amendment. Amendments 48 and 49 appear to seek to create parity between public service pension scheme pension boards and trustee members of occupational pension schemes. Lord Hutton recommended that each pension scheme and local body should have a pension board and that boards should include member representatives. We agree. However, we do not agree, and Lord Hutton did not recommend, that the pension boards should have an independent member.

As we have touched on previously in Committee, the trust-based approach in other occupational pension schemes exists to create a separation between the employer and the pension fund. The reason for that is to protect members' benefits from employer insolvency. This is not necessary in public schemes where benefits are not protected by the separation of assets, but are set out in statute instead.

Independent trustees have also become part of the architecture of trustee boards. They exist to ensure that professional, dispassionate advice and consideration is given to support the trustees in their role. In meetings with Treasury officials, trade union colleagues stated that they see no reason for independent pension board members in public schemes. We agree. The Bill makes it clear that pension board members must have appropriate knowledge and understanding of their scheme and other legislation needed to fulfil their role. They will be trained and supported to develop that expertise and the Pensions Regulator will ensure that that happens.

The imposition of independent board members is not appropriate, necessary or desirable. We agree that pension boards should include member representatives. However, we do not consider that the quota proposed by the amendment or the process outlined by amendment 49 is appropriate to all public service pension schemes. First, it is difficult to envisage how such arrangements could work in some schemes. Members of the armed forces, for example, are represented through the chain of command or by technical specialists and not by unions or nominated peers. Again, a one-size-fits-all approach would not work in public service schemes. It fails to recognise the very different contexts of the public service schemes and the differences between the work forces.

There is no objection in principle to having scheme-member-nominated representation on pension boards. That is our policy. Our objection is to applying a private sector standard to the public sector schemes without considering whether that is appropriate given the different structures and contexts of public schemes. Unlike the private sector, the public schemes span large work forces

and multiple employers. Other taxpayers also have legitimate interests in the management of the schemes. This gives rise to the need for a more diverse range of representation on boards in public schemes.

Applying a mandatory quota for member representation on public service pension scheme pension boards risks making member representatives the largest interest group. During discussions the trade unions asked for trade union representatives to be on pension boards. Clearly, this would not be appropriate as not all public work forces or workers are represented by such bodies. Our policy is that all pension boards should have member and employer representatives. The Bill provides flexibility for the detail of this representation and the process for appointing people to the board to be agreed in each scheme, following consultation with members and other interests. This approach will ensure that the constitution and underlying processes are appropriate to each work force, that representation can reflect the range of groups of employees and employers, and that pension boards are tailored to the different scheme structures. This is the right approach. I hope the hon. Member for Nottingham East will not press amendments 48 and 49.

4 pm

Chris Leslie: I am not sure in what order to address the Minister's comments. First, he talked to amendment 47 and said it was not necessary to have it in the Bill and that it can be done in regulations, which is the usual way to rebut amendments. If the Minister commits to publishing a policy governing the appointment of board members, and it is done in regulations, I would be very pleased. That would be a good thing to do. There is no harm in putting these things on the face of the Bill, as it is what most people will be looking at. However, if the Minister gives a commitment to ensure that regulations will require a publication of the appointment policy, that would certainly close the lacuna in the Bill. Will the Minister clarify whether he is saying it is not necessary because he thinks it will be done? However, if he is saying that it is not necessary and will not commit to doing it, that is quite another matter.

The Minister then talked about the requirement for a certain number of members to be on the pension board schemes. I hear what he says on that issue, but he went on to say that Lord Hutton did not make any recommendations about the need for independent board members. Page 126 of Lord Hutton's independent public services pension commission report states:

"It is also very important that as well as the 'lay persons' there also independent members, usually professionally trained and with experience of the pensions environment."

I took that to be a fairly strong pointer from Lord Hutton towards this arrangement. It might be that the Minister's officials missed that point in paragraph 6.15, but it is a fairly clear indication of Lord Hutton's thinking on the issue. I do not quite understand the Minister's thoughts on that point. I would be happy to give way if Minister wants to correct me. Perhaps I have missed something, or perhaps there is a point I have not picked up on.

Sajid Javid: I will gladly reply to the two points the hon. Gentleman raised. First, the key issue is that each scheme will have the flexibility to tailor the way it sets up its pension board in a way that is appropriate for each scheme. In my comments, I made it clear that there

cannot be a one-size-fits-all policy. There are different requirements for different pension schemes. For example, some work forces do not have trade union representatives, but have a different type of structure. It is therefore appropriate that we have that flexibility.

I can tell the hon. Gentleman that for various schemes, there is already extensive work going on draft schemes and draft policies. I am happy to share with him, if he would find it useful, how some of that wording has already been drafted. Once he sees that, he will see that a lot of the concerns that he understandably has about representation would be addressed. I am happy to release some of those drafts to the Committee. Perhaps that will allay some of the hon. Gentleman's concerns.

Chris Leslie: That would be very helpful. I am sorry, this is an elongated intervention process. It is useful to get that commitment, and I look forward to that letter. If the Minister would copy it to members of the Committee, that would be useful. It was on the point of the independent member that I was looking for the Minister's thoughts. As I said, on page 126, paragraph 6.15 makes it clear that Lord Hutton has the view that as well as lay persons there should be independent members. It is a clear recommendation. I do not quite understand the Minister's thoughts on that point, but I will happily give way if he can explain why he said it was not in Lord Hutton's report, when my copy has it. If any inspiration has struck him, I would be more than happy to allow him the opportunity to share that with the Committee at any given moment, should he so desire.

The Chair: Would the Minister like to intervene?

Sajid Javid: Yes, I would. I was enjoying the hon. Gentleman's dulcet tones and the way he says "schedule". He should have a word about that with his hon. Friend the Member for Kilmarnock and Loudoun, and she will set him straight.

The hon. Gentleman's quote from Lord Hutton's report is correct, but it did not feature in the recommendations he went on to make, which specifically references member representatives only. If he wants me to provide further information on that for clarity, I will gladly write to him.

Chris Leslie: It is very kind of the Minister, but it is not necessary for him to write to me on that point. It is true that the typesetting of the report has a lot of greyscale boxes that have the word "recommendation" on them, but there is a lot of text surrounding them. At paragraph 6.15, the Hutton report states:

"It is also very important that as well as the 'lay persons' there are also independent members".

It is perfectly true that that does not find its way into the greyscale formality of the recommendation, but the spirit of the report is pretty clear. I do not want to labour the point, because that would be unnecessary and otiose.

It would be a good idea if I made a strategic retreat and urged the Minister to reflect on the amendments. They were tabled in a helpful spirit and I hope that the Minister either in the other place, or preferably on Report, might have some way of incorporating some of these desires to improve governance and ensure that the schemes are on the cutting edge of modernity.

Sajid Javid: The hon. Gentleman probably already knows this, but for the sake of clarity, if each individual scheme wants to appoint an independent board member, there is nothing to stop them from doing so.

Chris Leslie: Indeed, that is true, but we would prefer there to be some guidance. It would be preferable to have that in the Bill, but if, in the course of events, the Minister feels that it is appropriate to state that desirability through regulations or in another way, that would be satisfactory. I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Amendments made: 4, in clause 5, page 3, line 30, leave out subsection (6) and insert—

'(6) Where the scheme manager of a scheme under section 1 is a committee of a local authority, the scheme regulations may provide for that committee also to be the board for the purposes of this section.'

Amendment 5, in clause 5, page 3, line 35, leave out from '(6)' to end of line 41 and insert "'local authority' means—

(a) a local authority in England and Wales within the meaning of Part 1 of the Local Government and Housing Act 1989;'

Amendment 6, in clause 5, page 3, line 46, at end insert—

'() This section does not apply to a scheme under section 1 which is an injury or compensation scheme.'—(*Sajid Javid.*)

Clause 5, as amended, ordered to stand part of the Bill.

Clause 6

PENSION BOARD: INFORMATION

Amendment made: 7, in clause 6, page 4, line 8, at end insert—

'() This section does not apply to a scheme under section 1 which is an injury or compensation scheme.'—(*Sajid Javid.*)

Question proposed, That the clause, as amended, stand part of the Bill.

Sajid Javid: The clause requires the publication of up-to-date information about each scheme's pension board, such as who the board's members are and what its responsibilities are. The purpose of the clause is to ensure that schemes are open and transparent and that members and others understand how they are represented and who is responsible for overseeing the management of the scheme.

The Bill does not prescribe the constitution of a pension board. The precise details will vary from scheme to scheme, reflecting the number and range of employers with the scheme, the work force and whether the scheme manager is a Minister or a local authority.

Our policy is that members of the scheme and any connected scheme will be represented on the pension board. In many instances, it is likely that trade unions will provide an appropriate means for such representation. However, not all members, or indeed work forces, are represented by such bodies. As we heard earlier, there are no trade unions representing the members of the armed forces or the police. It is not appropriate or necessary for the Bill to prescribe the extent of member representation; that is a matter for scheme regulations, following consultation with members and their representatives, employers and other interests.

Cathy Jamieson: The Minister has explained the issues covered by clause 6, and we welcome the requirement for pension boards to publish information about board members and the matters falling within the board's responsibility. However, the information has to be made available. In what form will it be published? How will it be provided to scheme members to ensure that it is genuinely accessible?

I am sure we have all come across members of pension schemes—perhaps even ourselves in former lives—who have not known who the board members were, who was responsible, how to get in touch with them, how to make their views known or how to deal with issues. Maybe that is not the case, and maybe everyone knows these things—I am sure the Government Members who intervened on me earlier, and who take such an interest in issues relating to pension schemes, would have made sure that they knew who those people were and how they could get in touch with them if necessary. I simply want to ask the Minister whether he will give us any guidance or information as to how he expects information to be published and scheme members to be kept informed.

Sajid Javid: I thank the hon. Lady, who makes an excellent point. I think we all agree on the need for greater transparency and greater availability of information; that was clearly one of Lord Hutton's recommendations, and it goes to the heart of the Bill. The Bill does not prescribe how the information will be published for each individual scheme. It is fair to say that there can be differences in schemes; for example, an armed forces schemes or a local government scheme. There is a clear duty to publish the information for each scheme and for the scheme operators to demonstrate that it has been made available to all scheme members and members of the public.

Question put and agreed to.

Clause 6, as amended, accordingly ordered to stand part of the Bill.

Clause 13

INFORMATION

4.15 pm

Chris Leslie: I beg to move amendment 61, in clause 13, page 8, line 14, leave out subsection (1) and insert—

'(1) The Treasury shall make directions requiring the scheme manager or responsible authority of a scheme under section 1 to publish scheme information.

(1A) The Treasury may make directions requiring the scheme manager or responsible authority of a scheme under section 1 to provide scheme information to the Treasury.'

The Chair: With this it will be convenient to discuss the following:

Amendment 62, in clause 13, page 8, leave out lines 20 and 21 and insert

'Scheme information under subsection (1) shall include, but is not limited to, the following:'

Amendment 63, in clause 13, page 8, line 26, at end insert—

'(f) full valuation reports.

'(3A) The Treasury may make provision for scheme information to be provided in a specified format.'

Chris Leslie: I will try not to detain the Committee for too long. Amendments 61 to 63 also relate to information, and the directions that the Treasury may or may not wish to make about the nature of the information that is provided; presumably that is why we have skipped around a little, from clause 6 to clause 13.

Amendment 61 takes its cue from Lord Hutton's report, where he condemned the data presently available for public service pension schemes, stating that

"the Commission has concluded that at present the availability of such data is at best patchy: some key data is not available, at least not publicly. This needs to be improved."

Lord Hutton stressed the need to improve the quality and accessibility of scheme data, so that comparisons can be made between schemes and individual administrators, and better data comparisons can be made in respect of administrative costs, membership profiles and, for the 89 funded local government pension schemes that manage assets of more than £150 billion, returns from investments. Comparison also allows good practice and weak performance to be identified; once identified, poor performance can be addressed and good practice emulated. Better and more accessible data could therefore enable significant efficiency savings and better investment practice.

In terms of accessibility, Hutton recommended that data be published, as far as possible, to

"common standards and methodologies and...collated centrally."

However, Lord Hutton found that currently

"there is no central, publicly available depository of information."

Clause 13(1) as drafted is very permissive. It says:

"Treasury directions may require the scheme manager or responsible authority of a scheme...to publish...information"

We believe that formulation fails to ensure that the Government will implement any changes to the current system for collating public service pension scheme data. Given the importance of full and reliable data in assessing the performance of public service pension schemes, we do not believe that is acceptable. That is why we have drafted amendment 61 in such a way that it would make it a requirement for the Treasury to make directions for the publication of scheme data; hence it states that the Treasury "shall" make directions. The amendment would retain the permissive nature of Treasury directions in respect of data that are for the Treasury's own use, because we understand why subsection (1)(b) has been drafted in that permissive style. It is the permissive nature of the requirement on the Treasury in subsection (1)(a) that we believe needs to be addressed.

Amendment 62 would omit lines 20 to 21 on page 8 of the Bill, replacing them with the words on the amendment paper. Clause 13(3) as it currently stands is drafted, once more, in a very permissive form; simply to say that such things may well be done is not good enough—it is not adequate. Lord Hutton's report was very clear that the current pension scheme data are not adequate—his words were "at best patchy"—and stressed that data should enable the assessment and scrutiny of "the performance, viability and key facts associated with the different schemes."

It is obvious, therefore, why we have tabled amendment 62.

Amendment 63 would insert another provision to which Treasury directions under subsection (3) might relate, namely full valuation reports. It would also insert proposed subsection (3A), which would allow the Treasury to

“make provision for scheme information to be provided in a specified format.”

Lord Hutton’s report specifically stated that full valuation reports should be published by all public service pension schemes, yet they are not mentioned in the types of scheme information listed in the Bill. Without the publication of full valuation reports, comparisons between schemes become very difficult, and proposed subsection (3A) would allow the Treasury to require scheme information to be published to common standards, to make information easy to collate. That in turn would help with making better comparisons.

Just to be helpful to the Minister, we phrased the provision in a way that would be permissive, if he has a particular objection to requirements. We have gone some way towards his preferred drafting tactic, so I hope that amendment 63 will be relatively safe and easy for him to accept.

Sajid Javid: In his final report Lord Hutton set out the fact that transparency and effective oversight of public service schemes is required for public service workers and taxpayers to have confidence in the system and to improve the quality of debate about the future of public service pensions. Currently there is inconsistency about which scheme data and assessments, such as valuations, are published; it is often difficult to get access to such information and to assess it. The lack of transparency prevents comparisons and hinders analysis.

The Office of Public Sector Information, which operates from within the National Archives, is at the heart of information policy, setting standards, delivering access and encouraging the reuse of public sector information. The OPSI, among other things, provides guidance on producing publications as well as helping to find particular documents. The clause will be used to improve the transparency of public service pension schemes and provide central control over what schemes publish in their scheme information, and how they do it.

That is a good thing for the Government and the taxpayer. It will be used to raise the bar on the standard and consistency of information being made publicly available, to allow better comparisons to be made between schemes. At the same time it will allow the Treasury to require schemes to provide information centrally either for collation and publication or to inform policy-making. The Government believe that providing information that is produced to common standards will drive up efficiency, as more people are able to understand and use the information being provided.

Amendment 61 would ensure that Treasury directions require information to be published. The clause is not intended to set out every detail of how and when information is published. A central direction can ensure that such publications are helpful and consistent across the public sector; but it may not be possible to say in advance what is required, and when. There needs to be flexibility about whether and when information is published, to account for any changes that may occur in the process of providing the information.

Amendment 62 would ensure that Treasury directions include everything listed in subsection (3) as well as providing that other information could be included in the list. However, the intention of the clause is not to set out every detail of what information must be published, but to establish a framework for information requirements.

Although users will no doubt want a lot of information that is listed in subsection (3), the Bill is intended to be flexible and the Government do not want to bind schemes when it is not necessary.

Amendment 63 would have no substantive effect because the clause could already provide for the information to be subject to Treasury direction. Information in Treasury directions can be wide-ranging, and it is not appropriate to set out all the information that could be written into the directions. The list in subsection (3) indicates only what information Treasury directions may require schemes to produce. Adding a reference to full valuation reports is unnecessary. The addition of subsection (3A) is also unnecessary, as its provisions are covered under subsection (4). I urge the hon. Gentleman to withdraw the amendment.

Chris Leslie: I feel that a pattern is emerging. We are trying to enshrine a number of positive requirements in the Bill and in response, we are told, “We can deal with these regulations later on. Leave it to the Treasury. We’ll sort it all out and tidy it up later on”. In my view, it would be preferable to have some provisions set out explicitly in statute, as that would set a good precedent and others could see how the processes work. It is not good enough to leave these things entirely to the discretion of the Treasury. I do not think, however, that it is necessary to push that point too much at this stage, so in the hope that the Minister will reflect on it, I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Chris Leslie: I beg to move amendment 64, in clause 13, page 8, line 28, at end insert—

“(4A) The Office for Budget Responsibility shall report at regular intervals specified by the Treasury on the long-term fiscal impact of public service pension schemes.”

I hope that this amendment will find favour with Government Members, given that we make reference to the Office for Budget Responsibility—a favourite topic for some of them. We feel that it should be enshrined, in statute, that fiscal policy takes account of the sustainability of public service pension schemes. That is something that is missing from the clause. As hon. Members know by now, it is important that we safeguard taxpayers’ best interests, and the Opposition are determined to do that, hence this amendment. The suggestion is that:

“The Office for Budget Responsibility shall report at regular intervals specified by the Treasury”—

we do not want to be too prescriptive—

“on the long-term fiscal impact of public service pension schemes.”

For fiscal policy to be properly informed on the cost of future and past pension promises there needs to be accurate and independent analysis of the long-term impact of public service pension schemes on public finances. That is not something that we have plucked from thin air. Paragraph 6.58 of the Hutton report states, in emboldened font:

“When assessing the long term sustainability of the public finances, the Office for Budget Responsibility should provide a regular published analysis of the long term fiscal impact of the main public service pension schemes including the funded LGPS”.

That was recommendation 20 of the Hutton report, and our amendment seeks to enshrine that particular recommendation in statute. I am surprised that it has

[Chris Leslie]

not found its way into the legislation. The Opposition believe in making sure that these standards of probity and rigour find their way into our fiscal policy. It is important that we stand up for the taxpayer in this particular way. I commend the amendment to the Minister.

Sajid Javid: I commend the hon. Gentleman for wanting to ensure that an independent body provides reliable and relevant information on the long-term fiscal impact of public service pensions. Currently, the Office for Budget Responsibility produces several reports that highlight the impact of public service pensions.

In spring and autumn, the OBR publishes the economic and fiscal outlook, which will help to inform the Budget and autumn statement. In July each year, it publishes the fiscal sustainability report, and as I am sure all Members are aware, in 2012 the report showed the effects of main public service pension reforms; the change from RPI to CPI for indexation of pension benefits, the link to normal state pension age, and the change to career average revalued earnings pensions. The report showed that these reforms project a 40% net saving in expenditure by 2061-62. The reports produced by the OBR are governed by the Budget Responsibility and National Audit Act 2011, section 4(1) of which states:

“It is the duty of the Office to examine and report on the sustainability of the public finances.”

Section 8 of that Act deals with the publication of reports produced by the OBR, ensuring that they are published and laid before Parliament, and that a copy is sent to the Treasury.

Therefore, given that the OBR already has responsibility to examine and report on the sustainability of public finances, including pension schemes over the long term, the amendment is unnecessary.

4.30 pm

Richard Fuller: Although the Minister is being his usual agreeable, moderate self, he is being far too generous to the hon. Member for Nottingham East, who tabled the amendment. We are seeing a sudden conversion to some sense of financial responsibility from the Labour party, which racked up billions of pounds of debt and left our pension obligations at £1.2 trillion. There was no sense of fiscal responsibility while they were doing that, nor was there any sense of understanding of the importance—

The Chair: Order. May I remind the hon. Gentleman that this should be not a speech but a brief intervention?

Richard Fuller: Thank you, Mrs Brooke. Is the Minister not as amazed as I am at the conversion we are seeing from Labour Members today, in terms of this recommendation?

Sajid Javid: My hon. Friend makes some excellent points very articulately, as always. I think I am right in saying that at one point, the hon. Member for Nottingham East was the baby of the House. He has had considerable experience, and although there was a little disruption,

perhaps that has matured him somewhat in his outlook and approach. We will wait and see. I urge him to withdraw the amendment.

Chris Leslie: I am sorry that the Minister did not see the sense of Lord Hutton’s recommendation. The Minister goes back to the core legislation setting up the OBR, saying, “Oh well, with anything to do with fiscal policy, there is a generic duty on it to look at all those things. This is surely covered by that generic statute.” That is not good enough. The Minister’s answer is too lax. It is a slack attitude. [Laughter.] I do not know quite what the hon. Member for Bedford had for breakfast this morning, but before he went off on one about Labour Members, we were making a perfectly reasonable set of suggestions to ensure rigour and appropriate scrutiny from the OBR of the fiscal impact of public service pension schemes, in particular. I am not happy with the Minister’s answer. In fact, Mrs Brooke, it is about time that we pressed the Government on the need for stronger fiscal standards.

Question put, That the amendment be made.

The Committee divided: Ayes 5, Noes 7.

Division No. 2]

AYES

Ashworth, Jonathan
Gilmore, Sheila
Jamieson, Cathy

Leslie, Chris
McGovern, Alison

NOES

Burt, Lorely
Freer, Mike
Fuller, Richard
Gibb, Mr Nick

Hands, Greg
Javid, Sajid
Jones, Mr Marcus

Question accordingly negatived.

Clause 13 ordered to stand part of the Bill.

Clause 14

RECORDS

Question proposed, That the clause stand part of the Bill.

Sajid Javid: The clause provides assurance that those responsible for administering public service pension schemes keep the records needed to run such schemes effectively. The clause provides for the Secretary of State for Work and Pensions and, in the case of Northern Ireland, the Department of Finance and Personnel, to set in regulations the records that a scheme manager must keep. With the move to career average pensions, it is imperative that scheme records are accurate and always up to date. The regulations will ensure that schemes are required to keep the information needed to determine members’ pension benefits. Pension boards and the Pensions Regulator will have a role to play in assuring that scheme managers are keeping appropriate and accurate records.

Cathy Jamieson: To expedite proceedings at this stage, it will be helpful if the Minister can state whether the Pensions Regulator or other independent experts will

be consulted during the process of making regulations under clause 14 to ensure that those high standards of record keeping are adhered to.

Sajid Javid: That is a good question. The Pensions Regulator will issue a code of practice on how record keeping will work in public schemes. The Bill requires that the regulator produces a code that is specific to public service pension schemes, especially in light of the move to career average pensions, which is one of the key

changes. The regulator will be able to monitor record keeping and take enforcement action if necessary.

Question put and agreed to.

Clause 14 accordingly ordered to stand part of the Bill.

Ordered, That further consideration be now adjourned.
—(Greg Hands.)

4.38 pm

Adjourned till Tuesday 13 November at five minutes to Nine o'clock.

