Bath & North East Somerset Council		
MEETING:	**AVON PENSION FUND COMMITTEE**	
MEETING DATE:	**13 DECEMBER 2013**	**AGENDA ITEM NUMBER**
TITLE:	**DCLG CONSULTATION – POOLING ARRANGEMENTS FOR ACADEMIES**	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1 – DCLG Consultation Paper Appendix 2 – Avon Pension Fund response		

1 THE ISSUE

1.1 A consultation paper was issued by the DCLG seeking views on introducing pooling arrangements for academies. The deadline for responses was 15 November. Given the mainly technical nature of the consultation, the response was cleared by the Chair and Vice-Chair.

1.2 The consultation was issued to local authorities, LGPS funds and academies.

1.3 This report sets out the background to the consultation and the Fund's response.

2 RECOMMENDATION

That the Committee:-

2.1 Notes the Fund's response to consultation paper on Pooling Arrangements for Academies.

3 FINANCIAL IMPLICATIONS

3.1 There are no direct financial considerations in this report. However, it should be noted that the revised arrangements for academies could increase administrative costs and actuarial costs. These costs would have to be met by the individual employers.

4 CONSULTATION PAPER ON POOLING ARRANGEMENTS

4.1 The driver of this consultation is that a *few* funds have prima facie not treated academies fairly in setting the contribution rates for schools converting to academy status and the government wishes to see greater consistency of contribution rate calculations. In particular some funds have used a shorter recovery period than that of the ceding local authority reflecting their assessment of the academy's risk. The DfE has since issued a form of a guarantee to strengthen the covenant of the academies.

4.2 Following advice from our Actuary, the Fund has adopted a fair and consistent approach, even though we were aware of the potential financial risks of such an approach at the outset. The letter of guarantee from the DfE has provided some comfort in terms of risk mitigation to the approach adopted. Our approach is in line with the policy position from the DfE that an Academy is meant to manage its own financial position as a standalone entity. Thus each Academy has been treated as a separate employer for funding and accounting purposes within the Fund.

4.3 When converting to academy status the Fund treats the new bodies as it does all other employing bodies. The future service contribution rate payable reflects the membership profile of that body, using the same actuarial assumptions for the rest of the Fund. On conversion, the new academy is allocated a deficit from its ceding local authority which is based on relative payrolls. The deficit recovery period is set at the same as that of the ceding authority. Thus any differences between the initial contribution rate and deficit payments will be due to the membership profile of the new body.

4.4 The consultation asks 6 questions:

(1) How can stability of employer contribution rates be best achieved?

(2) If pooling is introduced, what bodies should be pooled with academies? LEA schools, local authorities?

(3) If pooling is introduced should employers have a choice whether to join the pool and should the choice be permanent?

(4) Should actuarial assumptions for the pool be locally or nationally agreed?

(5) What provisions will be needed to be considered where transfer of assets and liabilities to academies has already been made?

(6) What other solutions are in place?

4.5 The Discussion paper from the DCLG is in Appendix 1 and the Fund's response in Appendix 2.

4.6 The Fund's response does not support pooling of academies. The response focuses on:

(1) The approach adopted by the Fund achieves fairness, transparency and stability without the need to pool employers.

(2) The employer contribution rate should reflect the on-going cost of the membership and there should not be cross-subsidies within the scheme. If adjustments are to be made to the "pooled" rate, as suggested by the paper, the resultant contribution rates will diverge as they do under the Fund's current approach.

(3) Pooling will not reduce administration costs. Individual employer records will still need to be maintained by both the Fund and actuary in order to calculate FRS17 disclosures and accurately manage exits etc. from the pool.

(4) If pooling is introduced, employers should preferably not have a choice and if given a choice, then it should be a permanent decision. This is to efficiently manage the administration of the pool.

(5) Actuarial assumptions should be agreed locally, in line with assumptions for other employers in the scheme.

(6) The communication exercise, should existing academies be pooled will be quite complex as many employers have limited understanding of the technical issues around valuing liabilities and treatment of deficits.

5 RISK MANAGEMENT

5.1 No decision is required and therefore a risk assessment in compliance with the Council's decision making risk management guidance is not necessary.

6 EQUALITIES

6.1 An equalities impact assessment is not necessary.

7 CONSULTATION

7.1 The Chair and Vice Chair and S151 Officer were consulted on the Fund's response before it was submitted.

8 ISSUES TO CONSIDER IN REACHING THE DECISION

8.1 N/a

9 ADVICE SOUGHT

9.1 The Council's Monitoring Officer (Divisional Director – Legal and Democratic Services) and Section 151 Officer (Divisional Director - Business Support) have had the opportunity to input to this report and have cleared it for publication.

Contact person	Liz Woodyard, Investments Manager 01225 395306
Background papers	Mercer paper on consultation
Please contact the report author if you need to access this report in an alternative format	