Appendix 2

Responses to Funding Strategy Statement (FSS)

(The views expressed are those of the employers themselves; in some cases they have been paraphrased. The intention has been to represent the comments concisely and as accurately as possible. Inevitably some of the detailed supporting material has had to be omitted.)

Employer	Comments
Bristol City Council	• Sets out context of BCC's experiences during the period of austerity since 2010 and highlights the difficulty of providing services in this environment. • Salary increase assumption of 3.9% is excessive, 2-3% p.a. would be more appropriate in medium to long term. • Long term projections for CPI and RPI are higher than Bank of England assumptions. • Questions the need to reduce the deficit recovery period by 3 years to 13 years, a deficit recovery period of 16 years is reasonable. • Local Authorities are under significant cost pressures due to increased demand for services and uncertain funding. • What consideration has been given to affordability and how will covenant information be utilised? • Disagree that the deficit contributions should remain at monetary levels from the preceding valuation. • Employers in surplus should have greater flexibility to withdraw funds or accelerate the runoff below 12 years. • McCloud issues remain a significant uncertainty. When the outcome is known APF should revisit employer contributions at that time. • What Brexit assumptions have been made? Are APF forecasting a financial downturn? • The FSS should explain the reasons for using different assumptions to other Funds. • Are there other similar contingent liabilities? • The FSS is not yet complete; more detail on the impact of legislative changes, and demographic assumptions is needed. • Is APF being too prudent in view of improvement in Funding levels, slowdown in longevity, low pay growth and low ill health retirements? This should allow for contribution reductions. • What are the benefits, if any, at this stage from the Brunel partnership?
Bath and North East Somerset Council	• Salary increase assumption of 3.9% is at the higher end of expectations. The Council's medium term pay strategy is 2% for the next 5 years. • Request DRP is reviewed and a planned reduction is suspended for further review at the next valuation. This is to help with affordability issues in the light of continued financial pressures. • Welcome prepayment options and phasing in of contributions. • Welcome an update on McCloud and further work the actuary is undertaking. • Welcome further discussions to reflect in 2020/21 budgets.
South Gloucestershire Council	• Salary increase assumption of 3.9% seems high, salary increases of 2-3% would be more appropriate given current pay restraint and affordability in the public sector. • Dispute that the Fund needs to be solvent in 12-13 years. Suggest resetting the DRP to 16 years is a reasonable time period. • There needs to be reality around the Government's financial position with

	increased social care costs and reduced funding. • It is likely the Local Government Spending Review will be for 2020/21 only leaving uncertainty about long term funding streams and as much flexibility as possible is needed to reduce funding pressures. • Much information is outstanding and no expenses met by the Fund are available. • Understand the funds' performance has been strong with income greater than anticipated and subsequently 'locked in' through secure investments. As a result the current funding level is high supporting our view. • Note that the McCloud judgement is likely to increase deficits and contributions and a compensating adjustment to the deficit recovery period is necessary to mitigate the impact.
West of England Combined Authority	• WECA is assuming salary increases of 2-3% over the next 3 years. • Disputes that the Fund needs to be fully solvent in 12-13 years. The Fund is seeking to reduce the deficit recovery period by a further 3 years when salaries are increasing and government funding is reducing. • Returns have outperformed targets and have been locked into more secure longer term investments. Difficult to understand how local authorities can be expected to make further cuts in order to achieve a quicker recovery period. • The DRP should remain at 16 years with employer contributions over the next 3 years either frozen or reduced. This is a 'reasonable time period' and complies with the long term plan for the region. • It is likely the Local Government Spending Review will be for 2020/21 only, leaving uncertainty about long term funding streams and as much flexibility as possible is needed to reduce pressures. • Much information is outstanding, importantly the current funding level and the progress made over the last couple of triennial valuations. No expenses of the fund are given to comment on the appropriateness.
University of Bath	• The University has estimated short-term salary increases of 2.4%. Longer term scheme wide salary projections in the FSS are forecast at 3.9%. The university believes this is a reasonable forecast. • The HE sector has been subject to recent funding review (Augar). The implementation is currently uncertain but the headline recommendation to reduce tuition fees will have a significant financial impact on the University if any shortfall cannot be made up from another income source (grants).
Weston College	• Disagrees that deficit contributions need to be maintained at monetary levels from the preceding valuation, in conflict with competing cost pressures. • An automatic 3 year reduction in DRP is too rigid. It does not allow for a deficit emerging to be funded over a reasonable timescale. This rigid approach hinders prudent financial planning for employers. Allowing APF discretion is uncertain. • Support alignment of average deficit recovery periods at 12 years. Strongly support recovery periods set on a consistent basis across employer categories. The consistency principle should be applied ahead of maintaining monetary levels and reducing recovery periods. • The college has a deficit recovery period of 5 years and proposes this is reset to 12 years as a consistent starting point for future valuations. • The GAD section 13 dry run report showed APF 78% funded but this increased to 92% on a standardised basis suggesting APF is more prudent than the average and a less severe approach is needed particularly for the

	future service rate. • Weston College consider that they have a strong covenant in the sector and an increase in contributions is a very important cost factor for the College to consider. • Operating within statutory financial constraints which limit the capacity to pick up extra costs. • Weston College is keen to engage with the Fund.
University of the West of England	• The salary assumption of 1.5% over inflation is on the high side but acceptable, despite the controls on pay awards. • It is uncertain if the Augar Report recommendations to cut University fees will be implemented and fees are fixed to 2020/21. It will be a challenge for the institution to deal with increasing costs. • McCloud could significantly affect the funding level of the scheme and University and would welcome the opportunity to explore the impact and mitigation in the final agreement of contribution rates. • Sessions provided to HE/FE employers are very helpful.
Sirona	• Does not agree that public sector pay will increase 1.5% above inflation having regard to current experience. • Rationale for shortening the deficit recovery period is unclear. • Questions whether the proposed 3 year shortening of the deficit recovery period is reasonable in the context of public services that are severely challenged by austerity. • Any increase in employer pension costs will exacerbate financial and service pressures, particularly in the context of a contract let to Sirona on a “flat cash basis”. • Any increase in the already high employer’s contribution rate will challenge a service where the majority of costs are pay related. • Cannot support the assumptions behind the consultation and any increase will create considerable financial challenges.
Alliance Homes	• The salary assumption of 3.9% is more prudent than we might expect when looking at Alliance’s long term pay expectations and we believe a lower rate would be more appropriate. • The recovery period we would have expected to be more consistent with the 2016 valuation in order to remain reasonable. • The discount rate is reducing from CPI plus 2.2% to CPI plus 1.75% for past service and the rate for future service is also reduced. Is this reflecting changes in market expectations, or has additional prudence been assumed? • Inflation expectations; long term projections for CPI and RPI are higher than we expect when considering the 2016 assumptions and out turn over the following three years. Is additional prudence allowed for? • Notes a number of areas such as how the McCloud judgement will be allowed for are not yet proposed. • Would welcome the opportunity to discuss employer specific assumptions used for Alliance Homes participation.
Downend and Bromley Heath Parish Council	• Have considered the FSS and have no additional comments to make.
Oldland Parish Council	• Supports the FSS and requests that a commitment to move away from investment in fossil fuel related businesses is made.
Whitchurch	• It is difficult for the employer to make comments on the questions raised in

Village Parish Council	the FSS given its technical nature.
Clevedon Learning Trust	• The salary assumption appears very generous. The academy trust follows the national picture and over the past 5 years pay increments have barely been at inflation let alone 1.5% above inflation. • There is no reason why the deficit recovery period needs to be reduced by 3 years. The liabilities will not become due for a large number of years. The Fund is able to function in terms of cash flow. The rationale for reducing the repayment period should be explicitly a cash flow issue as opposed to an accounting exercise. It is not fair to have a plan which could lead to people leaving the profession and ultimately costing you future contributions which you are relying on in the assumptions. • What is the cash flow impact of a recovery plan of differing lengths? This is how it should be addressed. • Affordability of contributions is a really big issue. Educational funding is tight and an increase in contributions that is not funded will make it extremely difficult to meet payments over 2020-2023. • Keen to understand how they can phase in contribution increases from 1st September 2020 as there is no capability to cope with increased contributions from 1st April 2020. • Need sufficient time to make savings to pay for contribution increases.
Extend learning Academy Trust	• ELAN have budgeted 2%p.a. from 2020-2023 for support staff salary increases in addition to incremental increases. This is lower than inflation plus 1.5%. • ELAN schools are all facing ever smaller budgets in line with the regional and national picture. Spending reductions and cuts to staffing have been made and are anticipated to continue from 2020-2023 as budgets are reducing.
Russell Educational Trust	• Pay rises for the next few years depend on funding from DfE and are not known until treasury budgets are drawn up. • See no reason to bring forward the deficit recovery period by 3 years, this would not achieve anything positive. • As a new Free School ideally any increase in contributions would be moved into future years as the School has not had the opportunity to accrue reserves yet.
Learn @ Multi Academy Trust	• Have budgeted for pay increases of 2%p.a. • Budgets are already tight and do not want contributions to go up.

If anyone would like to see any of these responses in full please contact Liz Woodyard.