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	• Feels there may be some over prudence in the long-term salary increase assumption of 4.1%–4.6% p.a. and would welcome closer alignment with own medium-term financial planning assumptions. • Council current budget planning assumes annual pay awards of 3%–4%, reflecting a CPI assumption of 3%-3.5% and reflects the level of the recently approved local government pay offer at 3.2%. • Funds assumption includes an element for promotional increases. Council believes this should be minimal. • Recommend the Fund considers adjusting assumptions to better reflect employer-specific budgetary constraints and inflation forecasts, particularly for employers in the higher risk strategy where long-term affordability is a key consideration and rebase this at 3.5% - 4%. • F/Ys 2026/27 to 2028/29 will remain challenging leading up to implementation of the three-year government spending review that will fundamentally change council funding allocations. Funding requirements include adults and children’s social care and temporary accommodation which continue to increase in cost, activity and complexity creating above budget funding pressures. • Employer’s pension contributions should be reduced in line with current fund surpluses to ensure contribution levels do not create greater surpluses, when the council funding need is for direct service provision. Contribution rates whilst decreasing in the current draft position, may not fully reflect the decreases possible given the surplus. • In the context of the Fund’s commitment to long-term cost efficiency and intergenerational fairness, strongly encourage the Fund to consider reducing employer contribution rates in line with current funding levels and surplus positions. • Would like to see a level of surplus reserve set at a lower threshold for tax-backed organisations. • FSS is unclear as to how this surplus reserve will interact with the deficit recovery plans – will a surplus level of 105% be a requirement and therefore the deficit recovery plans will be needed / higher level of contributions required if funding dips below this threshold, or, will recovery plans only become instigated at the point of the 100% threshold? The council would like further clarification on this within FSS. • The surplus policy outlines at item 4. that ‘Employers in surplus will not be permitted to prepay contributions’, believe this is not a helpful incentive to maintaining a surplus position and would recommend that this clause is not included in the final FSS. • Appreciate the Fund’s integrated approach to funding and investment strategy, and its commitment to transparency and employer engagement, noting that the FSS is comprehensive and clearly outlines the Fund’s policies on key areas. • Support the Fund’s approach to maintaining a stable primary rate of contribution and its use of captive insurance arrangements for ill-health and death in service costs, which help mitigate volatility for employers.

	• Consultation process is welcomed, however it is noted that there are still a number of assumptions and clarifications needed to areas including demographic and mortality figures that will impact the overall position on employer contributions.
South Gloucestershire Council	• Pay awards assumed to be 3% each year over the next 4 years. Would expect the funding strategy to be in line with the assumptions contained within the Councils Medium Term Financial Plan • Proposed changes to the funding settlement will result in less income over the next few years, and with a phased approach the later years become more problematic. FY 2026/27 expect to set a balanced budget but will have used a large proportion of earmarked reserves. • Object to the proposed management of the surplus balances. Believe this should be managed locally by APF employers with the use of reserves, providing employers with flexibility regarding funding. Instead recommendations for the value of provisions should be provided by the APF, allowing bodies to manage its own risk and make local decisions. Given funding pressures placed on local government bodies would want to minimise its contribution rates with the use of this surplus and make a local decision on the suitability of reserves to cover any future risk.
University of the West of England	• The pay increases assumption used is broadly in line with forecast in the medium term (inclusive of scale drift). • The UK higher education sector is increasingly facing financial challenges due to a combination of fixed (non-inflationary) UK tuition fees, pay awards, inflationary operating environment and government immigration policies that hamper recruitment of international students. • Imperative that employer's contributions to Avon Pension fund for 2026-2029 are set at an appropriate affordable level that reflect the surplus inherent in the fund.
The Partnership Trust	• As a multi-academy trust operating in the education sector, pay assumptions are shaped by national policy, funding settlements, and affordability constraints. Based on current projections and sector trends, anticipate; 2026–2027: estimated average increase of 3.5%, 2027–2028: estimated increase of 3.0%, 2028–2029: estimated increase of 2.5%, aligned with expected public sector pay restraint. • We expect stable membership with little to no change in the foreseeable future. • As a multi-academy trust financial planning is closely tied to government funding settlements, pupil numbers, and inflationary pressures. Aim to maintain financial resilience, anticipate future years to become more challenging, constantly looking to make regular savings to make sure the Trust is sustainable. • Proposed approach to setting a prudent discount rate based on expected outperformance over CPI appears reasonable. • Support intention to review this in light of geopolitical and market volatility. Encourage the Fund to consider sector-specific experience where possible, particularly for education employers, as our workforce profile may differ from other public sector bodies in the fund. • Appreciate the opportunity to provide employer-specific input. • Given the variability in national pay awards, suggest the Fund maintain flexibility in its modelling to accommodate sector-wide shifts. • Surplus Policy (Appendix D): The introduction of a surplus reserve and 12-year run-off period is a welcome development. Support this

	balanced approach to managing overfunding while maintaining long-term sustainability. • Covenant Assessment (Appendix J): understand the importance of assessing employer strength. We would welcome transparency on how covenant ratings are determined and whether there is scope for appeal if concerns arise. • Notifiable Events (Appendix K): The clarity around reporting obligations is helpful. Suggest the Fund consider issuing a short guidance note or checklist for employers to ensure compliance is straightforward and consistent. • The inclusion of a contents guide and glossary is very helpful. • Found the video overview and consultation format a positive introduction.
Cathedral Schools Trust	• Currently have a number of employer funds within our Multi Academy Trust (MAT) and they are treated separately for both primary and secondary contributions. With the new policy around surplus policy whereby no surplus will be repaid until the fund is funded at a level of over 105% ask for an explanation of what would happen where: • MAT has two schools - A and B. They both have identical primary contribution rates (say) 20% but, due to the way assets were initially allocated they have the following funding positions A : liabilities 100 / assets 95 (i.e. 95% funded) B : liabilities 100 / assets 105 (i.e. 105% funded) With the "individual" rates approach, A must fund a deficit of 5 but B is overfunded - but within the 5% surplus buffer - so it doesn't get any credit for that. So, overall, the MAT has to fund a deficit of 5. • With the "average" rates approach, everything is added together so the combined MAT position is 200 liabilities and 200 assets and no deficit. • Would we be able to adopt the consolidated approach with regards to the secondary contributions and keep the primary rates employer specific?
Castle Schools Educational Trust	• After a couple of years of high pay rises expecting these to be lower going forward and have budgeted at 2%. However, it is difficult to predict as these are set nationally.
Futura Learning Partnership	• Expect to pay in line with agreed Teacher's Pay and NJC increases
Doddington Parish Council	• The RPI & CPI values appear to be lower than might be expected to better mitigate against market shocks during the current climate. • With regards to pay increases would not be proposing to award increases above the CPI + 1.5% assumption included within the FSS. • The McCloud Remedy may have an impact on the funding position, but this was expected and PC has been able to meet previous deficits • Desirable objective for stable contributions over time supports PC with its own business planning. • Inclusion of the policies is useful in reviewing the FSS. The recent addition of the surplus policy also demonstrates commitment to the long-term cost efficiency objective of the fund, ensuring other employers are not prejudiced by not holding onto particularly large surpluses, while enabling pragmatic decision-making during business planning. • A separate annex with the statistical methodologies included would be desirable for future consultations.

Department for Education	• In reviewing the FSS, they noted the reference on page 29 that “the Department for Education provides a ‘guarantee of last resort’ in respect of academy trusts and further education bodies.’ • Requested clarification on the the rationale for distinguishing between ‘full guarantors’ and the DfE as a ‘guarantor of last resort.’ What’s the practical meaning of ‘guarantor of last resort,’ including its implications for employer contribution rates and deficit recovery periods. How is risk is applied under a ‘guarantee of last resort’ compared with the treatment of a full guarantor.

If anyone would like to see any of these responses in full please let Julia Grace know.