

## Croydon Council

<b>REPORT TO:</b>	<b>PENSION COMMITTEE</b> <b>8 December 2015</b>
<b>AGENDA ITEM:</b>	<b>7</b>
<b>SUBJECT:</b>	<b>Review of Funding Approach for Academies: Consultation Responses.</b>
<b>LEAD OFFICER:</b>	<b>Richard Simpson, Assistant Chief Executive (Corporate Resources and Section 151 Officer)</b>
<b>CABINET MEMBER</b>	<b>Councillor Simon Hall</b> <b>Cabinet Member for Finance and Treasury</b>
<b>WARDS:</b>	<b>All</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b> Sound Financial Management: The triennial actuarial valuation sets the contribution rates for all Scheme employers. The governance of this exercise needs to be transparent as the cost implications can be significant.	
<b>FINANCIAL SUMMARY:</b> The outcome of the actuarial valuation impacts directly upon the operating costs of all Scheme employers.	
<b>FORWARD PLAN KEY DECISION REFERENCE NO: N/A</b>	

### 1. RECOMMENDATIONS

This report recommends that the actuarial principles set out in paragraphs 3.5 to 3.8 below are adopted in undertaking the 2016 actuarial valuation.

### 2. EXECUTIVE SUMMARY

- 2.1 This report summarises the composite response to the consultation on actuarial principles applying to the treatment of academies. It recommends which principles should be adopted in respect of those about which these schools were consulted.

### 3. DETAIL

3.1 The Pensions Committee have discussed questions about the underlying principles for actuarial valuations relating to academies on a number of occasions. At its June meeting the Committee agreed to consult Academies on a revised set of principles for their treatment within the actuarial valuation process such that:

a) When undertaking valuation reviews the Scheme Actuary should continue to apply the principle that Academies continue to be responsible for the same amount of pension deficit after, as before, conversion;

b) The Scheme Actuary should assess rates for Academies using a risk-adjusted approach and change the deficit recovery period from 15 years to 22 years.

3.2 The Committee also agreed that Academies should be offered the option to form, on a voluntary basis, a pool, so that all members of that pool are treated as one single employer for the calculation of contributions, and any Academy not wishing to join this pool to be set up as an individual employer as per the existing approach. Minute A18/15 refers.

3.3 Four composite responses to this consultation were received from:

Sarah Graham, Head of Compliance, Oasis Community Learning, responding on behalf of Oasis Community Learning;

Mark Southworth, Headteacher at Woodcote High School on behalf of the Woodcote High School Academy Trust;

Jolyon Roberts, Executive Headteacher, Pegasus Academy Trust (comprising Whitehorse Manor Infant School, Ecclesbourne Primary School, Whitehorse Manor Junior School and Beulah Infant and Nursery School); Mark Ducker, Executive Principal, STEP Academy Trust; Stephen Beck, St James' the Great RC Primary and Nursery School; Ros Sandell, Executive Headteacher, Fairchildes Academy Community Trust; Gordon Smith, Principal, Riddlesdown Collegiate & CEO RCAT; Andy Crofts, Executive Principal, Archbishop Lanfranc Academy and Principal, The Quest Academy; Becky McKenzie-Young, Head of HR, REAch2 Academy Trust; Stuart Roberts, Executive Headteacher, Synaptic Academy Trust; Mark Southworth, Head Teacher, Woodcote High School; Linda O'Callaghan, Executive Headteacher, St Mary's Catholic Primary Schools Trust; Will Smith, Trust Executive Headteacher, Greenshaw Learning Trust; Sarah Graham, Head of Compliance, Oasis Community Learning; Noel Campbell, Headteacher, St Thomas Becket Catholic Primary School; and Mark Rosewell, Executive Headteacher, Chipstead Valley Academy Trust.

Stephen Smith, Consultant to and on behalf of the Governing Body of St James the Great School.

Members will note that the three individual academies who responded separately were also signatories to the composite response. This response

represents 29 of the 47 academies addressed by the consultation. No individual academy responded.

Hymans Robertson, as the Scheme Actuary, have summarised these responses in a note appended to this report.

- 3.4 The consultation addressed four points, as determined by the Committee. The recommendations for each are set out below.
- 3.5 **Pension Deficit:** recommended that the Fund continues with the current approach. The proposed principle is sound, from an actuarial and fairness perspective.
- 3.6 **Funding Approach:** recommended that a risk-based approach is adopted for the 2016 valuation.
- 3.7 **Deficit Recovery Period:** recommended that the deficit recovery period for Academies be extended out to 22 years or shorter if a shorter period is adopted by the Council.
- 3.8 **Pooling option:** recommended that an Academy pool is not set up. There was no support for this option from any academy consulted.
- 3.9 The composite response referenced above also provided a document listing various suggestions, covering a range of issues relating to fairness, educational standards, public law duties, conflict of interest, equality impact assessments, and various technical issues relating to the actuarial process. These issues are beyond the scope of this consultation.
- 3.10 The actuarial valuation process is grounded on the basis of consultation with all Scheme employers and these opportunities will be widely communicated.
- 3.11 The Fund is currently undertaking preparation work for the 2016 valuation including a risk profiling exercise to cover all employers in the Fund. Any agreed funding approach changes by the committee, as a result of the above, would feed into this work and will be documented in the Funding Strategy Statement. The Funding Strategy Statement is prepared and presented to the committee as part of the 2016 valuation process.

## 4 FINANCIAL CONSIDERATIONS

- 4.1 The triennial actuarial valuation sets the contribution rates for all Scheme employers. This consultation deals with the way that those contributions are apportioned so any movement away from the currently adopted principles will result in a redistribution of costs.

## **5. OTHER CONSIDERATIONS**

- 5.1 Other than the considerations referred to above, there are no customer Focus, Equalities, Environment and Design, Crime and Disorder or Human Rights considerations arising from this report.

## **6. COMMENTS OF THE SOLICITOR TO THE COUNCIL**

- 6.1 The Council Solicitor comments that there are no direct legal implications arising from this report.

(Approved by: Gabriel MacGregor Head of Corporate Law on behalf of the Council Solicitor and Monitoring Officer)The Council Solicitor

## **CONTACT OFFICER:**

Nigel Cook, Head of Pensions Investment and Treasury,  
Resources Directorate, ext. 62552.

## **BACKGROUND DOCUMENTS:**

### **Appendices:**

Appendix A: Review of funding approach for Academies: Summary of consultation responses, Hymans Robertson LLP, November 2015.