

Croydon Pension Fund

Policy on academy funding

Effective date of policy	12 December 2023
Date approved	12 December 2023
Next review	March 2025

1 Introduction

The purpose of this policy is to set out the administering authority's funding principles relating to academies and Multi-Academy Trusts (MATs).

1.1 Aims and Objectives

The administering authority's objectives related to this policy are as follows:

- to state the approach for the treatment and valuation of academy liabilities and asset shares on conversion from a local maintained school, if establishing as a new academy or when joining or leaving a MAT
- to state the approach for setting contribution rates for MATs
- to outline the responsibilities of academies seeking to consolidate
- to outline the responsibilities of academies when outsourcing

1.2 Background

As described in Section 5.2 of the Funding Strategy Statement (FSS), new academies join the Fund on conversion from a local authority school or on creation (eg newly established academies, Free Schools, etc). Upon joining the Fund, for funding purposes, academies may become stand-alone employers or may join an existing MAT.

Funding policy relating to academies and MATs is largely at the Fund's discretion, however guidance on how the Fund will apply this discretion is set out within this policy.

1.3 Guidance and regulatory framework

1.3.1 LGPS Regulations

The Local Government Pension Scheme Regulations 2013 (as amended) contains general guidance on Scheme employers' participation within the Fund which may be relevant but is not specific to academies

1.3.2. DfE Requirements

There is currently a [written ministerial guarantee of academy LGPS liabilities](#), which was [reviewed](#) in 2022. This has been further supplemented by the DfE Academy Trust LGPS Guarantee Policy of May 2023.

Academy guidance from the Department for Education and the Department for Levelling Up, Housing and Communities may also be relevant.

1.3.3 New Fair Deal

All Contracting Authorities, this includes academies contracting services from external providers, **must** ensure all staff whose employment is compulsorily transferred from the public sector under TUPE, including subsequent TUPE transfers, to independent providers of public services will retain access to their current employer's pension arrangements; in this case the LGPS.

Failure to satisfy the Fund's and DFE's requirements could result in the Fund refusing admission to the contractor. Should this happen, it would be the Contracting Authority, ie the academy, and / or the contractor that would be in breach and subject to any challenge or penalties – not the Fund.

2 Statement of Principles

This Statement of Principles covers the Fund's approach to funding academies and MATs. Each case will be treated on its own merits but in general:

- the Fund will seek to apply a consistent approach to funding academies that achieves fairness to the ceding councils, MATs and individual academies.
- the Fund's current approach is to track all academies within a MAT as single employers.
- academies must consult with the Fund prior to carrying out any outsourcing activity. The Fund expects academies to ensure that any outsourcing complies with the requirements set out in the 'DfE Academy Trust LGPS Guarantee policy' and confirm to the Fund that the requirements are met. Where the Guarantee policy terms cannot be met, the admission will be on the basis set out in section 3.6 below. If no suitable alternative is agreed, the Fund has the right to refuse admission of a contractor as an admission body. **see section 1.3.3 on New Fair Deal requirements*
- the Fund will generally not consider receiving additional academies into the Fund as part of a consolidation exercise.

3 Policies

3.1 Admission to the Fund

As set out in section 5.2 of the FSS:

Asset allocation on conversion

New academies will be allocated an asset share based on the estimated funding level of the ceding council's active members, having first allocated the council's assets to fully fund its deferred and pensioner members. This funding level will then be applied to the transferring liabilities to calculate the academy's initial asset share, capped at a maximum of 100%.

Contribution rate

New academy contribution rates are based on the current funding strategy (set out in section 2 of the FSS) and the transferring membership. If an academy is joining an existing MAT within the Fund then it may pay the MAT contribution rate (which may or may not be updated as a result - see below) if the individual asset shares are pooled.

3.2 Multi-academy trusts

Asset tracking

The Fund's current policy is to individually track the asset shares of each academy within the Fund. Where a MAT exists, the Fund's policy is to individually track the asset shares of each academy within the Fund. Where a MAT exists, the Fund's policy remains for the individual asset shares of the constituent academy to be tracked.

Contribution rate

It is the Fund's policy to set individual contribution rates for all constituent academies within a MAT

In exceptional circumstance MATs can apply to the Fund to use a pooled contribution rate across its academies. However, this is at the absolute discretion of the Fund and will not usually be approved.

Academies leaving a MAT

As set out in section 5.2 of the FSS, if an academy leaves one MAT and joins another, all active, deferred and pensioner members transfer to the new MAT. The individual asset share of that academy (as tracked individually) will be transferred to the new MAT in full, noting that this may be more (or less) than 100% of the transferring liabilities.

3.3 Merging of MATs (contribution rates)

If two MATs merge during the period between formal valuations, the new merged MAT will pay the higher of the two certified individual MAT rates until the rates are reassessed at the next formal valuation (NB if one or both MATs are paying a monetary secondary contribution rate, these will be converted to a % of pay for the purposes of determining the new merged contribution rate).

Alternatively, as set out in the Fund's contribution review policy and as per Regulation 64 A (1)(b) (iii), the MAT may request that a contribution review is carried out. The MAT would be liable for the costs of this review.

3.4 Cessations of academies and multi-academy trusts

A cessation event will occur if a current academy or MATs cease to exist as an entity or an employer in the Fund.

The cessation treatment will depend on the circumstances:

- If the cessation event occurs due to an academy or MAT merging with another academy or MAT within the Fund, all assets and liabilities from each of the merging entities will be combined and will become the responsibility of the new merged entity.
- If the MAT is split into more than one new or existing employers within the Fund, the actuary will calculate a split of the assets and liabilities to be transferred from the exiting employer to the new employers as described in 3.2 above.
- In all other circumstances, and following payment of any cessation debt, section 7 of the FSS would apply.

3.5 Academy consolidations

If an academy or MAT is seeking to merge with another MAT outside of the Fund it would need to seek approval from the Secretary of State to consolidate its liabilities (and assets) into one LGPS fund.

The Fund will provide the necessary administrative assistance to academies seeking to consolidate into another LGPS fund, however the academy (or MAT) will be fully liable for all actuarial, professional and administrative costs.

3.6 Outsourcing

An academy (or MAT) may outsource or transfer a part of its services and workforce via an admission agreement to another organisation (usually a contractor). The contractor becomes a new participating Fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership.

The contractor will pay towards the LGPS benefits accrued by the transferring members for the duration of the contract, but ultimately the obligation to pay for these benefits will revert to the academy (or MAT) at the end of the contract.

It is the Fund's preference for the contractor's contribution rate to be set equal to the letting academy's (or MAT's) total contribution rate.

It is critical for any academy (or MAT) considering any outsourcing to contact the Fund initially to fully understand the administrative and funding implications. The academy should also read and fully understand the Fund's admissions policy regarding pass-through.

In all cases, academies must ensure that the requirements set out in the DfE Academy trust LGPS Guarantee Policy are met before outsourcing any part of its service.

Where the Guarantee policy terms cannot be met, liabilities for transferring active members will be calculated by the Fund actuary on the day before the outsourcing occurs and transferred to the new contractor. New contractors will then be allocated an asset share equal to the value of the transferring liabilities. Under this admission route the new contractor has responsibility to provide a guarantor considered by the Fund to be reliable and financially durable (generally only a local authority or central government department) or a bond/indemnity the Fund considers to have equivalent strength and coverage

3.7 Accounting

Academies (or MATs) may choose to prepare combined FRS102 disclosures (eg for all academies within a MAT). Any pooling arrangements for accounting purposes may be independent of the funding arrangements (eg academies may be pooled for contribution or funding risks but prepare individual disclosures, or vice versa).

4 Related Policies

- Section 5.2 of the FSS
- Contribution review policy
- Cessation policy
- Bulk transfer policy