



# Committee Report

## ISLE OF WIGHT COUNCIL

Committee	<b>ISLE OF WIGHT PENSION FUND COMMITTEE</b>
Date	<b>22 NOVEMBER 2023</b>
Title	<b>POLICY ON ACADEMY FUNDING</b>
Report of	<b>PENSION FUND MANAGER</b>

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### 1. Executive Summary

- 1.1 Following the 2022 actuarial valuation, at its February 2023 meeting, the Pension Fund Committee adopted the update Funding Strategy Statement (FSS). The FSS made reference to a number of policies in being available on request, including a policy on academy participation.
- 1.2 This report presents the Policy on Academy Funding prepared by Hymans Robertson LLP. Following adoption, the policy will be published on the fund's website. In future, the creation of new academies, consolidation of academies into Multi-Academy Trusts, closures of academies, and outsourcing arrangements by academies will be treated in accordance with this policy.

### 2. Recommendation(s)

- 2.1 That the policy on academy funding is agreed.
- 2.2 That the statement of principle that the Isle of Wight Pension Fund will not accept transferring academies as a result of Multi Academy Trust consolidation is agreed.
- 2.3 That the formalisation of the fund's current practices in respect of academy outsourcing contracts is agreed.
- 2.4 That the policy is adopted and will be published on the fund's website.

### 3. Background

- 3.1 Section 5.2 of the published FSS (linked in background papers) summarises the fund's policy on the admission of new academies or Multi Academy Trusts (MATs) into the fund, including the calculation of the new employer's share of assets and liabilities, and the setting of the employer contribution rate.
- 3.2 The proposed Policy on Academy Funding expands on these points, providing more detail on each aspect.
- 3.3 While this is a new policy, it does not contain any new requirements; it is a formalisation of existing practice made transparent for new and existing employers. There are a number of sections which are new or require specific approval.
- 3.4 The Statement of Principles, section 4 of the proposed policy, formally states for the first time the fund's preference that it will not receive additional academies into the fund as part of a consolidation exercise.
- 3.5 This is expanded upon in section 5.5, which sets out the process which MATs must follow, and confirms that the fund will provide necessary administrative support to a consolidating MAT, who must bear the cost of such support.
- 3.6 The Committee is asked to confirm this statement of principle.
- 3.7 Section 5.6 of the proposed policy includes reference to recently updated government guidance on academies undertaking outsourcing arrangements (for example the sub-contracting of cleaning, catering or other services), and confirms the fund's preference that these contracts be treated on a pass-through arrangement. This is a new regulatory requirement, and means that:
- 3.8 The new admission agreement with the new contractor is a tri-partite agreement between the Council (as administering authority for the fund), the letting academy (as scheme employer) and the contractor (as admitted body).
- 3.9 The admission agreement is "closed", meaning that only those active members who transfer across from the letting academy to the contractor are eligible to remain in the pension scheme, and no new employees may join.
- 3.10 The contractor pays the same employer contribution rate as the letting academy for the duration of the contract.
- 3.11 At the end of the contract, the share of assets and liabilities of the contractor revert to the letting academy, which is responsible for any deficit (or surplus) on the cessation of the contractor's admission agreement.
- 3.12 Although the regulatory requirements for academies' outsourcing arrangements are new, the process outlined above mirrors the fund's current operating processes.
- 3.13 The committee is asked to note and agree the formalisation of this process.

## 4. Corporate Priorities and Strategic Context

- 4.1 There is nothing contained in this report which directly contributes to the priorities contained in the [Corporate Plan 2021 – 2025](#).

### Pension Fund Strategic Aims

- 4.2 The primary objective of the fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, in accordance with the Local Government Pension Scheme (LGPS) regulations and statutory provisions. The committee aims to operate the fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the fund's assets and that an appropriate level of contributions is agreed by the employer to meet the cost of future benefits accruing.
- 4.3 The fund has also agreed the following objectives, which are supported by information in this report:
- 4.3.1 Ensure compliance with the LGPS Regulations, other relevant legislation and the Pensions Regulator's Codes of Practice.
  - 4.3.2 Communicate in a friendly, expert and direct way to our stakeholders, treating each equally according to their needs.
  - 4.3.3 Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and evidence based.

## 5. Local Pension Board

- 5.1 The Local Pension Board considered this matter at its meeting on 13 September 2023.
- 5.2 The board agreed the draft policy and confirmed acceptance of the statements of principle in respect of not accepting transferring academies as a result of multi academy trust consolidation, and the formalisation of the processes for academy outsourcing contracts.
- 5.3 The board approved the circulation of the draft policy for consultation with existing and proposed academies within the fund.

## 6. Consultation And Engagement

- 6.1 Following the board meeting, on 5 October 2023 the draft policy for academy funding was circulated the following academies, with a request that it be shared with any sponsoring trust for consideration:
- 6.1.1 Academies Enterprise Trust – Ryde Academy.
  - 6.1.2 Ormiston Academy Trust – Cowes Enterprise College.
  - 6.1.3 Portsmouth and Winchester Diocese Academies Trust – St Francis Academy and St Blasius Academy.

- 6.1.4 Northwood Primary Academy.
- 6.1.5 Lanesend Primary Academy.
- 6.1.6 The Island Free School.

- 6.2 The draft policy was also shared with Hampshire, Isle of Wight, Southampton and Portsmouth Academies Trust, which the Isle of Wight Education Foundation schools (Medina College, Carisbrooke College, Island VI Form) will be joining in early 2024.
- 6.3 A question was received from the Island Free School concerning the relevance of the policy to them as an independent academy with no sponsor. It was confirmed that the sections specifically relating to MATs (sections 5.2 and 5.3) could be ignored entirely for independent academies, but that all other sections of the policy were relevant.
- 6.4 By the deadline for responses (Friday 3 November), no other comments or questions had been received.

## 7. Financial / Budget Implications

- 7.1 The costs of the preparation of the draft policy by Hymans Robertson LLP are approximately £1,500, which is in line with the fees quoted in the actuarial services tender response in 2017. This will be charged the pension fund's governance cost code.

## 8. Legal Implications

- 8.1 The Isle of Wight Council is the administering authority for the Isle of Wight Council Pension Fund. An administering authority is defined in the Local Government Pension Scheme Regulations 2013 as "a [local authority] required to maintain a pension fund under the local government pension scheme regulations".
- 8.2 The Local Government Pension Scheme Regulations 2013 (as amended) require administering authorities to prepare, maintain and publish a funding strategy statement.
- 8.3 The fund adopted its current funding strategy statement in February 2023. The policy on academy funding forms part of this statement.

## 9. Equality And Diversity

- 9.1 The council as a public body is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

9.2 Although this is a new policy, it relates purely to the treatment of academies as employers in the fund, not individuals, and is a formalisation of the fund's existing practices. As such, no equality impact assessment (EIA) is required.

9.3 The adoption of this policy will have no implications for any individual with a protected characteristic.

## 10. Options

10.1 The following options are available in respect of the adoption of the policy on academy funding:

10.1.1 That the committee adopts the policy on academy funding.

10.1.2 That the committee requires amendments to one or more of the constituent parts of the policy on academy funding and defers adoption until such time as the amendments have been made.

## 11. Risk Management

11.1 Risk management is central to the Local Government Pension Scheme (LGPS). LGPS pension funds are in themselves risk management tools, managing the risk that future employer income streams will be able to meet future pensions liabilities by creating a reserve from which future liabilities will be met.

11.2 The policy on academy funding clearly sets out the treatment proposed for the creation of new academies, the consolidation of existing academies into multi-academy trusts, and the cessation of academies.

11.3 Documenting these processes in a policy ensure that all current and future employers within the fund are aware of the process, and minimises the risk of future challenge, and of inconsistent treatment in future.

11.4 The policy supplements the Funding Strategy Statement, which in itself serves to manage the funding risks for the fund.

## 12. Evaluation

12.1 The policy on academy funding was drafted by the fund's actuary, Hymans Robertson LLP, which ensures in accordance with current legislative and regulatory requirements and existing best practice.

12.2 The Local Pension Board have reviewed the policy and are satisfied that it is fit for purpose.

12.3 Other than a query concerning the applicability of the policy to independent academies, there have been no questions or comments received from any of the fund's current academy employers, nor from those schools which are currently in the process of joining a multi academy trust.

12.4 Accordingly, the option at paragraph 10.1.1 that the committee adopts the policy on academy funding is recommended.

### 13. Appendices Attached

13.1 Appendix 1: Isle of Wight Council Pension Fund: Policy on academy funding.

### 14. Background Papers

14.1 Isle of Wight Pension Fund Committee February 2023, Funding Strategy Statement adoption.

<https://iow.moderngov.co.uk/documents/s10695/ITEM%2010%20Funding%20Strategy%20Statement.pdf>

14.2 Isle of Wight Pension Fund Funding Strategy Statement

<https://www.isleofwightpensionfund.org/media/n2uhbrn1/2022-valuation-fss-isle-of-wight-v2-1-final.pdf>

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