

**REPORT FOR: Licensing & General
Purposes Committee**

Date of Meeting: 11 April 2011

Subject: Academies – Employer Contribution Rates

Responsible Officer: Tom Whiting, Assistant Chief Executive

Exempt: No, except for Appendix 5 which is exempt by virtue of paragraph 3, Part 1 of Schedule 12A of the Local Government Act 1972 (as amended).

Enclosures: **Appendix 1:** Hymans Robertson “Academies” Presentation.
Appendix 2: DfE briefing note
Appendix 3: Hymans Robertson briefing note
Appendix 4: Recommendation from the Pension Fund Investment Panel
Appendix 5: Indicative calculation of employer contribution rates (Exempt)

Section 1 – Summary and Recommendations

Hymans Robertson will lead a discussion on the implications of including any newly formed academies within Harrow Council’s pension fund pool resulting in a shared employer contribution rate.

Recommendations:

The Committee is invited to consider the information presented by Hymans Robertson and agree on the following recommendations:

1. Schools that apply for Academy status will not be pooled with Harrow Council.
2. A separate employer contribution rate for each Academy will be

established.

3. No stabilisation of contributions to be applied.
4. A deficit recovery period of 20 years to be used to calculate the deficit contribution.
5. The Harrow Council ongoing funding level as at the date of transfer to be applied to the liabilities of transferred actives to determine the initial assets to be allocated to each academy.
6. The actuarial liabilities and deficit contributions for pensioners and deferred members remain with Harrow Council.
7. The cost of calculating academy specific contribution rates to be charged to each school (Academy).

Section 2 – Report

2.1 Background

- 2.2 The Academies Act 2010 saw the coalition government introduce legislation allowing schools to become completely independent from Local Government control and assume responsibility for managing their own finances. Instead of receiving funds through the Local Education Authority each Academy is funded directly from the Department for Education and has greater autonomy in a number of areas.
- 2.3 Schools that opt to convert to academy status will be deemed as a separate Scheme employer under the Local Government Pension Scheme Regulations, (termed in the LGPS regulations as a ‘Scheduled Body’). In essence this means that the non-teaching staff within the Academy must still have access to the LGPS.
- 2.4 In a briefing note issued by the DfE, it was suggested that each Academy should have its own employer contribution rate and will be responsible for a share of the LGPS pension fund deficit relating to the Academy’s employee membership profile.
- 2.5 Notwithstanding the DfE statement, there is an option available to Pension Fund Administering Authorities to pool the Academy’s membership profile together with its own which would result in a shared employer contribution rate and pension fund deficit.
- 2.6 The operation of an employer pool has its advantages and disadvantages which are highlighted in the Hymans Robertson presentation (Appendix 1 – page 4).
- 2.7 It should be noted that the Council currently shares an employer pool with the employers listed below:
- Harrow College
 - Stanmore College
 - St Dominics Sixth Form College
 - North London Collegiate School

2.8 Current Situation

- 2.9 The Council are aware that seven high schools in the borough are investigating academy status with potential conversion on or before the 1st September 2011; namely;
- Nower Hill High – 109 LGPS members
 - Park High – 63 LGPS members
 - Harrow High – 77 LGPS members
 - Canons High – 73 LGPS members
 - Bentley Wood High – 49 LGPS members

- Hatch End High – 111 LGPS members
- Rooks Heath High – 79 LGPS members

2.10 On behalf of these schools, Nower Hill High School has made a formal request for all Academies formed in Harrow to participate in the current employer pool. This request is based on the principle that Academies should be on an equal footing with that of the Further Education Colleges who currently participate in the pool.

2.11 What other Local Authorities are doing

2.12 Some initial research carried out has shown that the majority of Local Authorities do appear to be setting their Academies up on an individual basis and are adopting either the Council or the Colleges deficit recovery period.

2.13 One Local Authority has decided to allow the Academies to pay the same contribution rate until the next triennial valuation to facilitate a smooth transition for the schools that transfer to academy status.

2.14 Another Local Authority operating an employer pool is considering moving away from a single pool on the back of the introduction of more academies and the DfE briefing note.

2.15 Other considerations

2.16 Whilst the matter of maintaining the best position for the Council as an employer in relation to the Pension Fund is extremely important, it is equally important to strike a balance between protecting the Fund and ensuring the contribution rate payable by the Academy is reasonable.

2.17 The Council has made it clear that it would prefer the seven high schools to remain within the family of schools in the borough, but has also committed to providing support to the schools and to work in partnership with them regardless of the outcome of their choice to become an Academy or otherwise.

2.18 It should be noted that the recommendations shown in section 1 above were approved by the Pension Fund Investment Panel at their meeting on 5 April 2011.

2.19 Financial Implications

2.20 Contained within the body of the report and presentation.

2.21 To assist members in understanding the impact of operating a separate employer contribution rate for each Academy, some calculations have been undertaken by Hymans Robertson detailing indicative employer contribution rates for the 7 schools listed in 2.9 above (Appendix 5).

2.22 Risk Management Implications

2.23 Risk included on Directorate risk register? No

2.24 Separate risk register in place? No

2.25 The Panel should note that applying a shorter deficit recovery period will result in higher contribution rates for the Academies. This could have a major impact on the schools' decision to opt for academy status.

2.26 Corporate Priorities

2.27 NA

Section 3 - Statutory Officer Clearance

Name: Jennifer Hydari	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 6 April 2011		
Name: Linda Cohen	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 6 April 2011		

Section 4 - Contact Details and Background Papers

Contact: Linda D'Souza (Service Manager – Shared Services), Te: 020 8424 1426, Email: linda.d'souza@harrow.gov.uk

Background Papers:

DfE Briefing note – August 2010
Hymans Robertson Briefing note – February 2011
Cabinet Report – March 2011

If appropriate, does the report include the following considerations?

1.	Consultation	YES
2.	Corporate Priorities	NA