

Briefing note

Academy consolidation in the LGPS



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Upcoming LGPS regulations are likely to lead to freer movement of academies across English funds. We explore the impact and what funds can do in advance to manage risks and opportunities.

Background

Academy consolidation within the Local Government Pension Scheme (LGPS) is becoming an important strategic issue for English funds. Administrative and financial pressure is driving interest from multi-academy trusts (MATs) to consolidate their LGPS participation. MAT consolidation has historically been complex and slow, but we expect upcoming changes to legislation will make this easier in practice.

2025 valuation discussions with MATs suggest they are already considering consolidation where it offers administrative simplicity, cost savings, or greater certainty on future contribution rates. MATs operating academies across multiple funds are questioning the efficiency of managing multiple LGPS relationships, contribution rates, funding strategies, and data requirements. As consolidation becomes more straightforward, MATs are more likely to take a strategic view of where they want their pension liabilities to sit.

For LGPS funds, MAT consolidation represents both a risk and an opportunity. The departure of academies as employers will affect cashflow, funding strategy, and reputational positioning. A potential influx of new academies could alter funding dynamics and increase the administration workload. Funds therefore need to form a clear, evidence-based position on academy consolidation, understand their exposure to the emerging risks, and be ready to respond when employers seek clarity on policy and process.

Why funds need to consider this now

There are several reasons why academy consolidation has become a near-term issue for LGPS funds:

1. Freer movement - proposed legislative changes arising from the [Access and Protections consultation](#) are expected to reduce friction in the consolidation approval process. Consolidation has always been technically possible but the need for Secretary of State approval has typically acted as a deterrent. If this barrier is removed through the proposed legislation, consolidation may become a more realistic option, rather than an exceptional one, and MATs are more likely to act.
2. LGPS knowledge - valuation feedback indicates academies are becoming more aware of their LGPS participation and more willing to consider structural change. Discussions during the 2025 valuation cycle have highlighted that academies are increasingly focused on reducing their administrative burden and increasing their

long-term contribution stability. Where consolidation can reduce duplication and simplify governance, it will be an attractive option.

3. Wider reforms - funds are operating in a period of significant wider change which means they have limited capacity to react at short notice. If MATs approach funds seeking consolidation decisions, funds that have not already considered their position may struggle to respond clearly or consistently.

4. Academy queries - MATs are likely to ask direct questions of funds in the near term. Employers will want to know whether a fund is open to consolidation, what conditions would apply, and how the fund would support the process. Funds that cannot articulate a clear position risk reputational damage or losing influence over outcomes that materially affect their funding and cashflow profile.

What factors will academies consider when making consolidation decisions

Academies are unlikely to base consolidation decisions on a single metric. Instead, decisions are expected to reflect a combination of financial, operational, and strategic considerations.

A key factor will be **employer contribution rates**, with academies naturally preferring lower rates. However, more sophisticated employers recognise that headline rates alone are not a reliable guide to long-term cost. Funding levels, prudence, asset strategy, and future contribution expectations are increasingly relevant, particularly where a lower current rate may imply higher future increases.

Closely linked to this is the **funding strategy** of the administering authority. Academies may place value on contribution stability mechanisms, clear funding strategies, and transparency around future risk-sharing and any cross subsidy with other employers. Funds with explicit stabilisation approaches may therefore be more attractive to employers seeking certainty.

Geography and scale also matter. Academies may prefer to consolidate into funds that already have a significant presence in the relevant region or MAT footprint. Where a MAT operates predominantly within one fund's area, consolidating elsewhere may feel less intuitive unless offset by other advantages.

The **relationship with the fund** is another important factor, though harder to quantify. Employer engagement, clarity of communication, quality of funding strategy statements, and responsiveness all contribute to perceptions of how easy it is to work with a fund. Funds that demonstrate strong engagement and tailored academy-specific communication may score more highly in employer decision-making.

Operational considerations such as **administration efficiency**, availability of employer and member self-service, and the ease of providing data will also feature. A Fund's approach to MAT pooling may be relevant. Academies are increasingly sensitive to internal resource constraints and will favour arrangements that minimise their ongoing administrative burden.

Finally, academies may consider **future strategic flexibility**, including where they expect future growth, whether further consolidation may be required, and how easily new academies could be accommodated.

MATs may also be influenced by political and policy considerations, particularly where future funding approaches are expected to diverge between funds.

Support required by academies when making consolidation decisions

Academies may initiate consolidation discussions, but they are unlikely to be well-placed to navigate the complexity of the process on their own. Funds should therefore anticipate a need for structured employer support.

At an early stage, MATs will require **clear, accessible guidance** on consolidation options, implications, and risks. This includes understanding that consolidation is not simply a choice between contribution rates, but a strategic decision with long-term funding, governance, and administrative consequences.

MATs will also benefit from **decision-support frameworks**, such as clear articulation of key decision factors and how different funds may compare across those dimensions. While not advocating particular outcomes, funds can help employers make better-informed decisions and avoid unintended consequences.

There is also a strong need for **project management and technical support** for MATs and funds alike. Consolidation across multiple funds is operationally complex, involving pension transfers, data reconciliation, benefit protection, and coordination across stakeholders. Without appropriate support, there is a risk of errors, delays, or member detriment.

Finally, funds should recognise the importance of **member protection and communication**. It's essential that benefits continue to be paid correctly, records are accurate, and members understand what is happening. MATs will look to funds for assurance that consolidation can be delivered without negative impact on their staff.

Conclusion

Academy consolidation in the LGPS is moving from a peripheral issue to a strategic priority. Funds that act now to understand their exposure, articulate a clear policy position, and define how they will support employers will be better placed to manage both the risks and opportunities that consolidation presents. Those that do not may find themselves reacting to events rather than shaping outcomes.

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