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TEACHERS' PENSION EMPLOYER CONTRIBUTION GRANT

Report of the Director of Children's Services

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1. Purpose

- 1.1 To update the Forum on the operation of the additional DfE grant to fund the increase in teachers' pension costs.

2. Summary

- 2.1 The paper gives details of the funding rates and method of allocation of the DfE's teachers' pensions employer contribution grant.

3. Recommendations

- 3.1 The Forum is asked to note and comment on the issues covered in the paper.

4. Background

- 4.1 From September 2019 the employer's on-cost percentages for the teachers' pension scheme will increase from 16.4% to 23.6%. The DfE is providing a grant to cover the additional cost resulting from this increase in pension contributions. The grant will cover the period September 2019 to March 2020, which is the end of the current comprehensive spending review (CSR) period.
- 4.2 School funding levels in 2020-21 and after will depend on the outcome of the new CSR. However, as academy funding operates on an academic year, rather than a financial year, for academies the teachers' pension grant will continue for the 5 month period April to August 2020.

5. Operation of the grant

5.1 Primary and Secondary schools and academies.

5.1.1 Main grant

The main element of the pension grant will operate on a similar basis to the current grant for teachers pay and is calculated on a rate per pupil. The rates are shown in the table below and cover the 7 months period from September 2019 to March 2020.

Primary and Secondary Teachers' Pension Grant – rates per pupil	Primary (£)	Secondary (£)
London fringe area	79.85	117.53
Non London fringe area	77.50	114.08

The pupil numbers used in the calculation will be as follows:

Age range	Data source
2 to 4 year olds	Funded pupils from January 2019 census
5 to 16 year olds	Headcount from October 2018 census
16 to 19 year olds	Pupil numbers from 2019 to 2020 academic year allocations

(For 16 to 19 year olds, the data is converted into a full time equivalent (FTE) based on the number of hours each student attends the school.)

For primary and secondary schools with fewer than 100 pupils, the grant allocation will be calculated as if they had 100 pupils.

5.1.2 Supplementary Fund

An innovation with the teachers' pension grant is the introduction of the "supplementary fund". The main grant allocations are formulaic and based on pupil numbers. Therefore, they may not match the actual cost of the teachers' pension increase in each school, due to the impact of factors other than pupil numbers (such as deprivation or differences between schools in the length of service of teachers and their positions on the pay scale)

The supplementary fund is intended to prevent any school from having a shortfall, between the cost of the teachers' pension increase and the amount of grant received, of more than 0.05% of its overall budget (pro-rated for 7 months). Schools with a shortfall greater than this can apply for a supplementary grant allocation.

The DfE has provided an illustration of how the supplementary fund allocations would be calculated.

Example

- Pension grant allocation (covers the 7 months September 2019 to March 2020) - £20,000
- Increased costs over 12 months due to contribution rate increase - £37,500
- Increased costs over 7 months due to the contribution rate increase - £22,000
- Shortfall between allocation and 7 month cost - £2,000
- Overall budget for 2019 to 2020 - £860,000
- Overall budget pro rated for 7 months - £500,000
- 0.05% of 7 month school budget - £250
- Supplementary grant - £1,750

Of the total grant available of £848m for the period September 2019 to March 2020, £22m has been set aside for the supplementary fund. However, we understand that eligible claims to the fund will be paid, even if the total of claims exceeds the amount set aside.

The DfE is developing the process for applying to the supplementary fund and wants arrangements to be as efficient and streamlined as possible for schools. Details of how to apply for the fund will be announced in the autumn. It is expected that applications to the fund will also be processed in the autumn and not reopened, even if the final actuals for the period September 2019 to March 2020 are different. Therefore, schools may want to have dealt with their performance management reviews in time, so that the impact on pension costs of any grade changes can be taken into account in any claims made to the supplementary fund.

5.1.3 Academies funding for the Summer term 2020

Due to the lag in academy funding compared to that of maintained schools, teachers pension grant for academies will also be paid for the period April to August 2020. The unit funding rates for these allocations will be calculated as 5/7 of the unit funding rates shown above for September 2019 to March 2020. However, October 2019 rather than October 2018 census pupil numbers will be used in the calculation for 5 to 16 year olds.

The supplementary fund will continue to operate for academies for the Summer Term 2020.

5.2 High Needs

The ESFA will pay funding to local authorities to distribute to special schools and academies, pupil referral units and Alternative Provision free schools. The allocation to each local authority for the period September 2019 to March 2020 will be based on an amount per place as follows:

Teachers' Pension Grant – rates per place	High Needs (£)
London fringe area	291.44
Non London fringe area	282.89

For specialist institutions with fewer than 40 places, the grant will be calculated as if the institution had 40 places.

The high needs grant allocation will also include an amount for pupils with EHCPs educated in independent settings.

It is currently unclear whether authorities will be able to claim from the supplementary fund if the high needs grant allocation calculated through the formula is less than the cost of the teachers' pension increase in high needs institutions. We understand that the DfE is reviewing this.

Also not yet finalised is the process for funding the teachers' pension increase for teachers in high needs provision attached to mainstream schools (such as special units). We understand that this may operate via the supplementary fund.

5.3 Early Years

Nursery classes at primary schools will be covered through the primary school grant allocations. The DfE will also provide grant allocations to maintained nursery schools but not to private, voluntary and independent early years providers.

5.4 Local Authority centrally employed teachers

Local authorities will be funded for their centrally employed teachers. Due to the data available and the significant variation in local authority approach to employing teachers centrally, local authorities will apply to the Department for Education on an individual basis for this funding. This funding will be calculated to equal the actual, additional costs that local authorities will face in respect of centrally employed teachers because of the increase in pensions contributions. More details of how local authorities will be able to apply will be provided in the autumn.

5.5 New schools

Special arrangements will operate for brand new schools and new schools still adding year groups, where the October 2018 and January 2019 census data either does not exist or does not include the additional year group.

6. Conclusion

6.1 Finalisation of allocations

The DfE will provide further detailed guidance and information about the grant in the autumn. This will include:

- school level allocations for mainstream schools
- local authority level allocations for high needs
- details of the supplementary fund and how to apply
- details of applications for local authority centrally employed teachers and music education hubs

Payments will then be made later in the autumn.

Hertfordshire has been requested to join a small group of local authorities doing more detailed work with the DfE on the operation of the grant.

6.2 Future years

As March 2020 is the end of the current Comprehensive Spending Review period, no information is available about school funding levels for 2020-21 and beyond. We understand that, in principle, the DfE would look to “mainstream” the teachers’ pension grant resource by transferring it into the national funding formula, in due course.