Department for Education

Education & Skills Funding Agency

Guidance

Teachers' pension scheme employer contribution grant: further education providers

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Introduction

The teachers' pension grant provides funding to further education providers to cover increased employer contributions to the Teachers' Pension Scheme (TPS). The funding for this commenced in the 2019 to 2020 academic year, this guidance covers the arrangements up to the 2021 to 2022 academic year.

Eligibility

The following types of further education (FE) institutions participate in the TPS:

- general FE colleges
- sixth-form colleges
- designated institutions (including the new designated institutions that form part of higher education (HE) provider group structures)
- special post-16 institutions

These providers will receive extra funding for increased employer contributions in each academic year covered by this grant if they receive Education and Skills Funding Agency (ESFA) funding for the same period.

We will treat colleges converting to academies before the start of the payment period as an academy, and they should refer to the guidance for schools. We will treat those converting during a payment period as an academy from the next appropriate payment point.

Local authorities

Local authorities should have applied to the Department for Education for 2019 to 2020 and 2020 to 2021 for extra funding for TPS costs related to their adult community learning providers through a separate process to cover all of their centrally employed staff covered by the TPS. This is due to the significant variation in local authority approaches to employing teachers centrally. We will confirm the arrangements for local authorities for 2021 to 2022 in due course.

Calculating and making payments

2019 to 2020 academic year

We used the 2017 to 2018 financial year audited payments made by providers to Capita for TPS with uplifts of 2.6% a year to reflect average increases in earnings since then to calculate funding. This covers the difference between expenditure at the current rate and estimated expenditure at the new, higher rate.

The calculation gave the figure that would apply if the change was in place for a full 12 month period. The extra funding for 2019 to 2020 academic year covered 11 months because the new employer contribution rate came into effect in September 2019.

We made 2 separate payments:

- September 2019, covering 7 months
- April 2020, covering 4 months

Where colleges had merged since 2017, we combined the payments made and associated them with the new institution.

2020 to 2021 academic year

We used the 2018 to 2019 financial year audited payments made by providers to Capita for TPS to calculate funding.

We calculated the difference between the TPS payments at the old and new rates (16.4% and 23.6% respectively) and applied uplifts of 3.1% and 3.0% to reflect average increases in earnings in 2019 and 2020 respectively. The calculation gave the additional funding that would apply for a full 12-month period. The funding is provided in 2 separate payments:

- September 2020 for the 8-month period from August 2020 to March 2021. The amount will be 8/12 of the full year figure and was communicated in February or March 2020
- April 2021 for the 4-month period from April to July 2021. This second payment was confirmed following the autumn 2020 spending review and we aim to confirm the amounts to institutions by the end of February 2021. The April 2021 payment will be calculated pro rata to the September 2020 payments, so will normally be half of the September amount

Where colleges have merged since 2018, we combine the payments made and associate them with the new institution.

Institutions that receive 16 to 19 ESFA funding receive confirmation of the payment amounts alongside their 16 to 19 funding allocation for academic year 2020 to 2021. We communicate funding amounts for all other institutions by email. Note that TPS funding is not age specific.

2021 to 2022 academic year

We will use the 2019 to 2020 financial year audited payments made by providers to Capita for TPS to calculate funding.

The change in employer pension contributions came in part way through the 2019 to 2020 year, so we will split the Capita payments data into 2 sections as follows:

- the 5 months from April to August 2019, when the old employer contribution rate of 16.4% applied
- the 7 months from September 2019 to March 2020 when the new rate of 23.6% applied

We will use these figures to calculate an adjusted annual total that would be the equivalent amount if the 16.4% rate had applied for the full year. We will do this by dividing the total payments for the second 7 months by 23.6 and multiplying by 16.4 and adding this to the payments for this first 5 months.

Based on this revised annual figure, we will calculate the difference between the TPS payments at the old and new rates (16.4% and 23.6% respectively) and apply uplifts of 1.2% and 2.1% to reflect average increases in earnings in 2020 and 2021 respectively. The funding will be provided in 2 separate payments:

- September 2021 for the 8-month period from August 2021 to March 2022 - the amount will be 8/12 of the full year figure
- April 2022 for the 4-month period from April to July 2022 - the amount will be 4/12 of the full year figure

Where colleges have merged since 2019, we combine the payments made and associate them with the new institution.

Institutions that receive 16 to 19 ESFA funding will receive confirmation of the payment amounts alongside their 16 to 19 funding allocation for academic year 2021 to 2022. We communicate funding amounts for all other institutions by email.

Please note that for most institutions the amount of funding for 2021 to 2022 is likely to be lower than for 2020 to 2021 because the figures used nationally to allow for average increases in earnings are significantly lower than previously. These figures are taken from the most recent Office for Budget Responsibility – Economic and Fiscal Outlook report (from November 2020).