



## Guidance

# Pension grant methodology

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## Introduction

We calculate the total cost to schools of the increase in employer contributions to the Teachers' Pension Scheme (TPS) from September 2019 to March 2020 to be £848 million, and we will be providing this amount of funding through a grant and a Supplementary Fund. This guide will help school leaders understand and plan for the pension grant and Supplementary Fund for schools.

The grant covers the 7 months of financial year 2019 to 2020 from September 2019. As noted below, the approach set out in this guide will also be used to make payments for academies in the 5 months from April to August 2020. The TPS data does not give us information about individual schools' contributions to the scheme, since most schools are part of a local authority or multi-academy trust. Therefore, to match the funding as closely as we can to costs, we are allocating this funding using a per pupil formula.

We are accompanying this grant with a Supplementary Fund. Schools will be able to apply to the fund if their grant allocation falls short of their actual pension cost increase between September 2019 and March 2020 by more than 0.05% of their overall budget for this period, and they will be reimbursed for costs above that threshold. More details of how schools will be able to apply will be provided in the autumn. This additional fund is in recognition of the substantial cost increase caused by the changes to the TPS employer contribution rate.

Maintained schools and academies will be paid using the 2019 to 2020 rates from September 2019 through to March 2020. Academies will also be paid using these rates for the period April to August 2020. Eligible academies will also receive payments from the Supplementary Fund to cover this period. Funding for maintained schools from April 2020, which is the start of their financial year, and

further funding for all schools, will be confirmed as part of the wider Spending Review. We will make sure maintained schools and academies receive equivalent funding.

## **Eligibility for the grant**

### **Mainstream institutions**

We will pay the grant based on the number of pupils aged 2 to 19 in:

- maintained nursery schools
- primary and secondary maintained schools
- primary and secondary academies and free schools
- all through maintained schools and academies
- 16 to 19 maintained schools
- 16 to 19 academies

For mainstream institutions with fewer than 100 pupils, we will allocate funding as if they had 100 pupils.

### **Specialist institutions**

We will pay the grant based on the number of places in:

- maintained special schools
- special academies and free schools
- pupil referral units
- alternative provision academies and free schools
- hospital schools
- non-maintained special schools

For specialist institutions with fewer than 40 places, we will allocate funding as if they had 40 places.

### **Independent settings**

For pupils with Education, Health and Care Plans (EHCPs) who are educated in independent settings, we will provide funding to local authorities. This will be

based on the number of pupils with EHCPs in their area who are educated in independent settings.

## **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.

## **Paying the grant**

The Education and Skills Funding Agency (ESFA) will pay the funding for maintained schools to local authorities, who will be required to pay it to individual schools at the rates published.

Funding for academies will be paid at the published rates directly to academies by the ESFA.

The ESFA will pay funding to local authorities to distribute, according to local circumstance, for:

- institutions who provide for children with high needs
- pupils with EHCPs who are educated in independent settings

The exception to this will be non-maintained special schools. The ESFA will allocate funding directly to non-maintained special schools.

## **How we have determined the rates**

The employer contribution rate of the Teachers' Pension Scheme (TPS) will increase from 16.4% to 23.6% from September 2019.

We calculate the total cost of this increase to schools from September 2019 to March 2020 to be £848 million, and will be making this sum available. Before dividing this funding, we set aside £22 million, in order to provide money for the Supplementary Fund.

## How we have divided the funding

We have divided the total amount between:

- primary (including early years provision in primary schools, and maintained nursery schools)
- secondary (including school sixth forms)
- special schools
- local authority centrally employed teachers

We have done this based on the size of the teacher wage bill for each sector. This is to take into account, for example, that special schools generally spend more on staff per pupil.

We also assume that all:

- mainstream schools have at least 100 pupils
- high needs institutions (with the exception of independent institutions) have at least 40 places

We have also included funding for pupils with EHCPs educated in independent settings. This group is relatively small, and will be funded at the special rate, distributed to local authorities based on the number of pupils with EHCPs in their area who are educated in independent settings.

We then divided the amount of funding for each sector between the number of pupils or places, to generate a per-pupil or per-place rate.

The total amount of funding for local authority centrally employed teachers is £7.2 million. Local authorities will apply directly to the department for this funding.

## Adjusting for location

We have applied an Area Cost Adjustment (ACA), which takes into account higher teacher wages in London.

The ACA uses 4 rates:

- inner London
- outer London
- London fringe
- the rest of England

# Rates

## Rates for primary schools

Region	Rate in 2019 to 2020 per pupil (£)
Inner London	92.20
Outer London	85.29
London fringe	79.85
Rest of England	77.50

## Rates for secondary schools (with same rate for all 11-19 year olds)

Region	Rate in 2019 to 2020 per pupil (£)
Inner London	135.71
Outer London	125.55
London fringe	117.53
Rest of England	114.08

## Rates for special and alternative provision schools and EHCPs in independent settings

Region	Rate in 2019 to 2020 per pupil (£)
Inner London	336.53
Outer London	311.33
London fringe	291.44
Rest of England	282.89

# Funding for teachers at music education hubs

We will provide music education hubs with funding for their increased pension costs. Due to their different funding arrangements, they are not in scope for this grant.

Therefore, music education hubs will apply directly to the department for funding. This funding will be calculated to equal the actual, additional costs music education hubs will face as a result of increase in pension contributions for their teachers. More details of how music education hubs will be able to apply will be provided in the autumn.

## Detailed allocations

We will provide further detailed guidance and information 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

We will then make payments later in the autumn.

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