



Guidance

Pension grant methodology

Updated 16 July 2019

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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 2019-20 from September 2019 for all schools. 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 October. This additional fund is in recognition of the substantial cost increase caused by the changes to the TPS employer contribution rate.

Local-authority-maintained schools and academies will be paid using the 2019-20 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 local-authority-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 (EHC) plans who are educated in independent settings, we will provide funding to local authorities. This will be based on the number of pupils with EHC plans 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 October.

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.

ESFA will pay funding for academies at the published rates directly to academies.

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

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

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

ESFA will make payments covering September 2019 through to March 2020 to local authorities at the end of October 2019, and to academies in early November 2019.

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 EHC plans 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 EHC plans 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

Pupil numbers used to calculate the rates

We will use the below data for all school-level allocations in October.

For mainstream schools we will use the following data.

Age range	Data source
2 to 4 year olds (i)	Headcount of funded places from January 2019 census
5 to 16 year olds (ii)	Headcount from October 2018 census
16 to 19 year olds (iii)	Pupil numbers from 2019-20 academic year allocations

(i) excluding 4 year olds in school reception classes; 'funded places' means each 3- and 4-year-old pupil taking up the universal free entitlement and recorded on the January 2019 school census, and each 2-year-old taking up the free entitlement for disadvantaged 2 year olds and recorded on the January 2019 school census

(ii) and 4 year olds in school reception classes

(iii) for 16 to 19 year olds, we have converted the data into a full time equivalent (FTE) based on the number of hours each student attends the school, as shown below. Band 1 students are shown on an FTE basis in the funding allocations, so we use this directly.

Band	Number of hours	FTE
5	540-600	1
4	450-539	0.825
3	360-449	0.675
2	280-359	0.533

For special schools we will use the following data.

School type	Data source
Maintained	Place numbers from the 2019-20 financial year budget returns (section 251)
Academy	The published high needs place numbers for 2019-20 academic year

For the 5 month payment covering April to August 2020 to academies in the spring, we will use the data above, with the exception of using updated census data (October 2019) for 5 to 16 year olds and updated census data (January 2020) for 2 to 4 year olds.

New and growing schools

Schools which opened between October 2018 and September 2019 will not appear on the census data used. For the allocations to cover the period from September 2019 to March 2020 these schools will receive funding allocations based on a minimum level of:

- 100 pupils for mainstream schools
- 40 places for high needs institutions

New schools will receive an updated allocation in spring 2020 based on their October 2019 pupil numbers. This will cover the September 2019 to March 2020 period.

Schools that were not fully open in October 2018 and are still growing by adding year groups, will also receive an updated allocation in spring 2020 to reflect that growth. Further details of these updates will be included alongside the spring 2020 allocations.

Rates

Rates for primary schools

Region	Rate in 2019-20 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 to 19 year olds)

Region	Rate in 2019-20 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 EHC plans in independent settings

Region	Rate in 2019-20 per pupil (£)
Inner London	336.53
Outer London	311.33
London fringe	291.44
Rest of England	282.89

Calculating your funding

For all schools to calculate the funding for the 7 month period from September 2019 to March 2020, take the relevant rate, and multiply it by the pupil numbers.

Example

For an inner London primary school with 100 pupils the calculation would be:

$$£92.20 \times 100 \text{ pupils} = £9,220$$

For academies to calculate the funding for the 5 month period from April 2020 to August 2020, take the same rate, multiply it by 5 and then divide by 7. This will give you the 5 month rate from the 7 month rate provided in the table. Then multiply the rate by the pupil numbers to get the amount.

Example

For an inner London primary school with 100 pupils the calculation would be:

$$£92.20 \times 5/7 \times 100 \text{ pupils} = £6,586$$

We will make sure local-authority-maintained schools and academies receive equivalent funding.

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 October.

Detailed allocations

We will provide further detailed guidance and information in October. 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 grant payments covering September 2019 through to March 2020 to local authorities at the end of October 2019, and to academies in early November 2019.

Supplementary Fund

We are working with stakeholders on the process of applying for the Supplementary Fund, with a focus on ensuring the systems involved are as

efficient and streamlined as possible for schools. All schools will be eligible for the additional support the fund will provide. We will announce details of the fund, including how to apply, in October 2019.

To calculate any additional funding from the Supplementary Fund, we are including the following funding streams in our definition of overall budget.

For local-authority-maintained schools:

- the budget given to a school by their local authority for the 2019-20 academic year, as published in the Authority Proforma Tool (APT)
- school sixth form funding: 2019-20 academic year funding allocations
- teachers' pay grant: 2019-20 financial year allocations

For academies:

- general annual grant (GAG): 2019-20 academic year, which includes school sixth form funding
- teachers' pay grant: 2019-20 financial year allocations

We will publish this overall budget information at school-level alongside the formula-driven grant allocations in October 2019.

To estimate your additional payment from the fund, to cover the period September to March, you should:

- deduct your pension grant allocation from the contribution rate increase over 7 months – this will give you any shortfall
- deduct the value of 0.05% of your overall budget (pro rated for 7 months) from the shortfall amount

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 2019-20 - £860,000
- overall budget pro rated for 7 months - £500,000
- 0.05% of 7 month school budget - £250
- supplementary grant - £1,750

For academies to estimate the funding to cover the 5 month period from April 2020 to August 2020, take the amount you have estimated as your Supplementary

Fund allocation, multiply it by 5 and then divide it by 7.

We will make sure local-authority-maintained schools and academies receive equivalent funding.

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