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Guidance

Pension grants for schools, local authorities and music education hubs

Updated 10 August 2020

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Introduction

We are providing £1.5 billion a year to schools and local authorities through the teachers' pension employer contribution grant (TPECG) and supplementary fund. This funding covers the cost of the increase in the employer contribution rate of the Teachers' Pension Scheme (TPS) from 16.4% to 23.6%, from September 2019.

The TPS data does not give us information about individual schools' pension costs, so we have calculated the grant based on school eligibility or multi-academy trust. Therefore, to meet the funding as closely as we can to costs, we allocate the TPECG using a pupil-led formula. The methodology we use is explained in detail below.

You can view past allocations for September 2019 to March 2021 and April to August 2020.

Schools and local authorities (on behalf of their high needs institutions) will also continue to receive payments from the supplementary fund. These are based on the claims, submitted and paid, for the academic year 2019 to 2020.

Local authorities will continue to receive pension funding for centrally employed teachers (CEA), and music education hubs that are not part of a local authority, will continue receiving funding for their directly employed teachers, based on the information they submitted on the total cost of the increase for their teachers in academic year 2019 to 2020.

This means we will not be running a new claims process for the supplementary fund or centrally employed teachers.

Transition to the national funding formula

From 2020 to 2022, funding for the increase in pension costs will be paid through the schools, high needs and central school services block (CSSB) national funding formula (NFF), instead of as separate grants.

We have ensured that the additional funding schools will attract through the NFF is as close as possible to the funding they would have received if the funding was continuing as separate grants, without adding significant complexity to the formula:

- in the schools NFF, we have added an amount to reflect the current TPECG rate, and the supplementary fund allocations per pupil in primary and secondary, we have also added an amount, representing the funding schools receive through the TPECG and supplementary fund, for their reception to Year 11 pupils on the formula and to calculate minimum increases to funding
- the high needs NFF, we have increased the basic entitlement factor value for special schools, and created an additional factor for pupils which local authorities will receive the equivalent of their 2019 to 2020 TPECG for alternative provision settings and supplementary funding

More details can be found in the NFF policy document.

Therefore, mainstream schools will continue to receive TPECG and supplementary funding in 2020 to 2021 and 2021 to 2022 as part of funding through their 2020 to 2022 schools NFF allocations from April 2020. Local authorities will also continue to receive TPECG and supplementary funding for their high needs institutions, and pension funding for their centrally employed teachers until March 2020, when they will begin to receive their 2020 to 2022 high needs and CSSB NFF allocations.

Only mainstream academies will continue to receive TPECG for April to August 2020, and supplementary funding for 2019 to 2020 academies, from September 2020. This will avoid academies having a 5-month funding gap.

The table summarises when schools and local authorities will receive their remaining allocations for TPECG, supplementary funding, and pension funding for centrally employed teachers (CETs).

Period	Mainstream schools (local authorities on behalf of their high needs institutions) and 16-19 sixth form providers' allocations	Mainstream academies' allocations
September 2019 to March 2020	October 2020	November 2020
April to August 2020	N/A - funding incorporated into NFF allocations	April 2021
September 2020 to March 2021	N/A - funding incorporated into NFF allocations	N/A - funding incorporated into NFF allocations
April to August 2021	N/A - funding incorporated into NFF allocations	N/A - funding incorporated into NFF allocations

Music education hubs will also continue to receive pension funding for September to March 2021. We will announce details of funding for hubs after March 2021 in that course.

As mainstream nursery schools, sixth forms, 16 to 19 mainstream schools, non-maintained special schools, and some special and alternative provision free schools will receive their 2020 to 2022 allocations from April 2020, we will make other arrangements for these schools from April 2021, and most information will be announced in due course.

Similarly, we will announce the arrangements for 16 to 19 academies and academy sixth forms from September 2021 in due course.

TPECG methodology - eligibility for the grant

Mainstream institutions

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

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

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

Specialist institutions

We provide funding to local authorities for pupils with education, health and care (EHC) plans, or SEN support, who are educated in independent settings, based on the number of such pupils for whom they commission places.

Paying the grant

The Education and Skills Funding Agency (ESFA) pays the funding for maintained mainstream schools to local authorities, who are required to pay it to individual schools (subject to deductions).

ESFA pays funding at the published rates directly to mainstream academies.

ESFA pays 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 is non-maintained special schools. ESFA allocates funding directly to non-maintained special schools.

How we calculated the rates

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

We calculated the total cost of this increase to schools, and local authorities (on behalf of their high needs institutions) for the 2019 to 2020 academic year (2019 to March 2020), and made this amount of funding available. Before dividing this funding, we set aside £22 million, in order to provide money for the supplementary fund.

We are continuing to provide the equivalent amount, pro-rated, for each subsequent instalment, until the funding is incorporated into the national funding formulae.

How we divided the funding between sectors

We divided the total amount between:

- primary schools (including early years provision in primary schools, and maintained nursery schools)
- secondary schools (including school sixth forms)
- 16 to 19 institutions
- local authority centrally employed teachers

We did this based on the size of the teacher wage bill for each sector. This is to account, for example, that high needs institutions generally spend more on staff per pupil.

We then divided the amount of funding for primary schools, secondary schools, and 16 to 19 institutions by the number of pupils or places, to generate a per-pupil or per-place rate.

We assumed that all:

- mainstream schools have at least 100 pupils
- high needs institutions have at least 40 places

We are also providing funding to local authorities for pupils, with EHC plans or SEN support, educated in independent settings, at the rate for special schools.

Pupil numbers used to calculate the rates

We used the data below to calculate the rates ahead of the first set of allocations in autumn 2019.

For mainstream schools we used the following data:

Age range	Data source
2 to 4 (nursery pupils)	Headcount of individuals from January 2019 census
5 to 19 (school pupils)	Headcount from October 2018 census
16 to 19 (school pupils)	Pupil numbers from 2019 to 2020 academic year allocations

(5) 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 2018 school census, and each 2-year-old taking up the free entitlement for disadvantaged 2-year-olds recorded on the January 2019 school census

(c) and 4-year-olds in school reception classes

(d) 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 in the "Aims" field. If students are shown on a FTE basis in the funding allocations, so we have used this directly.

Band	Number of hours	FTE
1	540-600	1
2	450-539	0.875
3	360-449	0.75
4	280-359	0.583

For high needs providers, we used the following:

School type	Data source
Maintained	Place numbers from the 2019 to 2020 financial year budget returns (June 2019)
Academy	The published high needs place numbers for the 2019 to 2020 academic year

Adjusting for location

We are applying 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

The rates will remain the same each year.

Per-pupil rates for primary schools

Region	September to March rate (£) (for 7 months)	April to August rate (£) (for 5 months)
Inner London	92.20	65.86
Outer London	85.28	60.92
London Fringe	76.85	57.64
Rest of England	77.60	58.26

Per-pupil rates for secondary schools (applies to all 11- to 19-year-olds)

Region	September to March rate (£) (covering 7 months)	April to August rate (£) (covering 5 months)
Inner London	135.71	96.94
Outer London	125.55	89.68
London Fringe	117.53	83.85
Rest of England	114.28	81.60

Per-place rates for special and alternative provision schools, and per-pupil rates for those with SEN in independent settings

Region	September to March rate (£) (covering 7 months)	April to August rate (£) (covering 5 months)
Inner London	318.31	227.36
Outer London	291.23	207.98
London Fringe	236.44	168.77
Rest of England	240.89	203.06

Rates for the 3-month period from April to August have been calculated as five-sevenths of the 7-month rates for September to March.

How we calculate allocations

To calculate a school's grant, we take the relevant rate, and multiply it by the school's pupil numbers from the latest version of the sources in the Rates section above.

For mainstream special schools and pupil-referral units, as the local authority 2020 to 2021 financial year budget return (section 251) was conducted during coronavirus (COVID-19), we will use place numbers from the 2019 to 2020 return for the September 2020 to March 2021 allocations.

Example

For an inner London primary school with 100 pupils, the calculation for their September to March allocation would be: £92.20 x 100 pupils = £9,220

New and growing schools

Schools which open after September during an academic year will not appear on the census data used for the September to March allocations for that year. These schools will therefore 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 uplift to their September to March allocation the following spring, based on their pupil numbers for that academic year.

Example

An inner London primary school, newly opened in September 2020:

- is funded based on its 100 pupils in the autumn 2020 allocation
- receives an additional amount in spring 2021 of £92.20 x 100
- the October 2020 census shows the school as having 120 pupils
- therefore receives an additional payment in the spring of £1,844 for the additional 20 pupils (20 x £92.20 = £1,844)

Schools that are not fully open at the time of the September to March allocations, and are still growing by adding year groups, will also receive an update to their allocation in the spring to reflect that growth.

Example

A primary school eligible for the "Rest of England" rate and opened in September 2019:

- has 100 pupils, in year groups R to 3, in the October 2019 census
- therefore allocated £76,300 in autumn 2019 (100 x £763)
- adds a new year group, year 4, in autumn term 2020, so is classified as a growing school
- has 120 pupils in the October 2020 census
- its allocation for September to March is therefore recalculated as £11,625 (150 x £77.50)
- the additional payment for September to March due in spring 2021 is therefore £2,325 (£11,625 minus £9,300)

Multi-academy trust pooling

As the TPECG and supplementary fund are intended to support costs which are normally funded through the general annual grant (GAG), a multi-academy trust (MAT) may pool the funding received for its academies, in line with accordance with the Academies Financial Handbook. The means they may amalgamate grant payments for the academies to form one central fund, on behalf of the MAT as a whole. The MAT may then need to meet the running costs at any constituent academies within the trust.

As with GAG pooling, we would expect the MAT to consider the funding needs and allocations of each constituent academy, and to have an agreed mechanism for the distribution of funding to academies. We would also expect the trust's constituent academy's principal bodies the academies to be given sufficient freedom to spend the funding as they wish, however, then would expect the mechanism to include the operation of appealing to the Secretary of State, via ESFA, whose decision would be final.

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