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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 started in the 2019 to 2020 academic year, this guidance covers the arrangements up and including the 2022 to 2023 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 applied to the Department for Education in 2020 to receive extra funding for TPS costs related to their adult community learning providers through a separate process to cover all their centrally employed staff covered by the TPS. This is due to the significant variation in local authority approaches to employing teachers centrally.

In the 2021 to 2022 financial year, additional pension funding that local authorities have claimed for centrally employed teachers has been rolled into the ongoing responsibilities element of the central school services block (CSSB), including for adult community learning providers. This funding was added as a per-pupil amount to the relevant local authority's per-pupil rate, and is based on local authority claims received in May and June 2020. Then, for the most recent 2022 to 2023 CSSB allocation, the additional pension funding is included in the baseline per pupil funding for ongoing responsibilities. This element of the CSSB national funding formula is allocated on the LA's pupil share adjusted by the area cost adjustment. This is laid out in detail in the 2022 to 2023 CSSB Technical Note.

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 of 16.4% and estimated expenditure at the new, higher rate of 23.6%.

This calculation gave the figure that would apply if the change was in place for a full 12 month period. This was then multiplied by 11/12 to give the extra funding allocated for the 2019 to 2020 academic year - the allocation covered 11 months because the new employer contribution rate came into effect in September 2019.

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.

2021 to 2022 academic year

We used 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 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 used 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. Based on this revised annual figure, we calculated the difference between the TPS payments at the old and new rates (16.4% and 23.6% respectively) and applied uplifts of 1.2% and 2.1% to reflect average increases in earnings in 2020 and 2021 respectively.

2022 to 2023 academic year

We will use the 2020 to 2021 financial year audited payments made by providers to Capita for TPS to calculate funding.

The change in employer pension contributions came in before the 2020 to 2021 year, so all contributions are now being made at a rate of 23.6%.

We will use these figures to calculate an adjusted annual total that would be the equivalent amount if the 16.4% rate had still applied, this will enable us to calculate the increased costs as a result of the increase. We will do this by dividing the total payments by 23.6 and multiplying by 16.4.

Based on this revised annual figure, we will fund the difference between the TPS payments at the old and new rates (16.4% and 23.6% respectively) uplifted by 5.0% and 3.9% to reflect average increases in earnings in 2021 and 2022 respectively. The funding will be provided in 2 separate payments:

- September 2022 for the 8-month period from August 2022 to March 2023 - the amount will be 8/12 of the full year figure
- April 2023 for the 4-month period from April to July 2023 - the amount will be 4/12 of the full year figure
Where colleges have merged since 2020, 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 2022 to 2023. We communicate funding amounts for all other institutions by email.

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