

**School Forum**

**12 October 2021**

**Local Government Pension Scheme Current Service Pension Costs  
Introduction of an annual reconciliation process**

**1. Purpose of report**

- 1.1 The Local Government Pension Scheme (LGPS) has now introduced a reconciliation process for current service costs at the end of each financial year, effective from 2020/21. This change brings a risk of additional charges for schools, and this report therefore seeks to Provide Schools Forum with information regarding those additional costs and the process for recharging these.

**2. Recommendations**

- 2.1 That Schools Forum note that the Local Government Pension Scheme (LPGS) now carries out an annual review of current service pension charges, which Walsall Council will review at the end of each financial year and where necessary will allocate to individual maintained schools from 2022/23 (or at the point of conversion to academy if that happens for individual schools prior to that time).

**3. Background**

- 3.1 Current service costs are pension charges made by the LGPS for a contribution to pension costs of staff currently in the scheme (these are made in addition to past service costs which were previously presented to Schools Forum at the December 2016, January 2017 and October 2017 meetings, whereby the allocation of costs were approved, following consultation with all maintained schools, based on a tiered charge based on the size of the schools budget).
- 3.2 The LGPS have recently, from the start of the current triennial valuation period which commenced in 2020/21, introduced a reconciliation process at the end of each financial year to seek to ensure actual current service contributions made each year are in line with actual pensionable pay, rather than the estimate of pensionable pay made at the beginning of each year, to ensure that there are no shortfalls in contributions to the scheme.
- 3.3 Any potential shortfall identified in the reconciliation process will be passed onto Walsall Council who will in turn need to allocate the relevant proportion of this to maintained schools.
- 3.4 This is in line with the requirements of the Walsall Scheme for Financing Schools which confirms that the authority is required to charge the salaries of school based staff to school budget shares (and this would include costs associated with superannuation charges).
- 3.5 The first reconciliation, which relates to 2020/21, has now been completed by the scheme, however as this is not completed until after the year end (as it is based on actual pensionable pay for the year), the outcome of this has been provided to

the authority after the point at which schools have already set their individual schools budgets for the 2021/22 financial year. It is therefore proposed that the allocation of these reconciled costs to all maintained schools will be processed at the start of the 2022/23 financial year, and the outcome of subsequent reconciliations will follow that same pattern i.e. any additional reconciled costs will be recharged to schools 2 years after the year in which they relate to.

- 3.6 The only variation to the above would be where a maintained schools seeks to convert to an academy in advance of any reconciled charge being made to them, at which point any costs owing would be recharged as part of the academy transfer process to ensure that remaining maintained schools are not left with this liability.

#### **4. Notification of Charging**

- 4.1 The overall cost identified by the LGPS from the reconciliation of current service pension costs for all maintained schools for 2020/21 totals approximately £296k.
- 4.2 If a school converts to Academy before 2022/23 then the recharge will be applied at the point of conversion. This is to ensure that the schools balance is determined within the statutory deadline, within four months of the date of conversion.
- 4.3 It is recommended that schools plan for the continuation of these increased charges from 2023/24 when setting budgets.
- 4.4 A breakdown by school along with details of these costs will be shared via 'The Link' to allow schools to include these costs in their budget projections.

#### **5. Financial implications**

- 5.1 These charges relate to current service costs (for completeness there is is not a change to the current methodology for allocating past service pension costs so allocation of costs remain equitable across schools).
- 5.2 The additional cost for 2020/21 (and future years) will need to be managed within the totality of funding that is delegated to schools.
- 5.3 The average additional costs based on the LPGS reconciliation of current service pension costs for 2020/21 are shown in the table below:

<b>School Type</b>	<b>2020/21 average additional current service cost – post reconciliation</b>
Primary	£3,463
Secondary	£13,870
Nursery	£1,301
Special	£5,534
PRU	£2,071

#### **6. Legal Implications**

- 6.1 No issues directly arising from this report.

**7. School Improvement**

7.1 No issues directly arising from this report.

**8. Members eligible to vote**

8.1 This item provides information to be noted by Schools Forum and for sharing with other maintained school colleagues, therefore no vote is required.