

**Schools Forum  
6 December 2016**

**Review of Local Government Pension Scheme Past Service Pension Costs  
Allocation**

**1. Purpose of report**

- 1.1 To provide Schools Forum with an update regarding the current position for past service pension costs relating to the Local Government Pension Scheme (LGPS) and the potential approaches for allocating these costs to individual schools.

**2. Recommendations**

- 2.1 That Schools Forum note the updated position and identify their preferred methodology for allocating these costs to individual maintained schools for 2017/18.

**3. Background**

- 3.1 The Walsall Scheme for Financing Schools (based on the legislative provisions in sections 45-53 of The School Standards and Framework Act 1998) sets out at paragraph 6.1.1 that the authority is required to charge the salaries of school based staff to school budget shares (and this would include costs associated with historic superannuation charges).
- 3.2 For 2016/17, and previous years, these costs have been allocated as a percentage of pensionable pay of current employees who are members of the LGPS. The initial estimate for 2016/17 identified a potential charge per relevant employee of 14.8%, however updated figures from the pension fund have now identified that this figure needs to increase to 15.36% for the current year.

**4. Current Projection rates for 2017/18 and Alternate Options for Allocation**

- 4.1 The most recent information from the pension fund indicates that the LGPS historic contribution rates required for 2017/18 will need to increase again. Based on the current allocation methodology this would result in an increase to 15.5% of pensionable pay for each relevant employee. It should be noted, however, this percentage is subject to change in year and going forward.
- 4.2 The current allocation methodology, as it is based on numbers of staff who are members of the LGPS, places a proportionally higher burden on Nursery and Special Schools, who tend to have higher staffing to pupil ratios compared to their overall budget, than on Primary and Secondary schools – with the average total charge across each type of schools for 2016/17 being as follows:

- Nursery Schools      7.1% of total income
- Special Schools      4.3% of total income
- Primary Schools      3.4% of total income
- Secondary Schools    2.6% of total income

- 4.3 This proportionately larger burden is placing ever more pressure on some smaller schools, particularly Nursery Schools, where alongside the changes to early years funding that are currently being consulted on by central government these costs and changes are likely to significantly impact on the ongoing financial viability of these schools as a standalone provision going forward.
- 4.4 Given the above, and as the allocated charge is based on a total estimated cost provided by the pension scheme, there is scope locally to seek to agree a revised methodology for allocating historic pension costs to schools.
- 4.5 Two potential alternate models are set out below, alongside an estimate of the cost for different types of schools for each option in comparison to the current allocation methodology.

1) Current Allocation Method (allocation of costs as a % of total pensionable pay for employees in the LGPS - assuming 15.5%)	Nursery Schools Estimated Total Cost per year - £0.27m	Special Schools Estimated Total Cost per year - £0.46m	Primary Schools Estimated Total Cost per year - £3.11m	Secondary Schools Estimated Total Cost per year - £0.38m
2) Revised method based on a level allocation per school against the total in budget (assuming a charge of 3.63% of income budget per school)	Nursery Schools Estimated Total Cost per year - £0.15m	Special Schools Estimated Total Cost per year - £0.40m	Primary Schools Estimated Total Cost per year - £3.16m	Secondary Schools Estimated Total Cost per year - £0.51m
3) Revised method based on a differing level of allocation per school against the total in budget (assuming a charge of 2.45% of income budget for schools with an income up to £750k; 3.5% for schools with an income between £750k and £1.5m; 3.75% for schools with an income between £1.5m and £2m and 3.95% for schools with income above £2m per year)	Estimated Total Cost per year for schools with a budget of up to £750k per year - £0.091m	Estimated Total Cost per year for schools with a budget of between £750k and £1.5m per year - £2.041m	Estimated Total Cost per year for schools with a budget of more than £1.5m per year - £1.063m	Estimated Total Cost per year for schools with a budget of more than £2m per year - £1.025m

- 4.6 When considering their decision Forum members should also note the estimated increase in current service LGPS contribution rates, which are likely to increase from the 2016/17 rate of 13.2% of pensionable pay per LGPS employee to a rate of 14.8% for 2017/18 (and that there is no scope to seek to allocate the current costs in a different way as with historic costs).
- 4.7 It should further be noted that LGPS contribution rates are likely to increase in 2018/19 and 2019/20. Current estimates indicate 16.55% and 18.3% respectively.

## **5. Financial Implications**

- 5.1 As set out in the report, as the current allocation methodology is based on numbers of staff who are members of the LGPS, it places a proportionally higher burden on Nursery and Special Schools, who tend to have higher staffing to pupil ratios compared to their overall budget, than on Primary and Secondary schools.
- 5.2 Whilst a revised methodology may lead to a more equitable allocation of costs, any change to individual costs for each school will need to be managed within the totality of funding that is delegated to it.

## **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 only relates to maintained schools, and therefore only maintained school members with voting rights are eligible to vote on this matter.