

**Schools Forum**  
**10 January 2017**

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

**1. Purpose of report**

- 1.1 To provide additional information requested by Schools Forum in regard to level of current service pension contributions for school staff. This information to supplement previous information regarding 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 Past Pension report presented to the 6 December 2016 meeting confirmed the basis of past pension charges incurred by schools in 2016/17, and the potential percentage rate for 2017/18 should the current charging method continue.
- 3.2 The current methodology is based on those staff who have opted to be members of LGPS, as such charges are based on decisions over which schools have no control. As a result two schools with the same number of pupils, employing an identical number and make up of staff could incur significantly different past pension charges should more non-teaching staff in one school opt to be members of the LGPS scheme than in the other school.
- 3.2 The earlier report sought views on two options for the allocation of charges in 2017/18 as alternatives to the current methodology which is based on the numbers of staff who are members of the LGPS.
- 3.3 It is felt that the current methodology 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 for LGPS past service costs across each type of schools for 2016/17 being as follows:
- Nursery Schools      7% of budget share income
  - Special Schools      4% of budget share income
  - Primary Schools      3% of budget share income
  - Secondary Schools    2% of budget share income
- 3.4 In order to consider the alternative options presented, information on the level of current service pension contributions for teaching and non-teaching staff was requested by Schools Forum.

#### **4. Current Service Pension Contributions**

4.1 Below is a summary of the average cost, in each phase, incurred in respect of pension contributions for teaching and non-teaching staff in 2016/17 and a summary of overall 2016/17 pension contributions for each phase.

1. LGPS current pensions costs as percentage of Budget Share:

- Nursery Schools 5% of budget share income
- Special Schools 4% of budget share income
- Primary Schools 3% of budget share income
- Secondary Schools 2% of budget share income

2. Teachers current pensions costs as percentage of Budget Share:

- Nursery Schools 4% of budget share income
- Special Schools 5% of budget share income
- Primary Schools 7% of budget share income
- Secondary Schools 8% of budget share income

3. Overall current pensions costs as percentage of Budget Share:

- Nursery Schools 9% of budget share income
- Special Schools 9% of budget share income
- Primary Schools 10% of budget share income
- Secondary Schools 10% of budget share income

4.2 The additional information provided above confirms that, as current pension costs seem to be broadly proportionate across phases / types of school, the proportionately larger burden relating to past service costs 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.

4.3 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.

4.4 Three 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.

<b>Current Allocation Method</b> (allocation of costs as a % of total pensionable pay for employees in the LGPS - assuming 15.5%)	<i>Nursery:</i>  Estimated Total Cost per year - £0.27m	<i>Special:</i>  Estimated Total Cost per year - £0.46m	<i>Primary:</i>  Estimated Total Cost per year - £3.11m	<i>Secondary:</i>  Estimated Total Cost per year - £0.38m
<b>Option 1.</b> Revised method based on a level allocation per school against the total in budget (assuming a charge of 3.55% of income budget per school)	<i>Nursery:</i>  Estimated Total Cost per year - £0.15m	<i>Special:</i>  Estimated Total Cost per year - £0.40m	<i>Primary:</i>  Estimated Total Cost per year - £3.09m	<i>Secondary:</i>  Estimated Total Cost per year - £0.59m
<b>Option 2.</b> 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
<b>Option 3.</b> Revised Method based on an allocation as a % of total pensionable pay for LGPS assuming 10% for Nursery Schools; 15.5% Special schools; 17% for Primary & Secondary	<i>Nursery:</i>  Estimated Total Cost per year - £0.12m	<i>Special:</i>  Estimated Total Cost per year - £0.46m	<i>Primary:</i>  Estimated Total Cost per year - £3.26m	<i>Secondary:</i>  Estimated Total Cost per year - £0.40m

- 4.5 When considering their decision Forum members should also be reminded of the information provided at the last meeting with regard to 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).
- 4.6 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 for LGPS past service pension costs 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.