

**Schools Forum
5 December 2017**

**Local Government Pension Scheme Past Service Pension Costs – Allocation
Method for 2018/19**

1. Purpose of report

- 1.1 Following the presentation of this report to Schools Forum on 17 October 2017, where members requested a period of time for them to undertake consultation with schools within Walsall, this report is being represented.
- 1.2 The report provides a number of alternative options for consideration of the allocation of past service pension costs relating to the local government pension scheme (LGPS).

2. Recommendations

- 2.1 That Schools Forum identify their preferred methodology for allocating these costs to individual maintained schools for 2018/19.

3. Background

- 3.1 Past Pension reports were previously been presented to Forum at the December 2016 and January 2017 meetings, and at the meeting on 17 October 2017. The reports confirmed the basis of past pension charges incurred by schools in 2016/17, and the potential percentage rate for 2017/18 using the 2016/17 charging method. The January report also sought views on three alternative charging options.
- 3.2 The vote in January was to continue with the 2016/17 methodology in 2017/18 as it was felt that schools would not have sufficient time to adjust plans for the impact of any agreed changes. However it was agreed that the alternative options presented would be re-visited in 2017.
- 3.3 It was identified at the time that the method could result in 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 individual non-teaching staff in one school opt to be members of the LGPS scheme than in the other school.
- 3.4 The question raised was whether this placed a proportionally higher burden on nursery and special schools, who have higher required staffing to pupil ratios compared to their overall budget, than in primary and secondary schools.

The average total charge in 2016/17 for LGPS past service costs across each type of schools were identified as:

- 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 addition further information was presented to the January meeting which summarized the average cost %, in each phase, incurred in respect of current pension contributions for both teaching and non-teaching staff in 2016/17.

- 3.5 The information indicated that current pensions costs (LGPS & Teacher), as a percentage of budget share, was by phase:

Non-teaching LGPS as % of Budget Share:

Teacher pension as % of Budget Share

- Nursery 5%
- Special 4%
- Primary 3%
- Secondary 2%

- Nursery 4%
- Special 5%
- Primary 7%
- Secondary 8%

This above shows that in total current pension costs are broadly proportionate across phases / types of school at 9% - 10%.

- 3.6 It is the burden relating to past service costs that placing ever more pressure on some smaller schools, particularly Nursery & Special schools.

4. Potential Revised Charging Options

- 4.1 Three alternative options were presented in January 2017. These are summarised below:

Current Allocation Method (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
Option 1. 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
Option 2. 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
Option 3. 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

- 4.2 School Forum members are asked to review the options set out above and identify their preferred methodology for allocating these costs to individual maintained schools for 2018/19.

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.