Funding increases to teachers’ pension employer contributions

Response of the Association of School and College Leaders

1 The Association of School and College Leaders (ASCL) represents nearly 19,000 education system leaders, heads, principals, deputies, vice-principals, assistant heads, business managers and other senior staff of state-funded and independent schools and colleges throughout the UK. ASCL members are responsible for the education of more than four million young people in more than 90 per cent of the secondary and tertiary phases, and in an increasing proportion of the primary phase. This places the association in a strong position to consider this issue from the viewpoint of the leaders of schools and colleges of all types.

2 ASCL welcomes the opportunity to contribute to this consultation. We believe that a successful education system is fundamental to the performance, growth and productivity of any country. Expenditure on the education system should not be regarded as a cost but as an investment to secure the delivery of a world class education system.

3 ASCL accepts that the TPS needs further income to remain viable and that some increase in contributions will be necessary. The way in which this is funded, however, needs to take account of the current crisis in school budgets.

4 Total school spending has fallen by 8% in real terms since 2009/10 (IFS 2018). During that time a series of unfunded cost pressures have put government-funded institutions under increased pressure. These pressures include:

- annual pay awards & salary increases
- 1.8% NI increases
- 1.6% inflationary pressures on non-staff spend
- 0.4% increases in employer contributions to TPS (any 2019 increase is not included in this estimate)
- 0.4% apprenticeship levy

5 Changes to education spending have resulted in even more drastic cuts to 16-18 education over the last 25 years. In 1990/91 the spend per student in further education was 50% higher than the spend on secondary age students, but in 2018 it was 8% lower. The fall in total spending (see paragraph 3 above) includes a real-terms cut of more than 20% to the school sixth form spend per student.

6 The 5-16 state school sector welcomed the additional £1.3billion introduced in 2018 (to cover two budget years 2018/19 and 2019/20). However, this will only enable real-terms protection in line with pupil number growth. Similarly, the additional £508million over the same period to part fund the 2018 teachers’ pay award is welcome and necessary. The ASCL position is that all inflationary rises both pay and no-pay related should be fully funded.

7 It is simply not feasible to expect schools and colleges to sustain any more unfunded cost pressures without significantly increasing the risk of budget deficit and insolvency.

8 According to the government's own statistics, the average proportion of spend on teachers' pay (salary + on-costs) in secondary schools is around 55%. The following paragraph models the impact of the proposed increase in employer contributions to the teachers' pension scheme on a sample school.

9 A sample school has available revenue of £7,000,000

- Spend on teachers including on-costs £3,854,000 (55%)
- Spend on employer contributions £494,000 (at 16.48%)
- Spend on employer contributions at 23.6% would be in excess of £700,000, i.e. an increase of more than £200,000 per year. This is equivalent to the cost of around four full-time teachers.

With reference to your specific questions

Question 1

Do you agree with the proposal to fund schools for these increased costs?

10 ASCL is in complete agreement that these increased costs should be funded. The costs must be funded in full so that no school receives less than the amount it actually costs to cover the increase in employer contributions. See paragraph 8 above.

11 Whilst we acknowledge that the DfE cannot make any commitments beyond 2019/20, our position remains that all inflationary pressures applied to school budgets should be fully funded and that schools should receive three-year rolling budget settlements that are not restricted by the spending review cycle.

Question 2

Do you agree with the proposal to fund colleges and other public-funded training organisations for these increased costs?

12 ASCL is in complete agreement that these increased costs should be funded. The costs must be funded in full so that no school receives less than the amount it actually costs to cover the increase in employer contributions.

13 Whilst we acknowledge that the DfE cannot make commitment beyond 2019/20, our position remains that all inflationary pressures applied to college budgets should be fully funded. Budget settlements should be inflation proof and issued on a three-year rolling cycle that sits outside the spending review cycle.

Question 3

Impact on independent schools

14 ASCL notes in paragraph 4.3 of the consultation document that the DfE wishes to see independent schools continue to thrive. However, many independent schools work on very narrow margins. We fear that this increase could mitigate against 'thriving' and may cause numerous school closures within a few years, if not immediately.

15 Independent school closure may put unplanned-for strain on one locality's resources. ASCL is concerned about the additional pressure likely to be placed upon an already very stretched state education system if this were to happen.

16 All independent schools will have expected some increase in employer contributions, but the immediate increase from 16.4% to 23.6% would exceed anything reasonably and prudently planned for. We estimate that this is likely to cost each of the many small preparatory schools up to £250,000 per annum and over £500,000 per annum for a larger secondary school.

17 Many ASCL members in both independent and state-funded sectors have entered into mutually beneficial partnerships, and ASCL would regret the imposition of any financial burdens which may diminish this work at a time when government and school leaders are keen to support closer partnership. See https://www.schoolstogether.org/ for examples of such partnerships.

18 Many ASCL members in independent schools would have to make some severe financial choices to avoid immediate closure if these changes were to go ahead. These could include:

- staff redundancies
- cutting back on partnership work, contrary to the joint understanding between the DfE and ISC.
- limiting bursary support for those in need, again a counter-productive move
- ultimately school closure, thereby impacting job opportunities, stretching local state school resources and disrupting pupils' education and well-being.

19 To avoid this, we are aware that many independent schools are very seriously considering leaving the TPS. ASCL understands, but deeply regrets, this likely outcome.

20 TPS has helped facilitate movement of teachers between sectors for generations, to the benefit of all. We value the TPS for all our members and would regret the loss of significant income paid by the independent sector into the public sector. We understand this to be around £700 million currently.

21 We are also concerned for our members who may lose their current TPS membership, and therefore ask the DfE to ensure that existing members are protected, if a school needs to close the TPS scheme to new members.

Question 4

To what extent will this proposal have an impact on people with one or more protected characteristics?

22 Special schools tend to be very small, but with a very high staff:pupil ratio. It is, therefore, likely to hit such schools disproportionately. Not funding these increases could increase the risk of closure of much-needed specialist facilities which deliver vital programmes of support for children and young people educated in both the state and independent sectors. ASCL urges the DfE to consider the future viability of these schools as a matter of high priority.

23 I hope that this is of value to your consultation, ASCL is willing to be further consulted and to assist in any way that it can.

Julia Harnden
Funding Specialist
Association of School and College Leaders
13 February 2019