

# ROYAL BOROUGH OF WINDSOR & MAIDENHEAD SCHOOLS FORUM

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Title:	Cost pressures in schools		
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## 1 REPORT SUMMARY

- 1.1 This paper sets out the potential cost pressures in relation to the cost of employment facing all schools in 2015-16 and 2016-17 as a result of local and national changes in pay. It shows that the costs of employment for a two form entry maintained primary school could increase by approximately £98k, and by around £278k for a maintained secondary school over the next two years.

## 2 RECOMMENDATIONS:

- 2.1 That Schools Forum notes the contents of this paper and schools take account of these potential cost increases in their strategic financial planning.

## 3 BACKGROUND

- 3.1 A number of changes to pay and pension costs over the next two years mean that schools can expect to face inflationary pressures on their staffing budgets. This paper quantifies the likely pressures that schools of different sizes may expect as a result of the changes in either known or estimated pay rates, national insurance, and employer pension costs that will apply to all schools. Some, but not all schools will also face a range of other pressures that are specific to their phase or type of school but are outside the scope of this paper. These include:

- the impact of changes in post 16 national funding rates as school funding is brought into line with FE college funding
- changes to the funding protection arrangements for academy schools
- the reduction in the per pupil rate for Education Services Grant which academy schools receive as a part of their General Annual Grant<sup>1</sup>.

- 3.2 **Annex A** sets out the known and estimated changes in rates over the next two years. **Annex B.** Whilst these changes mean a real cost pressure for schools, schools have received an uplift in the per pupil and deprivation rates in the 2015-16 funding formula that will help them to manage these increases.

## 4 MAIN COST PRESSURES

### Basic pay

- 4.1 Staff pay is the single largest element of any school's expenditure. The expectation across the whole of the public sector is that staff pay will increase at no more than 1% per annum.
- 4.2 Teachers received a 1% pay increase in September 2014 with the full year effect of this increase being felt in 2015-16. On 13 March 2015 the School Teachers' Pay Review Body recommended a 1% uplift to pay scales, and a 2% uplift to the maxima of the range on

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<sup>1</sup> This grant is paid directly to Local Authorities for maintained schools.

the main pay range. This paper assumes a 1% pay award for all teachers for the next two years.

- 4.3 Non-teaching staff in schools are still on the 'Green Book – national rates'. A pay award of 2.2% for these staff covering the period January 2015 to March 2016 has now been agreed. A further 1% increase is estimated for April 2016.

#### **National Insurance**

- 4.4 From April 2016 the removal of the contracted-out rebate for National Insurance means that employers will have to pay an additional 3.4% contribution for any staff in an occupational pension, including the teacher pension scheme and the Local Government Pension Scheme (LGPS). Employers will need to pay the standard rate of 13.8% of all earnings above the second threshold (i.e. earnings above £676 per month) instead of the 10.4% contracted-out rate previously. This will apply to both teachers and non teachers alike. Whilst most teachers are in the teacher pension scheme, the impact of this change on individual schools will depend on how many non-teaching employees are in the LGPS. Indicative figures below assume all staff are in an occupation pension scheme.

#### **Pensions**

- 4.5 The employer contribution rate for teacher pensions increased to 14.1% in September 2014. A further increase of 2.38% will take effect from September 2015 when the rate increases to 16.48%. 0.08% of this is the administration cost payable to the Teacher Pension Scheme. It is assumed this rate will continue in 2016-17.
- 4.6 For non-teachers in maintained schools who are in the LGPS, the employers' rate increases by 0.6% from 17.6% to 18.2% from April 2015, and by a further 0.7% to 18.9% in April 2016. The employer rate for non-teachers for all academies in RBWM is currently 16.6% and is set to remain at the same level until at least March 2017.

### **5 FINANCIAL IMPLICATIONS**

- 5.1 **Annex B** shows the indicative impact of these changes for a selection of teacher and non-teaching staff on different grades. Schools may want to use this information to estimate the approximate impact for their school based on their own staff profile.
- 5.2 The total impact of these changes in the cost of employment will be to increase the cost to schools by 2016-17 by around £36k for a small one Form of Entry (FE) primary school (150 pupils), £98k for a two FE primary (400 pupils), and £278k for a secondary school with sixth form (1,100 pupils) (see table 1). This equates to approximately 6% of total pay costs. The impact for academies is slightly less because of the lower non-teacher pension rates. **Annex C** provides a more detailed breakdown of these costs.

**Table 1: Impact of changes in the cost of employment**

<b>Increase in pay costs Maintained schools</b>	<b>2015-16 £000</b>	<b>2016-17 £000</b>	<b>Total increase £000</b>
1 FE Primary	13	23	36
2 FE Primary	34	63	98
Secondary	92	186	278

<b>Increase in pay costs Academies</b>	<b>2015-16 £000</b>	<b>2016-17 £000</b>	<b>Total increase £000</b>
1 FE Primary	12	22	33
2 FE Primary	31	60	91
Secondary	86	180	266

- 5.3 With general inflation currently running at around 1%-1.5%, schools are also likely to face a range of other inflationary pressures on some non pay costs in the next two years.

## Changes in Pay Rates 2014-15 to 2016-17

Teachers	Date of implementation	2014-15	2015-16	2016-17	
Pay award	From September	1%	1% estimated	1% estimated	
NI	From April	No change	No change	3.40%	Removal of NI contracted out rate from April 2016. Standard rate of 13.8% will apply for earnings above secondary threshold.
Superannuation -all schools	From September	-	2.38%	No known change	

Non teachers	Date of implementation	2014-15	2015-16	2016-17	
Pay award - schools	From Jan 15 to Mar 2016	2.20%		1% estimated	Green Book - national rates
NI - schools and non schools	From April	No change	No change	3.40%	Removal of NI contracted out rate from April 2016. Standard rate of 13.8% will apply for earnings above secondary threshold.
Superannuation - maintained schools	From April	-	0.60%	0.70%	
Superannuation - academies schools	From April	No change	No change	No change	

Superannuation rates		2014-15	2015-16	2016-17
Teachers - all schools	From September	14.10%	16.48%	16.48%
Non teachers - maintained	From April	17.60%	18.20%	18.90%
Non teachers - academies	From April	16.60%	16.60%	16.60%

## Increases in total pay costs, including superannuation and NI, for a selection of staff grades

Post	Scale	Total pay including oncosts £			Increase £		Increase %	
		2014-15 a	2015-16 b	2016-17 c	2015-16 b-a	2016-17 c-b	2015-16	2016-17
Head Teacher	L28	93,985	95,602	98,498	1,617	2,896	1.72%	3.03%
Dep Head	L15	68,081	69,263	71,693	1,182	2,430	1.74%	3.51%
Asst Head	L10	60,140	61,189	63,476	1,049	2,287	1.74%	3.74%
Asst Head	L5	53,014	53,942	56,101	929	2,158	1.75%	4.00%
Teacher	UPS 3	47,079	47,900	49,908	821	2,008	1.74%	4.19%
Teacher	UPS 2	45,413	46,205	48,137	792	1,931	1.74%	4.18%
Teacher	UPS 1	43,808	44,572	46,430	765	1,857	1.75%	4.17%
Teacher	MS 6	40,468	41,175	42,879	708	1,704	1.75%	4.14%
Teaching Asst F/T	Scp13	17,251	17,718	18,306	467	588	2.71%	3.32%
Teaching Asst P/T	scp13	11,363	11,673	12,006	309	333	2.72%	2.85%
Business manager	M5	51,870	53,271	55,287	1,400	2,016	2.70%	3.78%
Administration / other	scp 21	25,679	26,372	27,325	693	953	2.70%	3.62%

NB All teacher increases above reflect a pay award of 1% from September 2015. The recent STRB announcement recommended an increase of 2% for teachers on the top of the main scale (MS6).

## Impact of changes on schools

Non academies		Increase in pay costs		Total increase
Teachers	Pay costs in 2014-15 £000	2015-16 £000	2016-17 £000	Total £000
1 FE Primary	379	7	15	22
2 FE Primary	1,055	18	43	61
Secondary	3,601	63	148	211

Non teachers	Pay costs in 2014-15 £000	2015-16 £000	2016-17 £000	Total £000
1 FE Primary	225	6	8	14
2 FE Primary	587	16	20	36
Secondary	1,076	29	38	68

All staff	Pay costs in 2014-15 £000	2015-16 £000	2016-17 £000	Total £000
1 FE Primary	604	13	23	36
2 FE Primary	1,642	34	63	98
Secondary	4,677	92	186	278

Academies		Increase in pay costs		Total increase
Teachers	Pay costs in 2014-15 £000	2015-16 £000	2016-17 £000	Total £000
1 FE Primary	379	7	15	22
2 FE Primary	1,055	18	43	61
Secondary	3,601	63	148	211

Non teachers	Pay costs in 2014-15 £000	2015-16 £000	2016-17 £000	Total £000
1 FE Primary	223	5	6	11
2 FE Primary	582	13	16	29
Secondary	1,067	24	32	56

All staff	Pay costs in 2014-15 £000	2015-16 £000	2016-17 £000	Total £000
1 FE Primary	602	12	22	33
2 FE Primary	1,637	31	60	91
Secondary	4,668	86	180	266