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**From:** Sarah Hammond, Corporate Director for Children's Young People and Education

**To:** Rory Love, Cabinet Member for Education & Skills

**Subject:** Distribution of 2024-25 Teachers Pensions Employer Contribution Grant & Core Schools Budget Grant to Schools & Early Year Budget Grant

**Decision no:** 24/00118

**Key Decision :** *If the decision is Key, please specify under which criterion, either:*

- *It affects more than 2 Electoral Divisions*
- *It involves expenditure or savings of maximum £1m – including if over several phases*

**Classification:** *Unrestricted*

**Past Pathway of report:** *Children's, Young People and Education Cabinet Committee – 16th January 2025*

**Future Pathway of report:** Cabinet Member Decision

**Electoral Division:** *All*

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**Is the decision eligible for call-in?** Yes

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**Summary:** The Department of Education has provided extra funding to schools and early years providers in response to increases in the Employers Contribution towards Teachers Pensions and Teachers Pay Awards (& other staff) during 2024-25. This decision will confirm how this additional funding will be distributed to schools and early years providers, where there is a local decision, in line with Government guidelines.

**Recommendation(s):**

That the Cabinet Member for Education and Skills, consider the following proposal:

- APPROVE the distribution the Teacher's Pension Employer Contribution Grant in line with the terms and conditions of the grant
- APPROVE the distribution the Core Schools Budget Grant in line with the terms and conditions of the grant.
- APPROVE the distribution of the Early Years Budget Grant to Early Years Providers in line with the terms and conditions of the grant.

- DELEGATE authority to the Director of Education and SEN, in consultation with the Cabinet Member for Education and Skills to take other necessary actions, including but not limited to making any further necessary changes to funding rates in light of any final affordability issues, and entering into contracts or other legal agreements, as required to implement the decision.

## 1. Introduction

- 1.1 Kent has received three new grants for 2024-25, from the Department of Education (DfE), to address pay and pension pressures in Kent state-funded schools and must now pay these in full to maintained primary & secondary schools in line with DfE prescribed amounts. For state-funded special schools, alternative provision (AP) and early years providers, the Council must agree the methodology for distribution to individual schools and providers.

## 2. Key Considerations

- 2.1 The Council must decide whether the grant funding for special schools, AP and early years providers is distributed to schools and providers using the DfE methodology or whether a local approach is taken to distribution in accordance with the terms and condition of grants.

## 3. Background

- 3.1 The Department of Education (DfE) has confirmed the Council will receive three separate grants in 2024-25 (with final grant allocations confirmed in March 2025), to support the increase in costs in schools and early years providers resulting from:

- Estimated increase in Teachers Pension Employer Contribution (TPEC) by 5 percentage points, to 28.6% from 1st April 2024 to ensure that the scheme continues to meet present and future obligations (estimated total £30.5m for schools in Kent)
- Estimated increases in schools resulting from the September 2024 teachers pay award announcements and support staff pay increases from 1st April 2024 (the Core Schools Budget (CSB) Grant, is estimated total £31.2m for schools in Kent)
- Estimated increases for early years providers of the free entitlement offer in resulting from teachers' pay award from September 2024 (the Early Years Budget (EYB) Grant, estimated total £0.3m for early years providers in Kent)

- 3.2 The table below summarises the draft allocations by school type:

School Type	TPEC Grant £'ms	CSB Grant £'ms	EYB Grant £'ms
Maintained Primary & Secondary Schools	8.3	8.6	
Academy & Free Schools Primary & Secondary Schools	17.1	17.5	
State-funded Special Schools	3.6	3.7	
State-funded Alternative Provision	0.3	0.3	

State-funded Hospital Schools	0.1	0.1	
Independent Schools	0.9	0.9	
Local Authority Centrally Employed Teachers	0.1	0.1	
Early Years Providers			0.3
ESTIMATED TOTAL	30.5	31.2	0.3

### 3.3 TPEC Grant & CSB Grant

3.3.1 The Local Authority is responsible for the passporting of these grants to individual maintained primary and secondary state-funded schools and the amounts have been prescribed by the Department of Education as part of the terms and condition of the grant (and therefore is not part of this key decision). Mainstream Academies and Free Schools will receive their grant allocations directly from the DfE. In 2025-26, the funding for these grants will be rolled into the main schools budget (and will no longer be received separately).

3.3.2 The DfE provide discretion to Local Authorities to determine the methodology for the distribution of funding to both maintained Alternative Provision (AP) (including pupil referral units, AP academies & free schools, and hospital school), and state-funded special schools (maintained & academy) with an estimated total of TPEC Grant £4m & CSB Grant £4.2m. Interim payments have been made to schools, to support cash-flow, in lieu of this decision and final grant allocations being confirmed.

3.3.3 The DfE guidance for setting the distribution methodologies to AP and state-funded special schools are the same for both TPEC and CSB Grants. The Local Authority must:

- pass on 100% of the funding notionally allocated to the eligible school types (state-funded AP, hospital & special schools)
- ensure that all eligible schools receive a funding allocation in 2024 to 2025
- have transparent criteria to distribute funding to individual schools, treating academies and maintained schools the same
- consult with schools before deciding their methodology for allocating funding

3.3.4 The grant received by the local authority is based on an amount per commissioned place for the 2024-25 academic year (initial allocations are based on 23-24 academic year) for AP & Special Schools, whilst the hospital school allocation is based on a lump sum. The funding rates are:

School Type	TPEC Grant	CSB Grant £'s per place
State-funded Special Schools and AP £'s per commissioned place	£600.09 (£595+Area adjustment)	£615.22 (£610+Area adjustment)
State-funded Hospital School total £'s	£81,810	£89,991

3.3.5 Additional funding received for independent schools and centrally employed teachers will be used to support 24-25 price uplift requests and pay increases (respectively) in accordance with the grant conditions. For independent

schools, the funding is intended to be used to support price uplift requests in regards to pension employer contribution and teachers pay and other staff increases. For 2024-25, requests for fee increases by independent schools was completed as part a negotiated managed process.

### 3.4 EYB Grant

3.5 The Council must decide how the funding for early years should be allocated to individual providers (estimated total EYBG £0.3m). The grant is calculated based on the number of free entitlement hours for 3 & 4 year olds provided as at January 2024 census.

3.6 It is for local authorities to determine the most appropriate way of allocating EYBG funding locally, in recognition of local circumstances. There is no requirement to pass the funding on in a particular way as the DfE recognise individual local authorities have in the past taken different approaches, for similar grants, for example, some local authorities have distributed additional funding universally, to all providers locally, in recognition of the workforce cost pressures that providers are facing. Other authorities have targeted additional funding to providers who have a greater proportion of qualified teaching staff, and who will directly experience pressures as a result of increasing teacher pay and pension contributions.

3.7 Local authorities must pass on the funding in a clear and transparent way, so that providers can understand how allocations have been determined locally. There was no requirement to consult on the process.

## **4. Options considered and dismissed, and associated risk**

4.1 The option to return these grants to the DfE was disregarded at an earlier stage. The grants have been allocated directly to the Local Authority by the DfE for distribution to schools to support unavoidable increases in spend relating to pay.

### 4.2 TPEC Grant and CSB Grant

4.2.1 Due to both grants relating to pay. It was decided the grants should be allocated in a similar way.

4.2.2 The allocation of the grant was considered in terms of how funding is currently allocated to both state-funded special schools and AP.

4.2.3 For AP, funding from the local authority is delegated directly to schools based on a standard rate and commissioned numbers, in the same way as the TPEC and CSB grant is to be allocated to LAs, therefore, options to allocate the funding in a different way to these settings was discarded to avoid undermining the wider funding approach. With the proposal to allocate the grant funding to the schools on the same basis as grant received from the DfE. This would extend to allocating the hospital school lump sum.

4.2.4 For special schools, a short consultation was completed during November to determine whether there was a preference to allocate the funding based on a calculated rate using the commissioned or actual numbers (based on a snapshot in October). The response was inconclusive (with equal responses

for both). Previously, a similar pay grant (TPAG) had been allocated to schools based on the average rate of funding each school received through their main budget and the number of commissioned places. This meant every school was allocated funding on a slightly different rate. A review of special school funding is also underway which may impact future average rates of funding. A sensitivity analysis was completed to understand the impact of various options to allocate the funding to schools, which resulted in the recommendation to allocate the funding on the same principle as the DfE methodology, using a flat rate per commissioned place for 2024-25 academic year. However, the rate per commissioned place will be slightly lower than the DfE grant rate, to allow for the LA to make a higher allocation to residential schools (as the CSB Grant was intended to cover other staff cost pressures in addition to teachers pay) and a slightly higher allocation to one school which was identified as being the most extreme outlier using this methodology in comparison to other options.

4.2.5 On the 18<sup>th</sup> December the DfE released guidance for 2025-26 which set out the expectation that both the TPEC and CSB Grant would be combined with TPAG into a single new “Core Schools Budget” Grant. Based on guidance from the DfE, a further discussion will take place with specials schools to determine whether the current approach will remain for 2025-26 or fully aligned to the standard methodology by DfE.

### 4.3 EYB Grant

4.3.1 Kent’s policy for funding the 3 & 4 year old free entitlement recognises the additional costs associated with employing a qualified teacher by paying a supplementary rate to eligible providers (who employ a teacher known as the quality supplement). Consideration was given as to whether this extra grant funding was allocated only to eligible providers with a teacher (option 1) or to eligible providers with an early year professional (option 2) or whether funding should be distributed to all providers through a general rate increase to reflect the wider pressures on the provider market (option 3).

The difference in the two approaches is set out below:

Options	Provider rate (with qualified teacher) £s per hour	Provider rate (with other qualified professional) £s per hour	Provider grant rate (standard) £’s per hour
1	14p (equivalent to 3% increase in overall rate)	0p	0p
2	6p	6p	0p
3	3p (equivalent to 0.5% increase in overall rate)	3p (equivalent to 0.6% increase in overall rate)	3p (equivalent to 0.7% increase in overall rate)
No of Providers	147	277	616

4.3.2 In recent years, similar grants relating specifically to teachers pay & pensions pressures have been targeted and used to increase the “quality supplementary rate” for providers who employ a teacher. The current teachers supplementary rate is now £1.20 per hour, which means eligible providers employing a teacher currently receive 23% or £1.20 more per hour than a provider who does not. This grant would effectively increase this

supplementary rate to £1.34 per hour. The majority of eligible providers are school led nurseries.

4.3.3 As this grant was given specifically to address the additional costs arising from the teachers' pay award for 2024, it is recommended, in line with Kent's existing funding policy to target this funding accordingly and to distribute to those eligible providers who have been identified as employing a qualified teacher in line with Kent's funding policy, in addition, a lump sum will be provided to the Maintained Nursery.

4.3.4 The DfE have also recently confirmed for 2025-26 this funding would be added to the overall funding rate received by local authorities to distribute to providers of the free entitlement and not received separately in future.

## **5. Financial Implications**

5.1 This decision relates to the allocation of three DfE grants in 2024-25, and the expectation is funding relating to state-funded AP, Special Schools and early years providers will be fully allocated by the end of March 2025. With funding for independent schools and centrally employed teachers to be allocated against budgets incurring increased spending due to fee or pay increases respectively. The centrally employed teachers allocation is a contribution towards increased costs – where this is deemed to be insufficient to cover the full cost, additional efficiencies will need to be made. There will be no General Fund requirement.

## **6. Legal implications**

6.1 The teachers pension employer contribution grant, core schools budget grant, early years budget grant will be paid by the Secretary of State for Education as a grant under section 14 of the Education Act 2002.

6.2 Local authorities must ensure that all of the TPEC, CSB and EYBG funding they receive is distributed to either schools or early providers based on the terms & conditions of the grant. The local authority must not use the funding for contingency or local authority central or administration costs. The council will be required to sign an assurance statement to confirm they have passed on the funding (in the same way other school/early years specific grants must be reported).

6.3 If a local authority fails to comply with the terms and conditions set out in this document, the Secretary of State may recover some or all of the grants that have been allocated.

## **7. Equalities implications**

7.1 The sensitivity analysis completed on the different approaches to allocating the funding to special schools was used to support the Equality Impact Assessment (EqIA) for this decision. The analysis indicated a possible negative impact on the distribution of the grant related to special schools, if the DfE methodology was followed, as the standard grant rate per commissioned place did not reflect the additional cost of residential placements. It also identified where the DfE

methodology was not closely aligned to current funding arrangements. The final proposed rates are expected to be adjusted to take this into account.

## **8. Data Protection Implications**

8.1 Not applicable

## **9. Other corporate implications**

9.1 None

## **10. Governance**

10.1 The Director of Education will enact the decision, and make adjustment to final allocations for each school, in line with the final grant allocation once known.

## **11. Conclusions**

11.1 The recommendations of this report are in line with the DfE guidance on the allocation of these grants to special schools, alternative provision and early years providers, whilst reflecting the local circumstances of this county. The additional grant funding will help towards the additional costs of national changes relating to both teachers pay and pensions, in addition to other inflationary increases for schools.

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### **Recommendation(s):**

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## **10. Background Documents**

10.1 Equality Impact Assessment

**11. Contact details** *(please insert details below)*

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