

Three-year budget planning assumptions

February 2023

This paper is intended to support informed discussion about the assumptions you make as part of the three-year financial planning process for revenue expenditure. The suggestions and recommendations are included as a starting point for your discussions.

It is a requirement of the **2022 Academy Trust Handbook (ATH)** that trusts prepare three-year planning forecasts. At the time of writing, the submission date for the academy 3YBFR (three-year budget forecast return) 2023 has not been published, however we expect it to be late in the summer term.

Local authority maintained schools must submit a three-year budget forecast each year, at a date determined by the local authority between 1 May and 30 June. More details about the Scheme for Financing Schools can be found [here](#).

The suggestions and recommendations included below are based on the best information available at the time of writing.

In this paper, three years means:

- year 1 funding year 2023/24
- year 2 funding year 2024/25
- year 3 funding year 2025/26

This information paper is suitable for staff and board members who are involved in the completion and ratification of multi-year budget planning.

Strategic financial planning requires making assumptions where there are 'known unknowns'. This is necessary to present the most informed picture of the financial landscape and how this will impact on the sustainability of the trust or school.

Assumptions must always be evidenced, recorded and reflect local context. Making budget assumptions is a shared responsibility. It should not be the remit of one person. Keep any assumptions that are agreed under regular review and adjust as more information becomes available.

Autumn Statement, November 2022

The Autumn Statement confirmed that commitments made at the October 2021 spending review (SR) would be delivered. SR21 delivered a funding settlement across all phases of education, for a three-year period from 1 April 2022 to 31 March 2025. For academies and 16-19 funding, this means funding for the academic years September 2022 to August 2025. Therefore, the three-year forecasts you are producing now will go beyond the current SR period. The Autumn Statement also delivered new money for the funding years 2023/24 and 2024/25. This included the mainstream schools additional grant (MSAG) and additional funding for specialist provision (see the **ASCL Autumn Statement November 2022 summary information paper** for more detail on this area).

Planning assumptions

1 Pupil numbers

Institutions must be realistic about what the number on roll (NOR) will look like in years two and three. Avoid being overly optimistic if your numbers are growing and consider what trends indicate. If you are a secondary phase school or trust, understand the local demographic and your feeder school numbers for current Years 4 and 5. **National pupil projections** indicate a decline in primary pupil numbers over the next three years. In secondary phase, the projected national decline starts to impact in 2025.

2 General Annual Grant (GAG) allocation (Pre-16) / Individual school budget (pre-16)

Year one, 2023/24

The DfE publication Schools Operational Guidance December 2022 confirmed the following:

- Schools supplementary grant rolled into the NFF.
- NFF factor values (on top of the amounts added for the schools supplementary grant) increased by:
 - 4.3% free school meals at any time in the last 6 years (FSM6) and income deprivation affecting children index (IDACI)
 - 2.4% to the basic entitlement, low prior attainment (LPA), FSM, English as an additional language (EAL), mobility, and sparsity factors, and the lump sum.
 - 0.5% to the floor and the minimum per pupil levels (MPPL)
 - 0% on the premises factors, except for Private Finance Initiative (PFI) which has increased by Retail Prices Index excluding mortgage interest payments (RPIX) which is 11.2% for the year to April 2022
- The minimum per pupil funding level (MPPFL) for 2023/24 will be £4,405 for each primary school and £5,715 for each secondary school with standard structures of seven and five year groups respectively. For schools with different year group structures, a specific MPPFL will be derived based on the following:
 - Primary year groups £4,405
 - KS3 year groups £5,503
 - KS4 year groups £6,033
- Local formulae will continue to determine final allocations. Approval for 2023/24 local funding formulae was required by the end of January 2023. Contact your local authority for details about this.

Mainstream schools additional grant (MSAG) 2023/24

The MSAG is revenue funding, provided for the first time in 2023/24, to support cost pressures.

In 2023/24 the MSAG will be paid as an additional grant. Beyond that we expect that it will be rolled into the NFF for mainstream schools. Methodology, rates and a calculator to support estimating MSAG for your school are available [here](#). This grant will be available to all eligible institutions from April 2023.

Forecast for year two 2024/25

The Autumn statement confirmed that SR21 commitments would be met. We expect the core schools budget to grow by £1.5 billion in 2024/25 (compared to 2023/24). For planning purposes we would suggest applying +2.5% revenue income per pupil for year two. This will include the baselined MSAG.

Year three 2025/26

This year will be in a new spending review period. At the time of writing there is no detailed information available for this period. However, the **Autumn statement** includes the following statement about the period 2025/26 – 2027/28:

“After this Spending Review period, departmental resource spending will grow at 1% a year in real terms.”

For planning purposes, you may choose to consider reflecting this assumption, or roll forward year 2 funding levels until more detail is available.

3 Other grant income

Pupil Premium Grant (PPG)

The Pupil Premium Grant (PPG) rates for eligible pupils in the funding year 2023/24 are:

- Primary £1,455
- Secondary £1,035
- Looked after and adopted from care £2,530

More information about pupil premium including conditions of grant are available [here](#).

PE and sports premium for primary schools

We assume that this grant will continue to be available in 2023/24 but at the time of writing we do not have any information about rates. Current rates and conditions of grant are available [here](#).

Universal infant free school meals funding (UIFSM)

UIFSM will continue in 2023/24 but at the time of writing we do not have any information about rates for the academic year beginning September 2023. Current rates and conditions of grant are available [here](#).

Funding for education recovery

Recovery premium will continue for the academic year beginning September 2023. At the time of writing we do not have any detail about rates for the September 2023 academic year. Information about current rates and conditions of grant are available [here](#). This grant is not confirmed for the academic year beginning September 2024.

National Tutoring Programme (NTP) funding will continue for the academic year beginning September 2023. The subsidy for the 2023 to 2024 academic year will be 25%. Full guidance on funding arrangements for next year will be published in summer 2023. Information about the NTP strands and conditions of grant are available [here](#). This grant is not confirmed for the academic year beginning September 2024.

4 16-19 Programme funding

Year one, 2023/24

The learner rate for 2023/24 has been confirmed at £4,642 for 16 and 17-year-olds and students aged 18 and over with high needs in band 5. The funding rates for different funding bands, including funding for T levels and for additional elements such as High Value Course Premium, Advanced Maths premium, funding are available [here](#).

The learner rate of £4,642 is allocated on the basis that institutions will deliver an additional 40 hours for band 5 study programmes. This will be monitored by the ESFA. Guidance on the additional 40 hours in study programmes and funding implications is available [here](#).

DfE has confirmed continuation of the Teachers' Pension Scheme employer contribution grant for the academic year 2023/24. More detail is expected in March 2023.

Forecast for year two 2024/25 and year three 2025/26

We understand that the ESFA aim to permanently embed additional hours in 16 to 19 education, and that they will review options for doing this over a longer period. We would recommend continuing to use the funding band rates and additional elements rates used for 2023/24. However, at the time of writing, the funding rate has not been confirmed beyond 2023/24.

We would suggest continuing to include the Teachers' Pension Scheme employer contribution grant.

We must be mindful that the funding year 2025/26 is outside the remit of the current spending review period which ends 31 March 2025.

16-19 Bursary allocations

The 16 to 19 Bursary Fund provides financial support to help students overcome the specific financial barriers to participation they face so they can remain in education. The ESFA introduced a new distribution methodology for allocating bursary funding in 2020/21.

The new methodology is being phased in over four years to allow institutions to adjust. Transitional arrangements will cease in the 2023 to 2024 academic year when the intention is to base allocations on their actual calculated values. Full details of how the transition phase operates and guidance on the 16-19 bursary are available [here](#).

Funding for education recovery

The 16-19 Tuition Fund will continue in academic year 2023/24. Information about allocations for the 23/24 academic year is expected in the spring. The most recent information about the scheme, including reporting requirements to ensure compliance with funding conditions is available [here](#). The grant is not confirmed beyond the 23/24 academic year.

5 Staffing costs

Teachers: budget year 2023/24

The Government has reaffirmed their commitment to increasing starting salaries for teachers to £30k and their commitment to the autonomy of all headteachers and governing boards to develop pay arrangements that are suited to the individual circumstances of their schools.

The STRB has been asked to provide recommendations for a pay award for 2023. At the time of writing, the STRB recommendations for 2023/24 are unknown.

In their written evidence to the STRB (February 2023), the DfE indicates that an overall award of +3.5% is affordable. In other words, an increase of 3.5% on the national pay bill. More detail about how the DfE has assessed school costs nationally is contained within the School Costs Technical Note, February 2023, which is available [here](#).

DfE evidence asks the STRB to deliver recommendations that:

- delivers the manifesto commitment of a £30k starting salary. This would require an increase in M1 of +7.1% to the minimum of the Rest of England pay scale.
- provide balanced and appropriate uplifts for experienced teachers and leaders. (DfE evidence suggests that a 3% uplift be considered)
- support schools to manage their budgets, without creating unmanageable pressures.

The DfE evidence states that the Department holds no further funding for the core schools budget for teacher pay. In other words, we should not expect additional funding (over and above that included in paragraphs 2-4 of this paper) to cover any pay award. It should be noted that the STRB is not obliged to adopt the DfE proposal and that it remains ASCL's position that all pay awards should be fully funded.

We think that all teachers and leaders should receive a pay award at least in line with an inflation measure that reflects the cost of living. The HM Treasury projections (February 2023) for the consumer price index (CPI) and the retail price index (RPI) are in Table 1 at the end of this paper. However please note that the DfE tend to use the GDP deflator as a measure of inflation. The GDP deflator is typically used to indicate price changes in public spending. See Table 2 at the end of this paper.

Funding year considerations

- Maintained schools will need to cover 7/12th of a newly implemented teachers' pay award in the corresponding funding year, which runs from April to March.
- Academies will need to cover a full 12 months' costs of the newly implemented pay award in the corresponding funding year, which runs from September to August.

Budget year 2024/25 and 2025/26 (Teachers' pay award implemented September 2024 and 2025)

We would suggest considering the inflation tables at the end of this paper.

Support staff – budget year 2023/24

The National Employers side of the NJC (National Joint Council for Local Government Services) have made the following offer:

- £1,925 (pro rata for part-time employees) to be paid as a consolidated, permanent addition, on all NJC pay points 2 to 43 inclusive.
- +3.88% on all pay points above the maximum of the pay spine but graded below deputy chief officer.
- +3.88% on all allowances.

At the time of writing, NJC unions are considering the offer. The support staff unions submitted a claim for an increase of RPI (Retail Prices Index) +2% on all spinal column points. The HM Treasury projections (February 2023) for RPI are in Table 1 at the end of the paper. Once agreed, the NJC award will be effective from 1 April 2023.

Budget year 2024/25 and 2025/26

We think that support staff should receive a pay award at least in line with an inflation measure that reflects the cost of living (see Table 1 at the end of this paper).

Employer contributions to the LGPS for support staff

Each LGPS administering body undertakes a triennial revaluation exercise. The outcome of the most recent valuation sets employer contributions for the period April 2023 to March 2026. Contact your local authority (maintained schools) or actuary (academy schools) if you are unsure about the implications for your budget from April 2023.

6 Non-pay expenditure (all non-staffing costs)

Economic forecasting continues to be speculative. For transparency, we have looked at HM Treasury projections for different measures of inflation. We tend to think that school costs probably align best to CPI. See Table 1 below.

Energy

The actual increases in energy costs will vary according to individual contract terms. Feedback from members indicates that bills are set to increase by more than 100% in many cases. Best advice is to consult with your energy provider and use tools available such as the DfE's **Buying for Schools** and **Find a Framework** guidance.

The Energy Bill Relief Scheme comes to an end on 31 March 2023. This scheme is being replaced by the Energy Bill Discount Scheme (EBDS). Schools are in scope for the scheme which provides a unit discount subject to a wholesale price threshold. Where costs are below the threshold no support will be given. More detail about the EBDS is available [here](#).

Risk Protection Arrangement (RPA)

If you subscribe to the RPA include the 2023/24 rates, which are below. More detail about the RPA is available [here](#).

Academies

The cost for the next academic year (1 September 2023 to 31 August 2024) will increase to £23. Costs are per pupil per year.

Local authority maintained schools

The cost for the next academic year (1 April 2023 to 31 March 2024) will increase to £23. Costs are per pupil per year.

It is also sensible to consider the impact of any decisions taken to review or renew other large contracts, such as cleaning, catering, IT support, or HR. Such decisions may have secured savings that will offset more arbitrarily applied inflationary increases.

Useful reminders

This is a snapshot of the financial position over the next three years based on the best information available at the time.

The governing board should agree and support any assumptions you include in your forecasts.

Table 1

The **HM Treasury projections** for measures of CPI and RPI (February 2023):

Financial year	2023/24	2024/25	2025/26
Consumer Prices Index (CPI)	7%	3%	2.2%
Retail Prices Index (RPI)	9.3%	4%	3.3%

Table 2

HM Treasury (2023) GDP deflators at market prices – December 2022. Measure used by DfE in **School Costs Technical Note, February 2023**

Financial Year	2023/24	2024/25	2025/26
GDP deflator	3.2%	1.32%	0.5%

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February 2023



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