INFORMATION PAPER

Association of School and College Leaders

Three-year budget planning

This paper replaces the three-year budget planning guidance published at the end of April 2020.

During the Covid-19 pandemic, the ESFA has cancelled, paused or deferred some data collections. The full range of data collections and services affected can be found **here**.

The submission date for **the academy 3YBFR** has been extended by two months to 29 September 2020 and for this year only, the ESFA has removed the requirement to submit plans for years two and three (2021/22 and 2022/23).

However, ASCL continues to advocate the importance of three to five-year strategic planning, and it is a requirement of the **Academies Financial Handbook** (AFH) that trusts prepare three-year planning forecasts. It is important to note that the AFH has not been suspended during the pandemic.

With that in mind, the intention of this paper is to support informed discussion about the assumptions you make as part of the three-year planning process. In this paper, three years means:

- Year 1 funding year 2020/21
- Year 2 funding year 2021/22
- Year 3 funding year 2022/23

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

This guidance does not include assumptions or information about the Covid catch-up package which will be a 'one-off' grant in addition to national funding formula (NFF) allocations, distributed across the 2020/21 academic year. Details of that fund can be found **here**.

Strategic financial planning can only be done using the best information that is available at the time. Necessarily, that means that assumptions will have to made about the 'known unknowns' in order to present the most informed picture of the financial landscape and how this will impact on the sustainability of the trust or school.

Budget planning assumptions should always be clearly articulated and reflect those incorporated in your trust or school strategic plan. Making assumptions is a shared responsibility and should not be the remit of one person.

Spending review 2020

We know that there will be a spending review in 2020 and we expect the outcome to be announced in the Autumn. It seems likely that the review period will cover the three years from 2021/22 to 2023/24 for revenue expenditure. We can expect it to be dominated by the pandemic but we also expect that the three year settlement for schools (announced in the September 2019 spending round) will inform the core schools budget for 5-16 year-olds for the next two years (2021/22 and 2022/23).This is the best information available to us. The 2020 spending round will include new information about early years funding and funding for young people aged 16-19 from 2021/22 onwards. (This is because the September 2019 announcement only included spending plans for these groups for one year, 2020/21).

Recommended assumptions

Pupil numbers

It is essential that institutions are realistic about what the number on roll (NOR) will look like in years two and three. Try to avoid being overly optimistic if your numbers are growing and consider what the trends evident in your own institution 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.

General Annual Grant (GAG) allocation (Pre-16)

The September 2019 spending round confirmed minimum per pupil funding levels and NFF factor values for the funding year 2020/21 (year 1).

Forecast for year two 2021/22

Local formulae will continue to determine final allocations. The **NFF for 2021/22** has been confirmed.

- Key factors in the NFF will increase by 3%.
- The minimum per pupil funding levels for primary schools will increase to £4,000.
- The minimum per pupil funding levels for secondary schools will be £5,150.
- On top of the above schools will receive an additional £180 (primary) and £265 (secondary) per pupil as part of their NFF allocation. This is to cover teachers' pay and pension grants previously funded through separate grants.
- The funding floor (essentially the inflationary rise) will be 2%. This means that all schools should receive a minimum 2% increase on their pupil-led funding.

Full details of the NFF for 2021/22 are available **here** and indicative school allocations are available **here**.

Low prior attainment (LPA) factor will be affected by the lack of data for EYFS and KS2 assessments in 2020. The DfE has issued **guidance to local authorities**. This guidance instructs local authorities to use 2019 assessment data as a proxy for the 2020 reception and Year 6 cohort.

Forecast for year three 2022/23

Government remains committed to moving to a hard formula and we anticipate a consultation process being launched later in 2020, but we cannot assume that a national formula will be in force by 2022/23, nor do we know exactly what this might look like. Using the best information available at the time of writing we would recommend applying a 2.12% increase to per pupil funding for 2022/23 based on **June 2020 government projections**.

Having been baselined (included in the NFF allocations) in 2021/22, funding to cover the teachers' pay award (2018 and 2019 award) and employers' contribution to the Teachers' Pension Scheme will continue to be included in 2022/23 budget allocations. Therefore, this will now form part of your overall income per pupil.

Other grant income

We recommend including grants received outside GAG at current rates but adjusted for changes in pupil numbers. For example, if 15% of your pupils are eligible for the pupil premium in the current year, apply the same percentage to your pupil number projections.

16-19 Programme funding

The September spending round introduced revisions to the 16-19 funding formula including an increase in the learner rate to £4,188 for full-time 16 and 17-year-olds, funding for T levels and the High Value Course Programme. The spending round settlement was for 2020/21 only.

Forecast for year two 2021/22

We would recommend applying the £4,188 learner rate for full-time 16 and 17-year olds and for 18-year-olds with SEND. For 18-year-olds without SEND, the full-time rate would be £3,455.

For eligible 16-19 institutions (including school sixth forms), the historic pay and pension grants will be distributed through 16-19 funding arrangements. At the time of writing the DfE has not published details of how this will work.

Forecast for year three 2022/23

We recommend using rates as in year two.

New allocation methodology for 16-19 bursary

The current method for allocating this is out-of-date, based on 2009-10 data on those claiming the previous Education Maintenance Allowance. **New distribution methodology** is being introduced from 2020/21 (phased in over four years to allow institutions to adjust) using up-to-date information on need and costs. The overall amount of funding available has not changed.

Staffing costs

Teachers

The **STRB recommendations for 2020/21** have now been published but remain subject to consultation. The recommendations are equivalent to a 3.1% increase in the overall pay bill. We do not anticipate that there will be additional funding to meet this additional cost pressure. ASCL continues to call for all pay awards to be fully funded. Trusts may want to model their own staffing profile against the **STRB recommendations** for 2020/21, being mindful that these are still subject to consultation.

For year two and three of the budget plan, ASCL recommends including an unfunded minimum pay award of 3% if the trust pay policy is aligned with STPCD. This reflects the DfE proposals submitted to the **STRB in January 2020**. Trusts may want to model their own staffing profile against the three options for more detailed budget planning.

Support staff

Negotiations are ongoing between the NJC and unions in respect of the pay award for 2020/21. We would recommend including an unfunded award of 2.75% for 2020/21. For planning purposes, we would recommend including at least 2% unfunded for years two and three of your budget plan.

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 2020 to March 2023.

Non-pay expenditure (all non-staffing costs)

Economic forecasting is more speculative than ever currently. For consistency we have looked at the most recent GDP Deflator projections published by government.

Using **GDP Deflator (June 2020)**, you may choose to apply the following inflationary assumptions to all planned expenditure that is not staff salaries:

- 2020/21 1.97%
- 2021/22 2.12%
- 2022/23 2.12%

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

Useful reminders

- This is a snapshot of the trust's financial position over the next three years based on the best information available at the time.
- The trust board must agree and support any assumptions you include in your forecasts.

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