

# Three-year budget planning assumptions (update May 2021)

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.

It is a requirement of the **Academies Financial Handbook** (AFH) that trusts prepare three-year planning forecasts. The submission date for the **academy 3YBFR** (three-year budget forecast return) 2021 is 27 July 2021. The DfE has advised that the online form will go live on 22 June 2021. In 2021, the Budget Forecast Return Outturn (BFRO) and the 3YBFR have been combined into one online form. More information about this is available [here](#).

From the 2021/22 funding year, each maintained school must submit a three-year budget forecast each year, at a date determined by the local authority between 1 May and 30 June. This is a change to the Scheme for Financing Schools and more details about it are available [here](#). DfE good practice guidance on budget planning is available [here](#).

ASCL continues to advocate the importance of three to five-year strategic planning. The 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 2021/22
- year 2 funding year 2022/23
- year 3 funding year 2023/24

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

This paper does not include information or make assumptions relating to Covid catch-up funding. ASCL newsletters and coronavirus FAQs will provide information on this funding as and when it is available.

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 be made about the 'known unknowns' 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 2021

The November 2020 spending review confirmed that commitment to a three-year settlement for the core schools' budget (made in September 2019) would be upheld. The funding year 2021/22 is the second year of this commitment and includes funding for 5–16-year-olds. Other aspects of education funding, early years, and 16-19 for example were confirmed for 2021/22 only.

We know that there will be a spending review in 2021 and we expect the outcome to be announced in the autumn. It seems likely that the review period will cover the three years from 2022/23 to 2024/25 for revenue expenditure.

## Recommended assumptions

### 1 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.

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

#### Year one, 2021/22

The DfE confirmed minimum per pupil funding levels and national funding formula (NFF) factor values for the funding year 2021/22 (year 1) in July 2020.

- 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.
- Historic pay and pension grants have been rolled into the NFF for schools (5-16). Schools will receive an additional £180 (primary) and £265 (secondary) per pupil as part of their NFF allocation. This recognises the fact that these grants are part of schools' core funding.
- 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.
- Low prior attainment (LPA) factor will be affected by the lack of data for assessments in 2020. The DfE has issued guidance to local authorities which instructs local authorities to use 2019 assessment data as a proxy for the 2020 reception and Year 6 cohort.

Maintained schools will receive their individual school budget statements in early spring 2021.

Academy trusts can expect to receive indicative GAG statements that will reflect their local authority agreed formula in spring 2021.

#### Forecast for year two 2022/23

Local formulae will continue to determine final allocations, however the three-year settlement that supported an inflationary rise to the NFF for 2022/23 has been confirmed. Using GDP Deflator projections we would recommend applying an inflationary increase of around 1% to core schools funding.

#### Forecast for year three 2023/24

Government remains committed to moving to a hard formula and we anticipate a consultation process being launched in 2021, but we cannot assume that a national formula will be in force by 2023/24, nor do we know exactly what this might look like. Using the best information available at the time of writing we would recommend applying an inflationary increase of 1.8% to core schools funding for 2023/24. This is based only on GDP Deflator projections, December 2020. (This will be updated following the March 2021 budget.)

### 3 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.

### 4 16-19 Programme funding

#### Year one, 2021/22

The November 2020 spending round confirmed the learner rate at £4,188 for full-time 16 and 17-year-olds. The funding rates and formula for different funding bands, including funding for T levels and for additional elements such as High Value Course Premium, Advanced Maths premium, T Levels Industry Placement funding are available [here](#).

In 2021-22, the DfE will continue to pay the teachers' pay grant and teachers' pension contribution grants as separate grants for eligible school/academy sixth forms and 16-19 schools/academies.

#### Forecast for years two and three, 2022/23 and 2023/24

We would recommend continuing to use the funding band rates and additional elements rates used for 2021/22. The 2021 spending round will include new information about funding for 2022/23 onwards.

### 5 16-19 bursary allocations

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. Funding year 2021/22 is year two of the transition. Full details of how the transition phase operates are available [here](#).

### 6 Staffing costs

This guidance is written in the context of the public sector pay restraint announced in November 2020. The announcement stated that pay rises in the public sector will be restrained and targeted in 2021/22. The pay restraint relates only cost of living awards. Incremental rises should be modelled in line with a school or trust's individual staffing profile.

In his letter to the STRB, the Secretary of State delivered a restricted remit but did refer to the Government's commitment to the autonomy of all head teachers and governing bodies to develop pay arrangements that are suited to the individual circumstances of their schools and to determine teachers' pay within the statutory minima and maxima. The letter also made it clear that recommendations should reflect the Government's policy on exercising restraint on public sector pay awards. At the time of writing the STRB recommendations for 2021/22 are unknown.

The pay restraint does allow for a targeted pay award of £250 per year where basic earnings are less than £24,000. This may impact teaching staff paid on the unqualified teacher pay range and support staff. At the time of writing how this award will be implemented and the start date for different types of contract is unknown.

All the recommendations that follow are presumed to be unfunded. ASCL continues to call for all pay awards to be fully funded.

#### Teachers

The pay restraint means that progress towards the £30k starting salary for teachers is paused for 2021, but we understand that government are still committed to the policy and will revisit it in 2022/23 once the economic outlook is clearer. Whilst there is speculation about the length of the delay, we only know that it will be paused for one year.

### Budget year 2021/22 . Teachers' pay award implemented in September 2021

- Teaching staff paid on the unqualified scale and full-time basic earning are less than £24,000 (points 1, 2, 3). Flat rate increase of £250 for full time and pro rata for part time.
- All other teachers earning above the £24,000 FTE 0%

### Budget years 2022/23 and 2023/24. Teachers' pay award implemented in September 2022 and 2023

- All teaching staff +3% award. Based on an assumption that progress towards the starting salary for teachers will not be delayed for more than one year. In their **evidence to the STRB in January 2020**, the DfE proposed a three step process to achieve the targeted starting salary of £30K. The three-step approach required an average increase of 3% per year across all teachers and leaders. The budget years 2022/23 and 2023/24 would be steps two and three.

Schools may want to model their own staffing profile against the **DfE proposals** in their January 2020 evidence document.

## Support staff

### Budget year 2021/22

- Staff whose full-time basic earning are less than £24,000 flat rate increase of £250 for full-time and pro rata for part-time.
- In May 2021 the **National Employers** made an offer to the NJC unions. Schools will want to consider the implications of the offer on their budget plans but remain mindful that this is still in negotiation. At the time of writing, we are not able to say what the final outcome of the negotiation will be.

### Budget years 2022/23 and 2023/24

- Based on the assumption that the pay constraint is only for one year. This is all we know. We would recommend an inflationary pay award in these two years for planning purposes. Current **GDP deflator** (this will be updated following the March 2021 budget) projections for these two years are.
  - 2022/23 0.87%
  - 2023/24 1.87%

Employer contributions to the LGPS for support staff: each LGPS administering body undertakes a triennial revaluation exercise. The outcome of the most recent valuation set employer contributions for the period April 2020 to March 2023.

## 7 Non-pay expenditure (all non-staffing costs)

Economic forecasting is more speculative than ever currently. For consistency we have looked at the most recent (December 2020) GDP Deflator projections published by government.

- 2021/22 -2.79% (recommend applying a nominal 0.5-1% inflation for budget planning in 2021)
- 2022/23 0.87%
- 2023/24 1.87 %

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 financial position over the next three years based on the best information available at the time.

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

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