

# Three-year budget planning assumptions: April 2024

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 **2023 Academy Trust Handbook (ATH)** that trusts prepare three-year planning forecasts. We expect the Budget Forecast Return (BFR) form to go live in June and information regarding completion and changes are available **here**. Trusts must submit their BFR to the ESFA by the end of August in accordance with deadlines published annually.

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	One	Two	Three
Funding year	2024/25	2025/26	2026/27

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 should always be evidenced, minuted 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.

## National averages

The **DfE Schools’ Costs technical note 2023-25** tells us that mainstream school funding will increase by 3.1% in 2024/25. This is at national level and will not be the experience of all schools. The calculation includes schools block, mainstream high needs funding, Pupil Premium, Teachers Pay Additional Grant (TPAG), and Early Career Framework funding.

The DfE Schools’ Costs document estimates that school costs (excluding teacher and support staff pay awards for 2024) will increase by 1.9% nationally. DfE suggests that there is a headroom of 1.2% nationally available to absorb increased spending within existing budgets. This is a national average figure and will not be the experience of all schools. DfE acknowledges that implications at individual school level will vary.

## Time-limited grants for recovery are coming to an end

Recovery premium and National Tutoring Programme (NTP) are time-limited grants that will end in 2023/24. Final payments will be made in the spring and summer terms for recovery premium and NTP.

Funding for the **16-19 Tuition Fund** is not confirmed beyond 2023/24.

## A new pension grant for 2024/25

Details of the methodology and eligibility for the Teachers' Pension Employer Contribution (TPECG) 2024 are available [here](#). Funding is available for state-funded settings to support increases in the employer contribution rates associated to the Teachers' Pension Scheme (TPS). This will be effective from 1 April 2024 for all eligible settings.

## Early years

Funding is included in published **core rates for 2024 to 2025**.

## Mainstream schools 5-16, high needs and local authorities

Funding rates for mainstream schools are as follows:

- basic per-pupil rate of £75 for primary pupils, including pupils in reception
- a basic per-pupil rate of £106 for Key Stage 3 pupils
- a basic per-pupil rate of £119 for Key Stage 4 pupils
- a lump sum of £2,800
- an FSM6 per-pupil rate of £65 per eligible primary pupil
- an FSM6 per-pupil rate of £100 per eligible secondary pupil

Area cost adjustment will be applied to these rates where applicable.

A ready reckoner for mainstream school and academy leaders to estimate what their TPECG 24 allocation will be for the 2024 to 2025 financial year is available [here](#). Expect published allocations in May.

## High needs settings

The funding rate for is £595 per place for high needs settings. The funding rate also applies at a per-pupil level for those with an EHC plan or SEN support in independent special schools.

Local authorities must:

- pass on 100% of TPECG 24 funding to individual schools as listed in the eligibility section
- ensure that all eligible schools receive a funding allocation through TPECG 24 in 2024 to 2025
- have transparent criteria to distribute funding to individual schools, treating academies and maintained schools the same
- consult with eligible schools before deciding their methodology for allocating TPECG 24 funding

Area cost adjustment will be applied where applicable.

## 16-19 education

For **16 to 19 education** and **further education settings**, funding will be distributed through existing teachers' pension employer contribution grants. The 2024/25 rates for 16-19 education are not available at the time of this update.

Funding beyond March 2025 for all eligible institutions will need to be confirmed as part of the next spending review.

### Spending review (SR) period<sup>1</sup>

The funding year 2025/26 will be in the next spending review period. Until the outcome of the next spending review is announced we do not have any indication of what the DfE settlement for schools for 2025/26 and beyond will be. However, the **March 2024 Budget Statement** includes this statement.

*“Beyond 2024-25 planned departmental day-to-day spending will grow at 1% a year on average in real terms ...”*

This makes assumptions for year two and three even more difficult. We would suggest multiple scenarios are considered (see section 5).

### Planning assumptions

#### 1 Pupil numbers

Be realistic about pupil number projections. Avoid being overly optimistic and consider what the 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 continued decline in primary 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 2024/25

Funding through the mainstream schools national funding formula (NFF) is increasing by 1.9% per pupil in 2024-25, compared to 2023-24. This comparison includes the mainstream schools additional grant (MSAG).

The DfE publication **Schools Operational Guidance February 2024** confirmed the following:

- MSAG rolled into the NFF.
- Increasing NFF factor values (on top of the amounts added for the MSAG) by:
  - 1.4% to the following factors: basic entitlement, low prior attainment (LPA), FSM6, income deprivation affecting children index (IDACI), English as an additional language (EAL), mobility, sparsity, and the lump sum.
  - 1.4% to the minimum per pupil levels (MPPL)
  - 0.5% to the funding floor
  - 1.6% to the free school meals (FSM) factor value
- Private Finance Initiative (PFI) has increased by RPIX<sup>2</sup> which is 10.4% for the year to April 2023
- Split sites funding has been formularised.
- Introducing, for the first time, a methodology for calculating and allocating funding for falling rolls
- The minimum per pupil funding level (MPPFL) for 2024/25 will be £4,610 for each primary school and £5,995 for each secondary school with standard structures of seven- and five-year groups respectively.
- Local formulae will continue to determine final allocations. Approval for 2024/25 local funding formulae was required by the end of January 2024. Contact your local authority for details about this.

<sup>1</sup> A spending review is a governmental process that determines the departmental budgets for public services.

<sup>2</sup> Retail Prices Index excluding mortgage interest payments

### 3 High needs NFF

The DfE publication **Schools Operational Guidance February 2024** confirmed the following:

- the funding floor is set at 3% so each local authority will see an increase of at least 3% per head of their 2 to 18 population.
- the gains limit is set at 5%, allowing local authorities to see gains up to this percentage increase under the formula.
- Place funding stays at £10,000 per place for special schools and alternative provision (AP) settings.
- Special schools and AP will continue to receive a separate allocation equivalent to the additional funding allocations in 2023 to 2024.<sup>3</sup>

### 4 Teachers' pay additional grant (TPAG) 2024/25

The TPAG is revenue funding, provided for the first time in 2023/24 to support costs associated to the September 2023 teachers' pay award.

In 2024/25 the TPAG will be paid as an additional grant. Beyond that we expect that it will be rolled into the NFF for mainstream schools. Methodology and rates for mainstream 5-16, special and AP are available [here](#).

Funding to support 16-19 institutions and early years providers with this cost pressure has been included in learner rates and **EY TPAG** respectively.

### 5 GAG / individual schools budget forecast for year two 2025/26 and year three 2026/27

As mentioned previously, these years fall into the next SR period. We would suggest at least two scenarios for planning purposes:

- Rolling forward 24/25 total per-pupil<sup>4</sup> funding adjusting for changes in pupil numbers.
- A real-terms increase in total per pupil funding aligned to the GDP deflator (see Table 2 at the end of this document).

In all scenarios, we suggest including TPAG in your total per-pupil funding calculation.

In all scenarios, we would suggest including an element for the new pension grant, along the lines of the 2024/25 allocation.

### 6 Other grant income

Pupil Premium Grant (PPG) rates for 2024/25

Primary	Secondary	Looked after (LAC) or previously LAC
£1,480	£1,050	£2,570

Have a look at the **PPG conditions** of grant and **PPG Overview** for more details.

### PE and sports premium for primary schools

We understand that this grant will continue to be available in 2024/25 but at the time of writing, we do not have any information about rates. Current rates and conditions of grant are available [here](#). Funding beyond the academic year beginning September 2025 will need to be confirmed as part of the next spending review.

<sup>3</sup> These allocations gave special schools and AP 3.4% of their total place and top-up funding income.

<sup>4</sup> Calculate your own total NFF funding and divide by number on roll.

## Universal infant free school meals funding (UIFSM)

UIFSM will continue in 2024/25 but at the time of writing, we do not have any information about rates for the academic year beginning September 2024. Current rates and conditions of grant are available [here](#). We assume that UIFSM funding will continue into 2025/26 and beyond.

## 7 6-19 funding

### Year one, 2024/25

Core programme funding:

- Learner rate for 2024/25 has been confirmed at £4,843 for 16 and 17-year-olds and students aged 18 and over with high needs in band 5. Band 5 equates to annual planned hours of 580+.
- Disadvantage block 1 (students in care or care leavers) funding rate £570.
- Disadvantage block 2 funding rate £570 band 4 and 5 students, £347 bands 2 and 3, £772 T Level.
- **English and maths funding** (new in 2024/25) £375 per student per subject (band 4 and 5). All students subject to the **condition of funding** (subject to changes in 2024/25) will attract this funding.

### Additional elements

- **High value course premium** (HVCP) £600
- **Advanced maths premium** £900
- **Core maths premium** (new in 2024/25) £900

More details on core programme funding and additional elements, including funding rates for different funding bands and funding for T levels are available [here](#).

The **teachers' pension scheme employer contribution grant (TPSECG)** will continue to be paid as a separate grant for sixth forms and 16 to 19 schools funded via the 16 to 19 funding formula.

## 8 Forecast for year two 2025/26 and year three 2026/27

As mentioned previously these years fall into the next SR period. We would recommend a similar approach to that set out in section 6 above.

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

## 9 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. At the time of writing, guidance for how this will work on 2024/25 has not been published. Best information available is [here](#).

## 10 Staffing costs

### Teachers: budget year 2024/25

In her letter to the School Teachers Review Body (STRB) in December 2023, the Secretary of State listed a number of considerations to which the STRB should have regard. These included cost pressures that schools are facing. It remains ASCL's position that all pay awards should be fully funded.

The STRB has been asked to provide recommendations for a pay award for 2024. At the time of writing, the STRB recommendations are unknown.

ASCL's **written evidence to the STRB** (with **supplementary evidence** submitted 20 March 2024) recommends that a fully funded, above inflation pay increase is awarded across all pay ranges for September 2024, as a step towards restoring the real-terms value of teacher and school leader pay.

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 2024) 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 tends 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.

We know that without STRB recommendations it is extremely difficult to agree assumptions. We would suggest that you model scenarios based on uplifts that are at least aligned to available inflation projections for the current funding year.

### 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 2025/26 and 2026/27 (Teachers' pay award implemented September 2025 and 2026)

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

### Support staff: budget year 2024/25

The NJC (National Joint Council for Local Government Services) support staff unions have submitted their pay claim.

- An increase of at least £3,000 or 10% (whichever is the greater) on all spinal column points. In addition:
- reviews of the gender, ethnicity and disability pay gaps in local government
- a two-hour reduction in the working week with no detriment
- an additional day of annual leave for personal or wellbeing purposes (with term time only staff also receiving a full day rather than a pro rata amount, that they can use anytime, including term time)
- a phased approach to reaching a minimum pay rate of £15 an hour in a maximum of two years, sooner if possible.

The final agreed NJC award was effective from 1 April 2024.

### Budget year 2025/26 and 2026/27

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).

#### 11 Employer contributions to the LGPS for support staff

Each LGPS administering body undertakes a triennial revaluation exercise. The next valuation will set employer contributions from April 2026. For planning purposes, we would suggest using current contribution rates.

## 12 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.

## Energy

The actual increases in energy costs will vary according to individual contract terms. 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.

## Risk Protection Arrangement (RPA)

If you subscribe to the RPA, include the 2024/25 rates, which are below.

## Academies

The cost for the next academic year (1 September 2024 to 31 August 2025) will be £25 per pupil.

## Local authority-maintained schools

The cost for the next financial year (1 April 2024 to 31 March 2025) will be £25 per pupil.

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.

## 13 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 that you include in your forecasts. Assumptions should be recorded / minuted and regularly reviewed.

## 14 Inflation tables

**Table 1**

The HM Treasury projections for measures of CPI and RPI – **27 February 2024.**

Financial year	2024/25	2025/26	2026/27
Consumer Prices Index (CPI)	2.3%	1.9%	2.1%
Retail Prices Index (RPI)	3.5%	2.3%	2.9%

**Table 2**

HM Treasury GDP deflators at market prices – **8 March 2024.**

Financial Year	2024/25	2025/26	2026/27
GDP deflator	0.8%	1.35%	1.74%

Julia Harnden, ASCL Funding Specialist

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0116 2991122



info@ascl.org.uk



ascl.org.uk



@ASCL\_UK