

## 2024 to 2027 budget planning assumptions

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 school or trust.

It is best practice to agree medium-term budget assumptions with the trust or governing board in advance of starting the budgeting process. In 2024, this has been very challenging due to the limited availability of information on which to base budget assumptions.

The following information uses the best available sources and is also informed by advice from the team of School Resource Management Advisers (SRMAs) deployed by the Institute of School Business Leadership (ISBL).

The information indicates appropriate ranges of assumptions but, where possible, also indicates a potential “best fit” assumption.

In this paper, medium-term plan means:

- Year 1 funding year 2024–25
- Year 2 funding year 2025–26
- Year 3 funding year 2026–27

## RECOMMENDATIONS AND ASSUMPTIONS

### 1 Pupil numbers

The general annual grant (GAG) or school budget share, already received, will be based on the October 2023 census figure. The crucial data for a medium-term plan is the forecast pupil numbers for October 2024 and October 2025, upon which the funding for 2025–26 and 2026–27 will be based.

Our advice is that pupil numbers, including pupil premium pupils (FMS6) and pupils with education and health care plans (EHCPs), should be tracked through the monthly management accounts presented to trustees and governors. It is best practice to divide these pupil numbers by year group to enable easier forecasts in future years.

In areas where schools are facing falling rolls, gathering additional information from the place-planning department at the local authority will be key to ensuring that forecasts are accurate.

Ensure that your forecasts take account of the following:

- If you are a primary phase school that has a nursery, ensure that your pupil number forecasts for the nursery are accurate. We would advise that you forecast a full-time equivalent (FTE) based on pupils accessing 30 hours across the week, so a 15-hour pupil will be recorded as 0.5 FTE.
- If you are a secondary with a sixth form, then ensure you accurately forecast both recruitment to Year 12 and also retention from Year 12 into Year 13. It is really important that the school has a firm grasp of how the funding system for post-16 operates so that pupils are assigned to appropriate courses that lead to appropriate funding.

**Ensuring that pupil numbers are accurate has a greater impact on the accuracy of budget forecasts than the inflationary assumptions that follow.**

## **2 Income**

### **2.1 Main funding grants**

#### **2.1.1 General annual grant (GAG)/school budget share**

##### **Year one, 2024–25**

Schools will have now received the 2024–25 funding statement.

#### **2.1.2 16–19 programme funding**

##### **Year one, 2024–25**

The learner rate has been confirmed at £4,843 (£4,753) for full-time 16- and 17-year-olds and students aged 18 and over with high needs in band 5. Band 5 now equates to annual planned hours of 580+, absorbing the additional 40 hours introduced in 2022–23.

The funding rates and formula for different funding bands, including funding for disadvantage, high value course premium, advanced maths premium, English and maths, are [available here](#). It is important to understand the drivers to maximise sixth-form funding and, therefore, to record them accurately in the autumn census.

Schools will have now received the 2024–25 funding statement.

##### **Year two, 2025–26 – pre- and post-16 funding forecast**

The 2021 Spending Review (SR21) runs out in 2024, so any subsequent years will be subject to a new Spending Review. This makes forecasting funding settlements very difficult.

However, the Autumn Statement 2023 stated that: “After this Spending Review period, planned departmental resource spending will continue to grow at 1% a year on average in real terms.”

The Treasury inflationary projections are in the gross domestic product (GDP) deflators. The latest information, published in March 2024, is for inflationary increases of 1.35% for 2025–26 and 1.74% for 2026–27. This **could** therefore indicate education funding increases of 2.35% for 2025–26 and a further 2.74% for 2026–27. However, the majority of ISBL SRMAs agreed it would seem realistic to assume a minimum increase of 2% in 2025–26.

##### **Year three, 2026–27 – forecast**

For the reasons stated above, the ISBL SRMAs agreed again to assume a further 2% increase.

#### **Recommendation**

Until further information is available, we will use the following assumptions on general annual grant (GAG)/school budget share income:

- 2025–26 +2%
- 2026–27 +2%

### **2.2 Other ESFA grant income**

#### **Year one, 2024–25**

##### **2.2.1 Teachers’ pay additional grant (TPAG)**

The TPAG revenue funding was introduced in 2023–24 to support the costs associated with the September 2023 teachers’ pay award.

The grant will be paid as an additional grant in 2024–25; it is expected that this will be included in the national funding formula (NFF) from 2025–26.

TPAG funding to support the **sixth form** teachers' pay costs was rolled into the 2023–24 learner rate: a revised funding statement was issued in September 2023 increasing the learner rate from £4,642 to £4,753, an increase of £111 per pupil.

### **2.2.2 Teachers' pension employer contribution grant (TPECG) 2024**

Following the outcome of the latest valuation, the Department for Education (DfE) has announced that the teachers' pension scheme employer rate from 1 April 2024 to 31 March 2027 will rise by 5% to meet present and future obligations. This takes the contribution from 23.68% to 28.68%.

An additional grant, TPECG, has been announced by DfE. This will be calculated on a per-pupil basis and therefore may not meet the full impact on an individual school basis. DfE has [published a calculator](#).

The guidance for 16–19 will be published before the end of April; however, the **sixth form** 2021 teachers' pension contribution grant (2021TPECG) will still be a separate grant in 2024. The assumption at the moment is that the 2024TPECG will be at least the same rate as the existing 2021 grant, £195 per learner.

### **2.2.3 Pupil premium funding**

Rates for the year from April 2024 have increased to:

- Year 7 to 11 (Ever6FSM and those with no recourse to public funds (NRPF)) – £1,050
- LAC (funding paid initially to the local authority, allocated by the Virtual Head) – £2,570
- Post-LAC (adoption, special guardianship or arrangement order following care) – £2,570
- **Service pupil premium (SPP)** – £340

### **2.2.4 Funding for education recovery**

The recovery premium and National Tutoring Programme (NTP) grants will come to an end this year, 2023–24.

### **2.2.5 Universal infant free school meals**

The rates for 2024–25 are not currently available; however, the national funding formula (NFF) rate for a disadvantaged pupil is £490 per pupil, so estimates can be built on this figure.

### **2.2.6 Mayor's funding for key stage 2 meals**

The Mayor of London is again funding free school meals for key stage 2 pupils in 2024–25. The assumption is that this will then finish.

### **2.2.7 PE and sport premium**

The rates for 2024–25 are not currently available; however, the grant has previously been calculated on the following basis:

- Schools with 16 or fewer eligible pupils will receive £1,000 per pupil
- Schools with 17 or more eligible pupils will receive £16,000 and an additional payment of £10 per pupil

### **2.2.8 16 to 19 bursary allocations (Student Financial Support)**

The Education and Skills Funding Agency 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. The funding year 2023–24 was the final year of the transition.

Guidance for how this will work in 2024–25 has not been published; however, the latest information is [available here](#).

## **2.3 All other income**

Unless otherwise known, it would be prudent for all other income to be budgeted at 2023–24 forecast out-turn + 0% inflation.

### 3 Expenditure

#### 3.1 Staffing costs

##### Year one, 2024–25

##### 3.1.1 Teachers

The Secretary of State’s advice to the School Teachers’ Review Body provides little information about what she is recommending; beyond stating that she recommends returning to more restrained pay awards, there is little information about what is being suggested.

However, DfE has also stated that there is around 1.2% of “headroom” in school budgets, which equates to a teacher’s salary increase of 2%. Last year, a grant was provided for any increase above the “headroom” figure, so it may be logical to assume that any increase above 2% will be funded.

The advice of ISBL SRMAs is fairly evenly split between assuming an increase of 4% and assuming an increase where anything above 2% will be funded.

##### Recommendation

Until further information is available, it may be worth running two scenarios:

##### Scenario A: Assuming a grant

- 2024–25 +2%
- 2025–26 +2%
- 2026–27 +2%

##### Scenario B: Assuming no grant

- 2024–25 +4%
- 2025–26 +2%
- 2026–27 +2%

Note that if there were to be an additional grant, this would probably be on a per-pupil basis (as with TPAG and TPEGC) and therefore may not meet the full impact on an individual school basis.

##### 3.1.2 Support staff

The National Joint Council (NJC) 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, which 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 will be effective from **1 April 2024**.

Historically, support staff salary increases are not funded with additional grants.

##### Recommendation

This has proved the most difficult area for ISBL SRMAs to agree upon. A third of SRMAs are recommending the below assumptions:

- 2024–25 +4%
- 2025–26 +2%
- 2026–27 +2%

Other SRMAs are recommending the following for 2024–25 (in descending order of preference):

- 6%
- 2%
- 8%

Other SRMAs are recommending a flat-rate increase as seen in previous years at rates between £1,925 and £2,250 depending on whether schools are inside or outside London.

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

Economic forecasting is more speculative than ever currently. Excluding energy, the ISBL SRMA recommendations are again based on the GDP deflator and Consumer Prices Index (February 2024).

	<b>2024–25</b>	<b>2025–26</b>	<b>2026–27</b>
GDP deflator	0.80%	1.35%	1.74%
Consumer Prices Index*	2.5%	2%	2%
Retail Prices Index	3.7%	2.3%	2.8%
<b>Non-pay expenditure</b>	<b>2.5%</b>	<b>2%</b>	<b>2%</b>

\*most aligned with school expenditure

<https://www.ons.gov.uk/economy/inflationandpriceindices>

#### 3.2.1 Energy

The situation faced by every school and trust will vary, according to whether or not they are currently in a contract. Some schools are seeing significant reductions in the new energy contracts. This varies from school to school, depending on their individual contract position. Reductions of 25% up to even 75% have been reported. The assumptions will, therefore, be bespoke for each school or trust. The ISBL SRMAs have, however, tried to make assumptions about the underlying inflation rate for energy, but there was little consensus, and inflationary assumptions varied between 0–2% for 2024–25 and 1–2% for subsequent years.

#### 3.2.2 Insurance (including RPA)

The DfE risk protection arrangement (RPA) will increase from £23 per pupil to £25 per pupil in 2024–25. The fact that other insurance providers are currently dropping their policy costs led some SRMAs to suggest 0% increases in subsequent years, but over 60% recommend inflation at 2% in subsequent years.

## SUMMARY

### Income

After forecasting accurate pupil numbers, including groups that attract additional funding, allow for inflation at:

	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>
AWPU – main school	BASE	+2%	+2%
AWPU – sixth form	BASE	+2%	+2%
Other ESFA grants	BASE	+2%	+2%
Other income	BASE	0%	0%

### Expenditure

After checking your establishment staffing, and forecasting appropriate spinal increments, allow for inflation at:

	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>
Teaching staff <b>(Scenario A)</b>	+2%	+2%	+2%
Teaching staff <b>(Scenario B)</b>	+4%	+2%	+2%
Support staff	+4%	+2%	+2%
Non-pay expenditure	+2.5% average	+2% average	+2% average

## APPENDIX

### Inflation tables

**Table 1: HM Treasury projections for measures of Consumer Prices Index and Retail Prices Index (February 2024)**

	2024–25	2025–26	2026–27
Consumer Prices Index	2.5%	2%	2%
Retail Prices Index	3.7%	2.3%	2.8%

**Table 2: HM Treasury GDP deflators at market prices (March 2024)**

	2024–25	2025–26	2026–27
GDP deflators	0.80%	1.35%	1.74%

## ACKNOWLEDGEMENTS

The author of this document is Peter Tomkins, School Resource Management Adviser (SRMA) Regional Team Lead and Director TSO Education, in collaboration with other ISBL-accredited SRMAs.

### Sources referenced:

ISBL SRMAs Survey; ASCL Three-year budget planning assumptions – March 2024; CST School Funding Landscape 2024–25; 2021 Spending Review; Secretary of State STRB recommendation; Office for National Statistics; <https://schoolsweek.co.uk/keegan-calls-for-return-to-more-sustainable-teacher-pay-rises/>