



**Subject Heading:**

**Cost pressures in education settings**

**Report Author:**

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(Schools)**

**Eligibility to vote:**

**All representatives**

### SUMMARY

This report considers some of the cost pressures facing education settings at the current time.

### RECOMMENDATIONS

That the Schools Funding Forum notes the report.

### REPORT DETAIL

#### **Introduction**

At the end of the 2022-23 financial year, 15 local authority maintained schools had a budget deficit, a rise of six schools on the previous year. The number of schools in deficit is still slightly below the figure for 2019-20 before the pandemic which eased budget pressures for some schools.

Education settings continue to face costs pressures unprecedented since the delegation of funding to schools in 1990 and the introduction of funded Early Years provision. Whilst most of the focus has been on the impact of teachers' pay and the cost of energy, school budgets have also been impacted by increases in the cost of

services and resources. The largest cost pressure for many schools and Early Years providers, however, is support staff salaries. This is the result of pay rises and also for many schools the need to engage additional staff to support pupils with High Needs.

### **Additional funding provided**

For 2022-23 the DfE introduced the schools supplementary grant for primary and secondary schools stating that this was intended to help schools meet cost pressures. The school supplementary grant was consolidated into National Funding Formula rates for 2023-24 budgets.

In the 2022 Autumn Statement it was announced that the core school budget would be increased by £2 billion in the 2023-24 financial year, over and above totals announced at the Spending Review 2021. An additional £1.6m has been allocated to primary and secondary schools through the mainstream schools additional grant (MSAG). LA maintained schools have received funding for the 2023-24 financial year. Academies will receive funding for a 17 months period April 2023 – August 2024. Funding will then be consolidated into 2024-25 budgets.

In the 2023 Budget an extra £204m was announced for Early Years to be added to the funding for 2 and 3&4 year olds.

When setting budgets for 2023-24 schools have found the increased funding made available has not been sufficient to cover increases in costs. MSAG represents a 3.5% rise on funding delivered through the National Funding Formula, with primary schools in Havering receiving a median sum of £63k and secondary schools a median sum of £212k.

### **Teaching Staff Pay**

The School Teacher's Review Body (STRB) has been passed to the Secretary of State for Education and it is widely reported that it will recommend a 6.5% pay increase for teaching staff for 2023-24. It is likely that this includes a starting salary of £30,000 (£34,000 in outer London) with a general rise of around 6%. It is not known yet whether the Government will accept the recommendations although when trade unions rejected an earlier offer, averaging 4.5%, the Secretary of State indicated that the decision should be left to the pay review body.

In their submission to the pay review body, the DfE stated that an award of 3.5% was manageable within school budgets. This comprised a 3% rise for experienced teachers and an increase in starting salary to £30,000 (£34,000 in outer London). When making the offer averaging 4.5% in March the DfE judged that a pay rise of 4% was now affordable within school budgets. A fall in energy prices was sated as a reason for the change.

The DfE is likely to be in negotiations with the Treasury about the funding of a 6.5% pay rise. If additional money is secured it is reasonable to expect that schools will receive additional funding to cover the gap between the 6.5% recommendation and the 4.0% the DfE now assesses as affordable.

Salary calculators provided by the Local Authority to subscribing schools included an increase of 5% with a starting salary of £34,000, which schools were able to

change. If the recommendation is for a 6.5% rise, and if the schools are funded for the difference between a 6.5% rise and a 4% 'manageable' rise, this will leave schools who have used the salary calculators with a slightly improved budget position. They will receive funding for 1% of the 5% rise for which they have budgeted. Whilst this could equal around £50k for a secondary academy, the figure for an LA maintained primary, where the pay award falls five months into the financial year, is likely to be closer to £8k.

## Support Staff Pay

The employers' association have made an offer of a flat rate £1,925 on all spinal points 2 to 43 with a rise of 3.88% on points 44 and above. The offer of £1,925 from 1 April 2023 matches the rise from April 2022. A rise in the national rate of £1,925 in April 2023 became an increase of £2,229 when applied to outer London. It is likely that the same thing would happen again. The trade unions have rejected the offer. In 2023 Unison adopted a neutral stance when the offer was put to members. This year they are recommending rejection and are balloting member on taking industrial action.

A rise of £2,229 translates to a percentage rise as follows:

Spinal point	April 2022 £	April 2023 (offered) £	% rise
5	24,804	22,073	9.0
9	26,472	28,701	8.4
15	29,214	31,433	7.6
24	33,819	36,048	6.6
29	37,725	39,954	5.9
39	47,805	50,034	4.7

The spinal points shown are some of the most frequently occurring in schools. Salary calculators supplied to subscribing schools included a rise of £2,229 in line with the offer made.

The effect of this, in terms of cash, will vary. For an academy it will impact on their 2022-23 budget as well as 2023-24 budget. Schools with a higher number of pupils with an EHCP are likely to face a larger increase as they will employ a greater number of teaching assistants. Looking at LA maintained primary schools the impact of a £2,229 pay rise averages £70k, which alone is more than the average value of the Mainstream Schools Additional Grant received. The pay increase will be felt hardest by special schools, where support staff numbers are highest, and the increase in cost could be as high as £1/4m.

Pay rises for support staff have been driven in the last two year by increases in the national living wage and the need to ensure that the lowest pay point, on the 'rest of England' scales, stays above this. Outside of London £1,925 per annum, the value of the April 2022 increase and the 2023 offer, equals exactly £1 an hour.

Another driver of pay increases is recruitment. Many schools are experiencing recruitment difficulties with other occupations offering similar or higher rates for less demanding work.

Increases in the national living wage have also impacted early years PVI providers. The national living wage rose by 6.6% in April 2022 and by 9.7% in April 2023. Many providers find they now have to offer well above the living wage in order to attract staff. The expansion of funded childcare may add to recruitment difficulties.

### **Support staff employer pension contributions**

There has been some relief for LA maintained schools in the form of lower employer contributions to the Local Government Pension Scheme. Rates fell from 30.9% in 2022-23 to 27.5% in 2023-24 and will fall again in two years time to 26.5%. Employer contribution rates for academies are separately assessed although some have reported similar falls.

### **Energy**

The impact on budgets of energy prices will depend on type of contract the school has. LA maintained schools in the Council's corporate energy contracts benefitted from fixed prices between April 2023 and March 2024. This has resulted, however, in rises in the fixed rate for 2023-24 of 130% for electricity and 150% for gas. This contradicts the DfE assertion that schools are benefitting from falling energy costs.

Most schools and academies outside of the Council contract are on some form of fixed rate tariff. This means that falling energy prices generally may not result in reduced costs. When current contracts expire the going rate may still be higher than the previous fixed rate.

### **The impact on budgets**

Cost pressures will see more schools facing financial difficulty if additional funding is not forthcoming. There has been no indication of additional funding from the DfE to offset the rise in support staff salaries, not all schools will benefit straight away from falling energy prices and general inflation is not falling as quickly as projected.