Area cost adjustment for national funding formula 2025 to 2026: technical note

November 2024

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Introduction

1. This note describes the area cost adjustments (ACAs) for the national funding formulae for schools, high needs and central school services.

2. The ACA is a multiplier applied to funding factors to reflect geographical variation in labour market costs.

The hybrid ACA

3. The schools and high needs national funding formulae (NFFs) have a hybrid ACA which reflects a combination of

    a. the four geographical pay bands for teachers and

    b. regional variations in the labour market for non-teaching staff.

    The central schools services block has an ACA based purely on the general labour market specific cost adjustment, which is described below.

The teacher pay element of the ACA

4. The teacher pay element of the ACA is derived from the autumn 2022 School Workforce Census.

5. The methodology for the teacher pay ratio is designed to bring out the differences in pay ranges between the four regional pay bands (Inner London, Outer London, Fringe and Rest of England)[1], but not to reflect any regional differences in distribution along the pay ranges. We do not want the teacher pay cost adjustment to reflect regional differences in staffing choices; we only want it to reflect the differences in pay ranges between the four regional pay bands. E.g. if in Inner London there are fewer teachers in the leadership grade compared to the national average, we do not want this to skew the teacher pay cost adjustment.

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[1] These areas are defined in Annex 2 of the School teachers' pay and conditions (www.gov.uk).

6. We calculate a notional average salary for each regional pay band to measure the differences between pay bands. The first step in this calculation is to create four data sets, one for each regional pay band. We include actual or notional pay for all teachers in England in each dataset. To do this we need four versions of pay data for each teacher, their actual basic pay (used to populate the dataset of the regional pay band they work in) and three notional pay figures (used to populate the datasets for the other three regional pay bands). The notional pay is the pay a teacher would receive if they worked in a different regional pay band at the same level (see paragraph 8). The notional average salary for each regional pay band is the mean of each dataset. As we include all teachers in each dataset, the only difference between the notional average salaries is the variations between the regional pay bands.

7. The basic pay is the gross salary minus allowances (allowances are classified into teaching and learning responsibilities, special educational needs, recruitment and retention, and other).

8. The calculation used to transform the basic pay of each teacher in England from the teacher's actual pay band to the notional pay for the other three regional pay bands is set out in an example below. This transformation is repeated for all teachers and all regional pay bands. E.g. the transformation to Inner London notional basic pay for a teacher who is in the Rest of England, is calculated as follows:

    a. First, calculate the difference between the actual basic pay for the teacher and the bottom of the teacher's actual pay range (the Rest of England range in this case) for this teacher's grade (leadership, leading practitioner, upper pay range, main pay range or unqualified teacher). The pay ranges are as defined in the School Teachers' Pay and Conditions Document (STPCD) for the relevant year (e.g. STPCD 2022 if November 2022 salaries are used).

    b. Then calculate the difference between the top and bottom of the Inner London pay range for this teacher's grade and divide by the difference between the top and bottom of the teacher's actual pay range (the Rest of England in this case). This gives an uplift which is used to convert the teacher's actual basic pay to their Inner London notional basic pay.

c. Apply the uplift calculated in step b to the distance from the bottom of the pay range to the teacher's actual basic pay, calculated in step a.

d. Add the figure calculated in step c to the bottom of the pay range for Inner London for this teacher's grade. This gives the Inner London notional pay for this teacher.

9. The following groups of staff are included in our calculation of the ACA teachers' pay cost adjustment:

a. Qualified and unqualified teachers

b. Full-time and part-time teachers

c. Classroom teachers and leaders

d. Teachers in mainstream (i.e. primary, secondary, middle and all-through) schools and in special schools and in alternative provision.

10. The following groups of staff are not included in our calculation of the ACA teachers' pay cost adjustment:

a. Centrally employed teachers

b. Some supply teachers (those who are not included in the School Workforce Census)

c. Teachers with incomplete or unreliable pay data

11. The following caveats apply:

a. Data is collected in the School Workforce Census in early November each year, at a time when not all schools have held pay determination meetings for their teachers. This means that salaries of some teachers may reflect the previous academic year.

b. Approximately 1-2% of schools do not provide School Workforce Census data each year, which are thus excluded from the calculations.

12. The teacher pay ratio for each regional pay band is calculated by dividing the mean notional basic pay for that pay band by the mean notional basic pay for the Rest of England pay band. This results in a teacher pay ratio

of 1 for most of England, and more than 1 for London and the Fringe.

The non-teaching staff element of the ACA

13.   The non-teacher pay element of the national funding formula ACA is based on the general labour market specific cost adjustment calculated for 2013-14 by the Ministry of Housing, Communities and Local Government (MHCLG).

Combining the teacher and non-teacher elements

14.   For the mainstream schools NFF, the teacher and non-teaching staff elements are weighted in proportion to actual expenditure on teaching and non-teaching staff in mainstream schools and academies.

15.   For the high needs NFF, the teacher and non-teaching staff elements are weighted in proportion to actual expenditure on teaching and non-teaching staff in special schools and alternative provision establishments.

16.   The data source is [Schools financial benchmarking](). The latest available data for maintained schools and academies is combined to calculate the weightings.

17.   The teacher proportion is the total expenditure on teachers divided by total expenditure on teachers, non-teaching staff and non-pay combined.

18.   The non-teaching staff proportion is the total expenditure on non-teaching staff divided by total expenditure on teachers, non-teaching staff and non-pay combined.

19.   The ACA weightings, based on the above expenditure proportions, are set out in Figure 1.

Figure 1: Teacher and non-teacher weightings

Expenditure type	Weightings for schools NFF	Weightings for high needs NFF
Teaching staff	51.60%	41.69%
Non-teaching staff	28.87%	43.31%
Non-staff	19.53%	15.00%

Figure 1: This table shows the teaching staff and non-teaching-staff weightings for the schools and high needs ACAs

20.   The hybrid ACAs for schools and high needs are given by

$$A = (T - 1)\,W_T + (G - 1)\,W_G + 1$$

where

A is the ACA

T is the teacher pay ratio for the geographical area

W_T is the weighting for teaching staff (for schools or high needs as applicable)

G is the general labour market specific cost adjustment for the geographical area

W_G is the weighting for non-teaching staff (for schools or high needs as applicable).

Implicitly non-staff costs are given a weighting of 0.

ACA for the central school services block

21.   The ACA for the central school services block (CSSB) is simply the general labour market specific cost adjustment, as used for the non-teaching staff element of the other NFFs.

ACAs for part-fringe local authorities

22.   Buckinghamshire, Essex, Hertfordshire, Kent and West Sussex fall partly in the Fringe teacher pay band and partly in the Rest of England pay band. Each of these local authorities (LAs) has one teacher pay ratio (and one general labour market cost adjustment) for its schools in the Fringe area and another for the rest.

23.   For the schools NFF, this results in one ACA for schools in the Fringe and another for the rest, in each of these five LAs.

24.   For the high needs NFF, each LA has a single ACA, based on an average of the fringe and non-fringe ACAs, weighted by the population aged 2 to 18[2] in the respective districts.

25.   For the CSSB, the ACA for the part-fringe LAs is an average of the two general labour market cost adjustments for the respective districts, weighted by the number on roll in mainstream schools from the October 2023 School Census.

26.   For schools' growth funding in the 2025-26 dedicated schools grant, the ACA for the five part-fringe LAs will be the average of the two schools ACAs for the respective districts, weighted by the number on roll in mainstream schools from the October 2024 School Census.

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[2] From the Mid-2022 lower layer Super Output Area population estimates (www.gov.uk) for Buckinghamshire, mapped to fringe and non-fringe districts using the Open Geography portal from the Office for National Statistics, and Mid-Year Population Estimates, UK, June 2022 for Essex, Hertfordshire, Kent and West Sussex

Table of ACAs

27.   The ACAs for the schools, high needs and central school services blocks of the 2025-26 national funding formulae are shown below.

28.   The table contains two rows for each of the part-London fringe LAs: Buckinghamshire, Essex, Hertfordshire, Kent and West Sussex.

- For the schools NFF, allocations are calculated at school-level. Which ACA figure to use for a school in the part-fringe LAs depends on whether the school is located in the fringe part of the authority area, or the non-fringe part.

- For the CSSB and high needs NFFs, allocations are calculated at local authority-level. For these, each LA uses a single ACA figure. As this technical note explains, we initially calculate separate ACAs for the fringe and non-fringe parts, then the ACA for the LA as a whole is derived as a weighted average of the two.

Local authority name	ACA for schools	ACA for high needs	ACA for central school services
Barking and Dagenham	1.12806	1.12507	1.10813
Barnet	1.10036	1.11447	1.16706
Barnsley	1.00000	1.00000	1.00000
Bath and North East Somerset	1.01524	1.02286	1.05279
Bedford	1.01634	1.02452	1.05662
Bexley	1.08335	1.08895	1.10813
Birmingham	1.00352	1.00528	1.01220
Blackburn with Darwen	1.00000	1.00000	1.00000
Blackpool	1.00000	1.00000	1.00000
Bolton	1.00569	1.00854	1.01972

Local authority name	ACA for schools	ACA for high needs	ACA for central school services
Bournemouth, Christchurch and Poole	1.00000	1.00000	1.00000
Bracknell Forest	1.05878	1.07715	1.14842
Bradford	1.00017	1.00025	1.00058
Brent	1.14507	1.15059	1.16706
Brighton and Hove	1.00176	1.00265	1.00611
Bristol, City of	1.01524	1.02286	1.05279
Bromley	1.08335	1.08895	1.10813
Buckinghamshire Fringe	1.04808	1.04969	1.10586
Buckinghamshire non-Fringe	1.02990		
Bury	1.00569	1.00854	1.01972
Calderdale	1.00017	1.00025	1.00058
Cambridgeshire	1.01338	1.02008	1.04637
Camden	1.18442	1.20963	1.30337
Central Bedfordshire	1.01634	1.02452	1.05662
Cheshire East	1.00378	1.00567	1.01310
Cheshire West and Chester	1.00378	1.00567	1.01310
Cornwall	1.00000	1.00000	1.00000
Coventry	1.00352	1.00528	1.01220
Croydon	1.08335	1.08895	1.10813
Cumberland	1.00000	1.00000	1.00000
Darlington	1.00000	1.00000	1.00000
Derby	1.00000	1.00000	1.00000
Derbyshire	1.00000	1.00000	1.00000
Devon	1.00000	1.00000	1.00000
Doncaster	1.00000	1.00000	1.00000
Dorset	1.00000	1.00000	1.00000
Dudley	1.00352	1.00528	1.01220
County Durham	1.00000	1.00000	1.00000
Ealing	1.14507	1.15059	1.16706

Local authority name	ACA for schools	ACA for high needs	ACA for central school services
East Riding of Yorkshire	1.00000	1.00000	1.00000
East Sussex	1.00176	1.00265	1.00611
Enfield	1.08335	1.08895	1.10813
Essex Fringe	1.03854	1.01982	1.03547
Essex non-Fringe	1.00369		
Gateshead	1.00000	1.00000	1.00000
Gloucestershire	1.00657	1.00985	1.02275
Greenwich	1.18442	1.20963	1.30337
Hackney	1.18442	1.20963	1.30337
Halton	1.00378	1.00567	1.01310
Hammersmith and Fulham	1.18442	1.20963	1.30337
Hampshire	1.01479	1.02219	1.05123
Haringey	1.12806	1.12507	1.10813
Harrow	1.10036	1.11447	1.16706
Hartlepool	1.00000	1.00000	1.00000
Havering	1.08335	1.08895	1.10813
Herefordshire, County of	1.00000	1.00000	1.00000
Hertfordshire Fringe	1.04808	1.05449	1.10163
Hertfordshire non-Fringe	1.01634		
Hillingdon	1.10036	1.11447	1.16706
Hounslow	1.10036	1.11447	1.16706
Isle of Wight	1.01479	1.02219	1.05123
Islington	1.18442	1.20963	1.30337
Kensington and Chelsea	1.18442	1.20963	1.30337
Kent Fringe	1.03854	1.00861	1.01401
Kent non-Fringe	1.00074		
Kingston upon Hull, City of	1.00000	1.00000	1.00000
Kingston upon Thames	1.10036	1.11447	1.16706

Local authority name	ACA for schools	ACA for high needs	ACA for central school services
Kirklees	1.00017	1.00025	1.00058
Knowsley	1.00117	1.00175	1.00405
Lambeth	1.18442	1.20963	1.30337
Lancashire	1.00000	1.00000	1.00000
Leeds	1.00017	1.00025	1.00058
Leicester	1.00000	1.00000	1.00000
Leicestershire	1.00000	1.00000	1.00000
Lewisham	1.18442	1.20963	1.30337
Lincolnshire	1.00000	1.00000	1.00000
Liverpool	1.00117	1.00175	1.00405
Luton	1.01634	1.02452	1.05662
Manchester	1.00569	1.00854	1.01972
Medway	1.00074	1.00110	1.00255
Merton	1.14507	1.15059	1.16706
Middlesbrough	1.00000	1.00000	1.00000
Milton Keynes	1.02990	1.04486	1.10358
Newcastle upon Tyne	1.00000	1.00000	1.00000
Newham	1.12806	1.12507	1.10813
Norfolk	1.00000	1.00000	1.00000
North East Lincolnshire	1.00000	1.00000	1.00000
North Lincolnshire	1.00000	1.00000	1.00000
North Northamptonshire	1.00342	1.00514	1.01186
North Somerset	1.01524	1.02286	1.05279
North Tyneside	1.00000	1.00000	1.00000
North Yorkshire	1.00000	1.00000	1.00000
Northumberland	1.00000	1.00000	1.00000
Nottingham	1.00288	1.00433	1.00999
Nottinghamshire	1.00288	1.00433	1.00999
Oldham	1.00569	1.00854	1.01972
Oxfordshire	1.02314	1.03471	1.08016
Peterborough	1.01338	1.02008	1.04637

Local authority name	ACA for schools	ACA for high needs	ACA for central school services
Plymouth	1.00000	1.00000	1.00000
Portsmouth	1.01479	1.02219	1.05123
Reading	1.03622	1.05434	1.12548
Redbridge	1.08335	1.08895	1.10813
Redcar and Cleveland	1.00000	1.00000	1.00000
Richmond upon Thames	1.10036	1.11447	1.16706
Rochdale	1.00569	1.00854	1.01972
Rotherham	1.00000	1.00000	1.00000
Rutland	1.00000	1.00000	1.00000
Salford	1.00569	1.00854	1.01972
Sandwell	1.00352	1.00528	1.01220
Sefton	1.00117	1.00175	1.00405
Sheffield	1.00000	1.00000	1.00000
Shropshire	1.00000	1.00000	1.00000
Slough	1.05878	1.07715	1.14842
Solihull	1.00352	1.00528	1.01220
Somerset	1.00000	1.00000	1.00000
South Gloucestershire	1.01524	1.02286	1.05279
South Tyneside	1.00000	1.00000	1.00000
Southampton	1.01479	1.02219	1.05123
Southend-on-Sea	1.00369	1.00554	1.01279
Southwark	1.18442	1.20963	1.30337
St. Helens	1.00117	1.00175	1.00405
Staffordshire	1.00000	1.00000	1.00000
Stockport	1.00569	1.00854	1.01972
Stockton-on-Tees	1.00000	1.00000	1.00000
Stoke-on-Trent	1.00000	1.00000	1.00000
Suffolk	1.00002	1.00004	1.00009
Sunderland	1.00000	1.00000	1.00000
Surrey	1.05878	1.07715	1.14842
Sutton	1.10036	1.11447	1.16706

Local authority name	ACA for schools	ACA for high needs	ACA for central school services
Swindon	1.00748	1.01122	1.02590
Tameside	1.00569	1.00854	1.01972
Telford and Wrekin	1.00000	1.00000	1.00000
Thurrock	1.03854	1.04679	1.07832
Torbay	1.00000	1.00000	1.00000
Tower Hamlets	1.18442	1.20963	1.30337
Trafford	1.00569	1.00854	1.01972
Wakefield	1.00017	1.00025	1.00058
Walsall	1.00352	1.00528	1.01220
Waltham Forest	1.08335	1.08895	1.10813
Wandsworth	1.18442	1.20963	1.30337
Warrington	1.00378	1.00567	1.01310
Warwickshire	1.00731	1.01096	1.02531
West Berkshire	1.03622	1.05434	1.12548
West Northamptonshire	1.00342	1.00514	1.01186
West Sussex Fringe	1.05878	1.01211	1.02474
West Sussex non-Fringe	1.00000		
Westminster	1.18442	1.20963	1.30337
Westmorland and Furness	1.00000	1.00000	1.00000
Wigan	1.00569	1.00854	1.01972
Wiltshire	1.00748	1.01122	1.02590
Windsor and Maidenhead	1.05878	1.07715	1.14842
Wirral	1.00117	1.00175	1.00405
Wokingham	1.03622	1.05434	1.12548
Wolverhampton	1.00352	1.00528	1.01220
Worcestershire	1.00000	1.00000	1.00000
York	1.00000	1.00000	1.00000

29. The districts for the fringe and non-fringe parts of the part fringe LAs are as follows:

Local authority name	Districts
Buckinghamshire Fringe	Areas covered by the former Chiltern and South Bucks districts
Buckinghamshire Non-Fringe	Areas covered by the former Aylesbury Vale and Wycombe districts
Essex Fringe	Basildon, Brentwood, Epping Forest, Harlow
Essex Non-Fringe	Braintree, Castle Point, Chelmsford, Colchester, Maldon, Rochford, Tendring, Uttlesford
Hertfordshire Fringe	Broxbourne, Dacorum, East Hertfordshire, Hertsmere, St Albans, Three Rivers, Watford, Welwyn Hatfield
Hertfordshire Non-Fringe	North Hertfordshire, Stevenage
Kent Fringe	Dartford, Sevenoaks
Kent Non-Fringe	Ashford, Canterbury, Dover, Gravesham, Maidstone, Folkestone and Hythe, Swale, Thanet, Tonbridge and Malling, Tunbridge Wells
West Sussex Fringe	Crawley
West Sussex Non-Fringe	Adur, Arun, Chichester, Horsham, Mid Sussex, Worthing

Abbreviations

Abbreviation	Stands for
ACA	Area cost adjustment
CSSB	Central school services block
MHCLG	Ministry of Housing, Communities and Local Government
STPCD	School Teachers' Pay and Conditions Document

Department
for Education