Department for Education

Schools' Costs

2024 to 2026

March 2025

Contents

Summary

About this Technical Note

This note is intended to help school leaders, governors, academy trustees, researchers and others understand the drivers of cost increases, and impact of those cost increases, in mainstream schools in England at the national level. The note also supports policy development at a national level. Throughout the text, we denote financial years using a hyphen (for example, 2023-24) and academic years using a forward slash (for example, 2023/24).

Expiry or Review Date

Annual updates are planned.

Main Points

We assess the increases in spending on teaching staff, support staff and non-staff related expenditure in a given financial year (April-March). Increases in staff-related costs, accounting for over 80 per cent of schools' spending, are driven mainly by pay awards. For non-staff costs, we use the GDP deflator, the standard measure of price inflation in the public sector, except for energy costs in financial years 2022-23 to 2025-26 where we use a bespoke inflation rate in recognition of the impact of volatility in the energy markets brought about by global events.

We note that there continue to be substantial pressures on the public purse, in part driven by the macroeconomic context, as set out in the Department's written evidence to the School Teachers' Review Body (STRB).[1] The Department recognises that most schools will need to supplement the new funding they receive in 2025-26 with efficiencies and is committed to working alongside schools to help them improve outcomes for pupils by getting best value from all their resources. More detail on new productivity initiatives and how schools can access them is included in 'Annex A – Supporting Schools'.

In this note, we compare increases in schools' costs against growth in their funding in the same year. This allows us to assess how much flexibility there is in schools' budgets which would allow new spending beyond that needed to maintain the current level of provision, assuming no adjustment to that current provision.

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[1] Department for Education (2024), *Evidence to the STRB: 2025 pay award for teachers and leaders*, https://www.gov.uk/government/publications/evidence-to-the-strb-2025-pay-award-for-teachers-and-leaders.

2024-25. For the current financial year, we estimate that the funding that goes to mainstream schools has risen by 7.1 per cent. On average, at the national level, their costs are estimated to be increasing by 7.7 per cent.

Comparing the increases in funding and costs would imply that mainstream schools have, on average, a deficit of 0.5 per cent in 2024-25,[2] or £250 million, at the national level. This is a central estimate which carries a level of uncertainty which we believe is approximately +/- £200 million.

In February 2024,[3] we published an early assessment of 2024-25 cost pressures other than pay awards. New data that have since become available (new forecasts and outturn) led to a revision upwards in costs resulting in the deficit we report here. Note that we do not consider the position of schools' reserves in our analysis.

2025-26. Looking ahead to 2025-26, we include cost pressures in mainstream schools due to the final five months of the 2024/25 academic year teachers' pay award (5.5 per cent), pay drift, the National Living Wage, employer National Insurance Contribution changes, local government pension scheme contribution rates and non-staff related spending. We omit the main pay awards in 2025 for both teachers (for academic year 2025/26) and support staff (for financial year 2025-26), as they are unknown at this time. On this basis, overall costs in 2025-26 are estimated to increase by 3.6 per cent on average. This note makes no assumption about the outcome of the relevant pay award processes, nor should its analysis be seen as an indication of what might be agreed through these processes.

Core funding to mainstream schools is set to increase by 4.3 per cent in 2025-26. The difference between the 4.3 per cent increase in funding and the 3.6 per cent increase in costs (excepting the 2025 pay awards) indicates that mainstream schools would be able to spend a further 0.8 per cent on average on total expenditure,[4] or a central estimate of £400 million more, at the national level in 2025-26. This headroom carries a level of uncertainty of approximately +/- £200 million (or a range of £200-£600 million).

Our estimate of headroom is important in assessing what pay awards, for both teachers and support staff, might be absorbed by schools' funding for that year. In general, the headroom on total expenditure would reduce by about 0.6 percentage points or £320 million for every 1.0 percentage point increase in pay (from April for support staff and September for teachers).[5] This excludes any consideration of the potential for increases in productivity or for schools to make efficiencies to manage higher pay awards within their budgets.

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[2] The percentages 7.1% plus 0.5% do not appear to sum to 7.7% due to rounding.

[3] Department for Education (2024), *Schools' costs: technical note*, https://www.gov.uk/government/publications/schools-costs-technical-note.

[4] Percentages do not appear to sum due to rounding.

[5] 0.3 percentage points (£170 million) for teachers and 0.3 percentage points (£150 million) for support staff.

Looking uniformly across both support staff and teachers' pay together, the £400 million headroom matches the costs that would arise in 2025-26 from an increase in pay of around 1.3 per cent.

If schools find a 1 per cent efficiency on their budgets, this would represent a cash saving on the headroom of £550 million, which is equivalent to covering 1.7 per cent of staff pay awards.

Teachers' pay awards are subject to recommendations by the STRB and the government's response. The government has committed to reinstating the School Support Staff Negotiation Body (SSSNB) which will negotiate separately on support staff pay and conditions, but for 2025-26 the outcome of the National Joint Council negotiations on local government pay will continue to influence the pay award for school support staff. Pay awards are unknown until those processes are complete so, as usual, schools need to make assumptions in the meantime to aid their financial planning. Schools will want to consider what the Department set out in its written evidence to the STRB.[6]

The implications for individual schools will depend on wider factors and they will need to understand and plan for their own situations.

[6] Department for Education (2024), *Evidence to the STRB: 2025 pay award for teachers and leaders*, https://www.gov.uk/government/publications/evidence-to-the-strb-2025-pay-award-for-teachers-and-leaders.

Explanatory guide to the Department's analysis of school costs

1. Each year the department analyses school funding and costs to provide a forecast for the next financial year. This guide is designed to provide an explanation for why the government analyses school costs and funding in this way.

2. We want to help school leaders plan their budgets. We provide an estimate of the level of staff pay awards that schools, on average, at the national level, may be able to afford in the next financial year. This can:

- Support school leaders in knowing what level of award, at a minimum, the Department might expect schools to absorb within the funding increases received that year – noting that the Department might propose pay awards which exceed this and therefore may require careful planning from within overall resources.
- Help the sector assess what is thereby being asked of the average school (and helping leaders understand their own position in relation to the average).

3. We also set out our latest assessment of school costs in the current financial year when the note is published.

How we analyse school costs and funding for this technical note

4. We analyse spending in mainstream schools in past years and then forecast the cost for schools to continue to perform those same activities in the future, while considering changes in pupil numbers and to the cost of those activities. We are not taking a view on whether individual schools made the right spending decisions, as school leaders are best placed to decide how their budgets should be spent to the benefit of their pupils. If schools choose to undertake new activity, we assume they reprioritise existing spend accordingly.

New demands and new ways of working for schools

5. We are sometimes questioned on whether our assessment has taken full account of new demands on schools. The Department's model of affordability is designed to operate over a time horizon of one to two years. The model effectively resets itself based on the latest data on schools' spending patterns, so it remains grounded in the recent past.

6. This methodology is not designed to consider long-term trends or to take a strategic view on the funding required to achieve long-term change in the school system. We are also aware that pupil need and our expectations of schools may change. Similarly, the model does not measure or forecast the ways in which new technologies or improved staff training, for example, could reduce cost pressures on schools by finding new and better ways of supporting good pupil outcomes.

7. The Department does consider the changing context for pupil need, its strategic goals for the school system, and the sufficiency of funding in the long run. However, this affordability model has a different role and we want to avoid adding additional complexity that could detract from its core purpose – i.e. to consider what it takes to maintain schools' current operating model.

National and school level costs and funding

8. The cost and funding increases presented are averages across the school sector in England and should not be read as pertaining to individual schools, which have different profiles of costs and spending and their own financial context. Individual schools are best placed to plan for their own financial situations. We recognise that this can sometimes be difficult, especially where future costs are uncertain.

9. One of the most frequent questions which the Department receives is regarding the use of national averages to consider the affordability of pay awards, rather than the cost pressures for individual schools.

10. There are three key reasons why we calculate affordability at a national level:

1) Data are not available with the necessary granularity or are not timely enough. For example, the only data available on cost pressures are for national averages, and the only data we have on individual schools' spending profiles are lagged by two years. This means that any analysis that we could provide for individual schools would be outdated and unreliable.
2) Part of the reason schools have different spending profiles is because the Department gives schools and trusts autonomy over their own spending. If we were to fund individual schools to maintain their individual profiles of spending then we would likely need to place restrictions on schools' recruitment, procurement and other spending decisions to control cost pressures on the Department. We would not wish to do this because we think that school leaders rather than central government are best placed to choose how funding is spent to support the needs of their pupils. The Department's approach reflects the autonomy it gives to schools.
3) The National Funding Formula is designed to distribute funding differentially between schools, mainly according to pupil numbers and needs. The Department is deliberately funding schools differently depending on such factors, and, in a high autonomy system, it is then important that schools manage their spending within their funding allocation.

11. The Department is committed to working alongside schools to help them improve outcomes for pupils by getting best value from all their resources. The Department is developing a suite of new productivity initiatives in partnership with the sector to complement the free support already available to schools, including new support to make budgets go further across technology, procurement, banking services and energy

contracts. More detail on these initiatives and how schools can access them is included in ‘Annex A – Supporting Schools’.

Measuring and forecasting inflation

12. Non-staff costs represent around 20 per cent of schools’ expenditure. As is normal practice for government spending, this is forecast using the GDP deflator, which is a measure of general inflation in the domestic economy, including activity in the public sector. We are aware that there are some situations where school costs could rise faster or more slowly than indicated by the GDP deflator. Over the long term, we judge it is reasonable to use the GDP deflator as the standard measure. Where we have judged that changes in schools’ specific costs are not well represented by the GDP deflator, we have sought to take account of this. For example, we have applied energy-specific inflation rates to the years 2022-23 to 2025-26 for energy-related expenditure.

Forecasting by financial year

13. Given that local authority maintained schools budget by financial year and academies by academic year, whichever option we choose to forecast school costs will be out of sync with the budgeting timeframes used by some schools. The note currently provides a forecast by financial year (April to March) and we acknowledge this is not optimal for academies. We continue to review how our analysis can best align with schools’ budget setting, while also considering the resource implications for the Department and the data available.

Implications for academies of different funding basis

14. As academies’ funding is provided by academic year, that funding is paid five months later than for local authority maintained schools. This means that the financial headroom we calculate for any one financial year for all schools will in fact affect academies and local authority maintained schools differently. The change in funding rate will be partially distributed in the next academic year for academies. We have observed that the differences in headroom can therefore favour either academies or local authority maintained schools in any one financial year. However, over a multi-year period, these year to year differences will tend to balance out. This is what we would expect in a system where funding is distributed between all schools mainly according to pupil need through the National Funding Formula.

Coverage of the assessment

15. The model currently designed to forecast cost pressures for 5 to 16 year olds in mainstream schools, the largest sector covered by the Core Schools Budget. The model excludes high needs providers, early years providers and sixth forms, whose funding and cost pressures are quite different in nature. We will keep under review whether the scope of this note should be extended in future.

Headroom for staff pay

16. We judge pay awards to be 'fully funded' in a given year when the increase in overall funding equals or exceeds the increase in overall costs at the national level, i.e. the total budgetary headroom is zero or positive in cash terms at the national level. As explained above, we recognise that the picture will be different for individual schools. This definition of headroom does not include the potential for pay awards to be funded from within schools' budgets through efficiencies or improvements in productivity.

Rising costs of special educational needs

17. The costs of providing educational services to pupils with special educational needs (SEN) have increased greatly in recent years. The government is continuing to develop plans to transform the SEN system and improve outcomes for young people. This includes plans for reform of the education system to help more pupils with SEN to have their needs met in mainstream schools.[7]

18. Our modelling includes an estimate of the growth in the costs of education and health care plans (EHCPs) above baseline population growth and inflation in mainstream schools. This year, we revised our estimates upwards to take account of new EHCP forecasts. There is a high degree of uncertainty associated with the EHCP forecasts.

Limitations of forecasting cost pressures

19. Assessments of financial headroom and pay affordability are based on the latest evidence available. The analysis carries a high level of uncertainty as the underlying data can and do change; the figures presented here are a snapshot in time. Uncertainty arises in part from the delays in reporting data that we use, such as school workforce and expenditure data. Because we use projections and forecasts, our estimated headroom will change when those data are later replaced by measured or 'outturn' data. Further variability is caused by revisions to historical GDP deflators.

20. This edition of the publication provides, for the first time, 'uncertainty ranges'. These are stated alongside our headroom figures – which we sometimes refer to as 'central estimates' – and are intended to provide an indication of the level of uncertainty in those central estimates based on our judgement.

[7] Department for Education (2024), *Transformational reform begins for children and young people with SEND*, https://www.gov.uk/government/news/new-specialist-places-to-be-created-in-mainstream-schools.

Introduction

21. This technical note provides school leaders and others with analysis of cost increases that mainstream schools are expected to face over the financial years 2024-25 and 2025-26. The costs covered relate mainly to schools' expenditure on the activities supported by core funding allocations. Our estimates of costs cover mainstream English primary and secondary schools (maintained schools, academies, and free schools, with pupils in reception to year 11) and exclude special schools and other high needs providers. The analysis is done at the national level by examining the average cost increases that schools are forecast to face.

22. Costs should be seen in the wider context of funding for schools. In total, mainstream schools and high needs are receiving £61.6 billion in 2024-25, which includes almost £1.1 billion of additional funding announced in July 2024 to support schools with overall costs (including 2024 staff pay awards). In 2025-26, this will rise to £63.9 billion, following the additional £2.3 billion announced at the Autumn Budget.[8] The Department is expecting a further allocation of funding of around £900 million to support mainstream schools and high needs with the costs of NICs changes in 2025-26.

23. The first section of this note deals with cost and funding increases in the current financial year, 2024-25, for which we estimate the major cost drivers and assess their impact on schools' finances this year.

24. The second section examines cost and funding increases in 2025-26, where we do not yet know the additional costs, due to staff pay awards not yet being decided.

25. Subsequent sections detail the methodology used to produce the estimates of cost increases and discuss uncertainties and limitations of the analysis (including factors that could lead to differences between the forecasts and eventual increases in the costs considered here).

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[8] HM Treasury (2024), *Autumn Budget 2024*, Table 1.9, https://assets.publishing.service.gov.uk/media/67225b9b3ce5634f5f6ef579/Autumn_Budget_2024__print_ready_.pdf

Schools’ Costs in 2024-25

26. We first consider cost increases in mainstream schools in England in the current financial year.

27. Details of how we calculate cost increases are set out in the Methodology section. In summary, we combine the impacts of various price inflation factors with changes to staff and pupil numbers (demographic factors) for spending in three broad price-inflation categories (teaching staff, support staff and non-staff related costs). We begin by setting expenditure equal to funding in the latest year (the base year) for which we have spending data for both maintained schools and academies, 2022-23. For each spending category, we work forward from the base year, applying specific price inflation and demographic growth to estimate the increase in costs in 2024-25 compared to 2023-24.

28. Staff-related costs include pay awards, employer pension contribution rate changes, and employer National Insurance Contribution (NIC) threshold pressures. Staff-related costs are assumed to scale with estimated teacher demand.[9]

29. Non-staff related costs are assumed to scale with price inflation and pupil growth. The GDP deflator is commonly used to indicate price changes in public sector expenditure, and we apply it to schools’ non-staff related spending, except for energy, for which we have continued to estimate a separate inflation factor in 2024-25 (see the Methodology section).

30. Current estimates of the overall price inflation for each spending category are as follows:

Table 1: Price inflation by expenditure category in financial year 2024-25.

Expenditure category	2024-25
Teacher expenditure, per teacher	10.4%
Support staff expenditure, per staff member	4.7%
Non-staff expenditure (including energy), per pupil	2.6%

Source: DfE

31. Teachers’ pay inflation is made up of several factors, the largest being the final five months of the 2023/24 pay award of 6.5 per cent and the first seven months of the 2024/25 pay award of 5.5 per cent from September 2024. The increase in the teachers’ pension employer contribution rate causes a 3.6 per cent pressure on the pay bill. Smaller contributions come from pay drift (0.3 per cent) and employer NIC threshold effects (0.1 per cent).[10] With those factors, teachers’ pay inflation is 10.1 per cent.

[9] The Department assumes that teacher demand will rise/fall in line with pupil numbers, but not in direct 1:1 correspondence, with schools also increasing/lowering class sizes and pupil teacher ratios to help mitigate shifting pupil demographics.
[10] Pay drift reflects the pay bill costs of workforce compositional changes and pay progression.

32. We include an additional 0.2 per cent pressure on teacher-related expenditure from other spending we expect schools will have committed to in 2024-25 (for reasons given in the 2024 schools' costs technical note).[11] That takes the total inflation included in the teacher category to 10.4 per cent.[12]

33. Support staff pay inflation is made up of an average award of 4.6 per cent, a 0.2 per cent pressure from employer NICs, and a −0.1 per cent decrease from local government pension scheme (LGPS) employer contributions.

34. Non-staff related price inflation is represented by the GDP deflator of 2.4 per cent, except energy with estimated price inflation in 2024-25 of 4.1 per cent. Combined, the GDP deflator and energy inflation correspond to an overall inflation rate of 2.6 per cent on non-staff costs.

35. In the next step, we weight the inflation factors by the proportions of expenditure in each category in the previous year (2023-24): teaching staff (52 per cent), support staff (29 per cent) and non-staff (20 per cent).[13] Before summing the factors, we convert them to a common per-pupil set of units using the relative changes in teacher and pupil numbers compared to the previous year. The resulting per-pupil price inflation is set out in Table 2.

Table 2: Weighted per-pupil price inflation in 2024-25.

Expenditure category	**2024-25**
Teacher expenditure, per pupil (weighted)	5.3%
Support staff expenditure, per pupil (weighted)	1.4%
Non-staff expenditure, per pupil (weighted)	0.5%
Overall per-pupil price inflation (sum of the above)	**7.2%**

Source: DfE

36. By combining the per-pupil price inflation with pupil growth, averaged over the financial year, of −0.3 per cent, we estimate that the costs faced by mainstream schools will increase by 6.9 per cent in 2024-25. To this we apply an additional 0.8 per cent due to rising costs of special educational needs (SEN) provision in mainstream settings, **yielding an overall increase in mainstream schools' costs of 7.7 per cent in 2024-25.** This is a central estimate with a level of uncertainty of approximately +/- 0.4 percentage points.

[11] Department for Education (2024), *Schools' costs: technical note*, https://www.gov.uk/government/publications/schools-costs-technical-note.
[12] The percentages do not appear to sum due to rounding.
[13] These percentages do not appear to sum to 100% due to rounding.

Schools' Funding in 2024-25

37. To assess the impact on mainstream schools' finances of cost increases in 2024-25, we compare those increases against the growth in their funding. To do that, we must calculate the increase in schools' core funding.

38. We include the following elements of core funding that go to mainstream schools:

- Schools block and related funding;
- Pupil premium grant (deprivation premium and service premium only);
- High needs funding (including only funding that goes to mainstream schools);
- Teachers' pay additional grant (TPAG);
- Teachers' pension employer contribution grant (TPECG 2024);
- Core schools budget grant (CSBG);
- Early careers framework funding;
- Transfer by local authorities of funding out of the schools block to other funding blocks.[14]

39. Note that for mainstream schools, the TPAG, TPECG and CSBG are paid as separate grants in 2024-25, but this funding has been allocated within the schools block from 2025-26 onwards.

40. The final item – so-called 'block transfers' – acts to increase the amount of funding going to high needs, and so correspondingly reduce the funding going to mainstream schools.

41. On that basis, the funding to mainstream schools in 2024-25 was 7.1 per cent higher than funding in 2023-24.

42. In the previous section, we estimated that mainstream schools' costs would increase by 7.7 per cent in 2024-25. Comparing the increases in funding and costs would imply that schools have, on average, a deficit of 0.5 per cent in 2024-25,[15] or around £250 million at the national level. Again, these are central estimates with ranges of uncertainty of +/- 0.4 percentage points or +/- £200 million.

43. The CSBG, included in our assessment here, was designed to cover the cost pressures as known at the time of the teachers' pay settlement in July 2024. New forecast data subsequently became available which increased our estimate of costs in 2024-25. These new data have led to the deficit which we now report in our assessment. The deficit is not the result of any single expenditure category. This change in our

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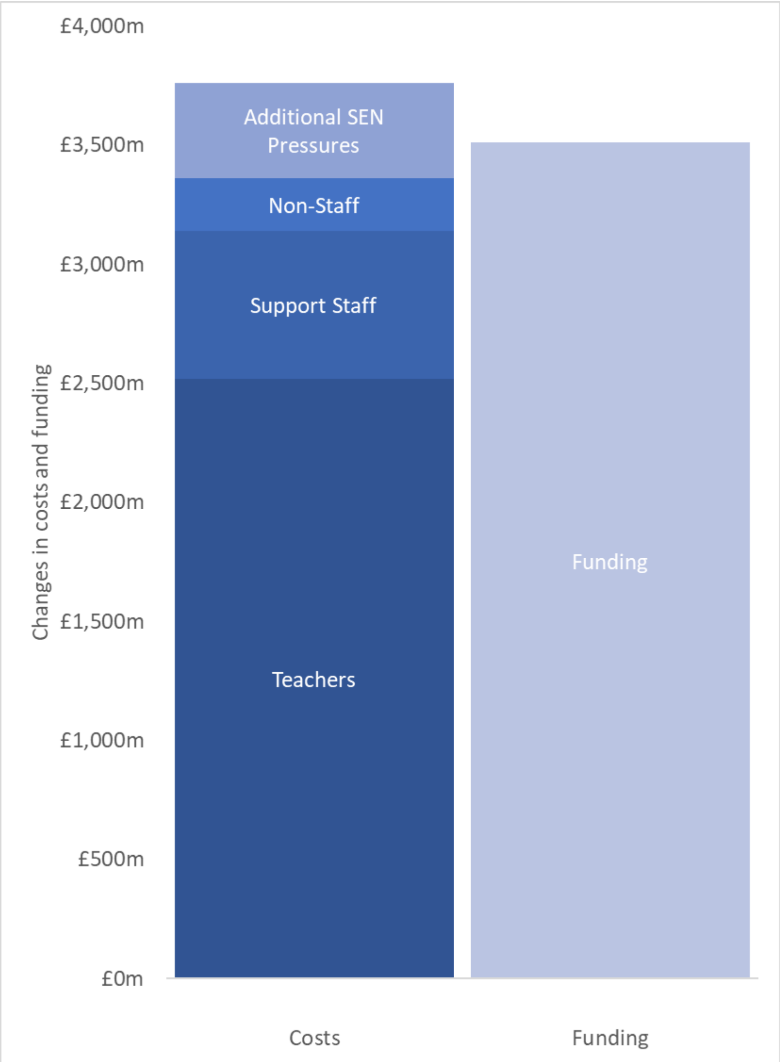
[14] Local authorities are allowed to redistribute some funding between blocks in the Dedicated Schools Grant.

[15] The percentages do not appear to sum due to rounding.

forecast highlights the difficulties associated with forecasting financial pressures. We should note that the revision for 2024-25 was larger than usual. The funding provided in July was based on our best estimate at the time.

44. Note that we do not consider the position of schools' reserves in our analysis. The implications for individual schools will depend on their specific financial situations and wider factors.

Figure 1: Breakdown in the increase in schools' costs and funding in 2024-25 compared to 2023-24.



Schools' Costs in 2025-26

45. We cannot yet provide complete cost pressures in 2025-26, as future staff pay awards are yet to be agreed. This note makes no assumption about the outcome of the relevant pay processes, nor should its analysis be seen as an indication of what might be agreed through these processes.

46. We include the following cost pressures in this early assessment for 2025-26:

1) The teachers' pay award from September 2024, which affects the first five months of 2025-26;
2) Teachers' pay drift;[16]
3) Employer NICs pressures;
4) National Living Wage (NLW) increase;
5) Employer contribution rate changes for the local government pension scheme (LGPS); and
6) Non-staff related price inflation.

47. The mainstream school price inflation in 2025-26 is summarised as follows:

Table 3: Annual price inflation by expenditure category in 2025-26 (excluding 2025/26 teaching and 2025-26 support staff awards).

Expenditure category	2025-26
Teacher expenditure, per teacher	4.2%
Support staff expenditure, per staff member	3.0%
Non-staff expenditure (including energy), per pupil	1.5%

Source: DfE

48. The teacher-related inflation in 2025-26 is the remaining five months of the 5.5 per cent teachers' pay award from September 2024, pay drift pressure of 0.3 per cent, and employer NICs pressure of 1.7 per cent,[17] which together come to 4.2 per cent.

49. In the case of support staff, the net cost pressure of 3.0 per cent comprises an employer NICs pressure of 2.9 per cent, together with 0.1 per cent from the increase in the NLW and a minor pension employer contribution pressure.

50. Non-staff related price inflation is represented by the GDP deflator of 2.4 per cent, except energy with estimated price inflation in 2024-25 of −5.1 per cent. Combined, the GDP deflator and energy inflation correspond to an overall inflation rate of 1.5 per cent on non-staff costs.

[16] Changes to pay bill due to workforce compositional changes and pay progression.
[17] Due mostly to the rate and threshold changes from April 2025.

51. As we did for the analysis of costs in 2024-25, we weight the inflation factors in each expenditure category by its proportion of total school spending and convert them to a common per-pupil set of units using the relative changes in teacher and pupil numbers. This results in the per-pupil price inflation shown in Table 4.

Table 4: Weighted per-pupil price inflation in 2025-26.

Expenditure category	2025-26
Teacher expenditure, per pupil (weighted)	2.3%
Support staff expenditure, per pupil (weighted)	0.9%
Non-staff expenditure, per pupil (weighted)	0.3%
Overall per-pupil price inflation (sum of the above)	**3.5%**

Source: DfE

52. We combine the 3.5 per cent price inflation with pupil growth, averaged over the financial year as −0.4 per cent, and apply 0.6 per cent for the rising costs of SEN provision in mainstream settings. Excepting the main pay awards yet to be determined in 2025, costs are estimated to increase by 3.6 per cent in 2025-26.[18] This estimate of the increase in costs for 2025-26 is a central estimate carrying a level of uncertainty of approximately +/- 0.4 percentage points.

[18] Due to rounding and because the pressures are applied cumulatively, the overall increase in costs differs slightly from a simple sum of the individual pressures.

Schools' Funding in 2025-26

53. In our analysis, the core funding going to mainstream schools in 2025-26 for reception to year 11 is as follows:

- Schools block (incorporating three previously separate grants: TPAG, TPECG and CSBG) and related funding;
- Pupil premium grant (deprivation and service premia only);
- High needs funding (we include only funding that goes to mainstream schools);
- Early careers framework funding;
- Funding to support schools with employer NICs costs in 2025-26;
- Transfer of funding out of the schools block to other funding blocks;
- Further core schools budget funding to be allocated in-year.

54. Based on the above grants, the funding to mainstream schools is set to increase by 4.3 per cent in 2025-26.

55. The difference between the 4.3 per cent increase in funding and the 3.6 per cent increase in costs estimated in the previous section indicates that schools would be able to raise their overall expenditure by a further 0.8 per cent on average,[19] or around £400 million at the national level in 2025-26. The financial headroom is a central estimate carrying a level of uncertainty of +/- £200 million.

56. The estimate informs the Department's overall assessment of schools' capacity to absorb pay awards in 2025-26, for both teachers and support staff. In general, the headroom on total expenditure would reduce by about 0.6 percentage points or £320 million for every 1.0 percentage point increase in pay (from April for support staff and September for teachers) in 2025-26.[20] Every 1.0 percentage point increase in teachers' pay in September 2025 (relating to the 2025/26 pay award) would also reduce the scope for new spending in the following year, 2026-27, by a further 0.2 percentage points or about £120 million.

57. Looking uniformly across both support staff and teachers' pay together, the £400 million headroom matches the costs that would arise in 2025-26 from an increase in pay of around 1.3 per cent. If schools find a 1 per cent efficiency on their budgets, this would represent a cash saving on the headroom of £550 million, which is equivalent to covering 1.7 per cent of staff pay awards.

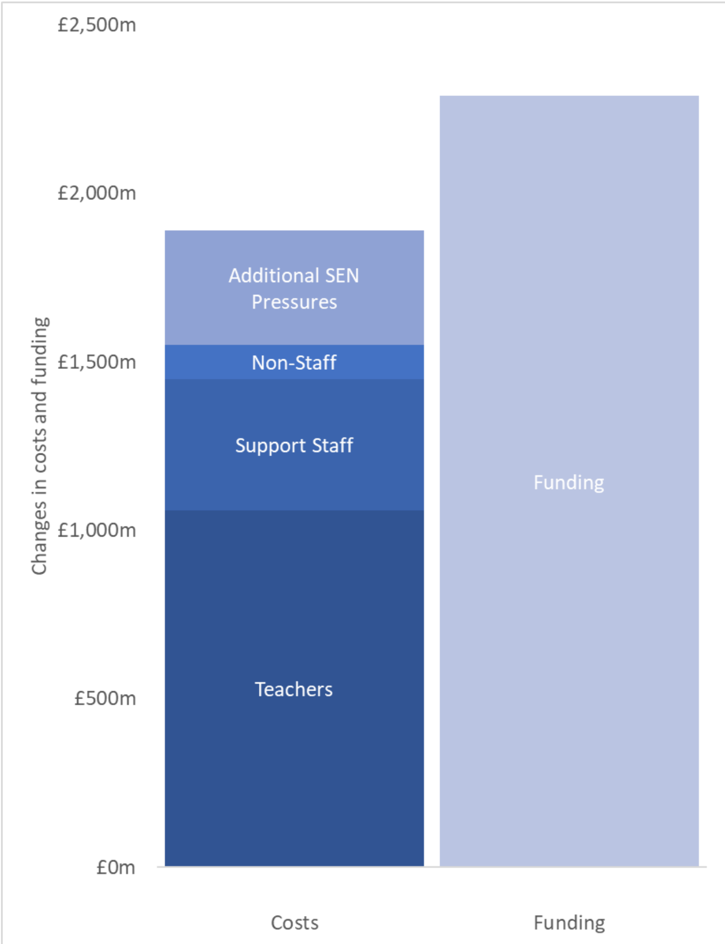
58. Teachers' pay awards are subject to recommendations by the STRB and the government's response, while other staff pay awards are subject to negotiations between

[19] These percentages do not appear to sum due to rounding.

[20] 0.3 percentage points (£170 million) for teachers and 0.3 percentage points (£150 million) for support staff.

employers and unions. Pay awards are unknown until those processes are complete, so, as usual, schools need to make assumptions in the meantime to aid their financial planning.

Figure 2: Breakdown in the increase in schools' costs and funding in 2025-26 compared to 2024-25.



59. The government has committed to reinstating the School Support Staff Negotiation Body (SSSNB) which will negotiate separately on support staff pay and conditions, but this will not affect pay awards for support staff in 2025-26. For 2025-26, support staff pay will continue to be influenced by negotiations on local government pay awards between unions and employers through the National Joint Council (NJC) for Local Government Services.

60. Schools will want to consider what the Department set out regarding the 2025 teachers' pay award in its written evidence to the School Teachers' Review Body.[21] Schools will also want to factor in the impact of a 2025-26 pay award for support staff on their budgets. The Department assumes that, in planning their budgets, schools will consider pay awards across the board, i.e. across both teachers and support staff.

61. The implications for individual schools will depend on wider factors and they will need to understand and plan for their own situations.

[21] Department for Education (2024), *Evidence to the STRB: 2025 pay award for teachers and leaders*, https://www.gov.uk/government/publications/evidence-to-the-strb-2025-pay-award-for-teachers-and-leaders.

Methodology

62. This section sets out the methodology that underpins the analysis presented in the previous sections.

63. The approach taken to determine cost increases due to price inflation and staff and pupil number changes (demographic factors) in 2024-25 and 2025-26 is as follows:

a) We use published mainstream schools' expenditure for 2022-23, the latest year of data currently available, to assign spending to three broad price-inflation categories:[22]
   - Teaching staff related spending (52 per cent);
   - Support staff related spending (29 per cent); and
   - Non-staff related spending (20 per cent).[23]

b) We estimate the growth in each category of spending in future years by applying annual price inflation and staff and pupil number changes.

c) Some of these pressures are applied on a financial year (FY) basis and others applied by academic year (AY), as indicated below.

d) We report cost increases on a financial year basis. Individual academic year pressures overlap and act on two financial years.

e) Teaching staff related spending pressures include:
   - Pay awards and drift (workforce compositional changes and pay progression) (AY)
   - Employer NIC rate and threshold pressures (FY)
   - Changes in the number of teachers, driven by pupil number changes (AY).

f) We also included an additional 0.2 per cent on teachers' pay inflation in 2024-25 to account for additional spending commitments, as set out in the 2024 schools' costs technical note.[24]

g) For support staff related costs, we include:
   - NLW awards and general pay awards (FY)
   - Employer pension contribution changes (FY)
   - Employer NIC rate and threshold pressures (FY)
   - Changes in the number of staff, proxied by the change in teacher numbers (AY).

h) Non-staff related costs are assumed to change in line with:
   - Forecast inflation, as measured by the GDP deflator, adjusted for energy-specific price rises (FY)

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[22] Department for Education (2024), *Schools financial benchmarking: data sources and interpretation*, https://schools-financial-benchmarking.service.gov.uk/Help/DataSources.

[23] These percentages do not appear to sum to 100% due to rounding.

[24] Department for Education (2024), *Schools' costs: technical note*, https://www.gov.uk/government/publications/schools-costs-technical-note.

   - Changes in pupil numbers (AY).

i) Inflation factors for each staff category are converted to a per-pupil basis using the relative changes in teacher and pupil numbers.

j) We sum these inflation factors, weighted by the proportion of spending in each category, to obtain total per-pupil price inflation averaged across all mainstream schools.

k) By combining price inflation and demographic pressures cumulatively, we obtain the increase in costs in each year, to which we apply the additional costs of providing educational services to pupils with SEN (see below).

64. Teacher number projections are based on unpublished internal modelling of teacher numbers driven by pupil numbers, i.e. driven by need. The projections are based on published national pupil projections (NPP).[25] For our analysis of schools' costs, we made an adjustment to the changes in pupil numbers to reflect lower outturn compared to that in the NPP for the academic year 2024/25.[26] As a result, the pupil growth in financial year 2024-25 was reduced from −0.1 to −0.3 per cent while teacher growth was reduced from −0.2 to −0.3 per cent; for 2025-26, both pupil and teacher growth were adjusted from −0.3 to −0.4 per cent.

65. Since 2023-24, the employer NIC secondary threshold has been frozen at £9,100 until 2024-25.[27] A frozen threshold results in an additional pressure on pay bills in each year. For 2024-25, we estimate the pressure as 0.1 per cent for teachers' pay and 0.2 per cent for support staff pay.

66. From 2025-26, the employer NIC secondary threshold is set to fall to £5,000, while the rate will increase from 13.8 per cent to 15.0 per cent. We estimate the pressures as 1.7 per cent for teachers' pay and 2.9 per cent for support staff pay. These pressures are only approximate, being based on a preliminary evaluation of the costs.[28]

67. The costs of providing educational services to SEN pupils have increased in recent years. The forecast growth in pupils with EHCPs at mainstream providers has been significantly revised upwards this year as a result of changes to unpublished internal DfE modelling. This additional pressure is currently estimated for 2024-25 and 2025-26 as 0.8 per cent and 0.6 per cent, respectively, on total expenditure by mainstream schools. There is a high degree of uncertainty associated with the EHCP forecasts.

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[25] Department for Education (2024), *National pupil projections*, https://explore-education-statistics.service.gov.uk/find-statistics/national-pupil-projections.
[26] Outturn based on pupil numbers in the 2025-26 Dedicated Schools Grant allocations, https://www.gov.uk/government/publications/dedicated-schools-grant-dsg-2025-to-2026.
[27] Office for Budget Responsibility (2023), *The impact of frozen or reduced personal tax thresholds*, https://obr.uk/box/the-impact-of-frozen-or-reduced-personal-tax-thresholds/.
[28] Unpublished DfE internal modelling.

68. We can assess the additional spending power or pressure on schools' budgets (ignoring the reserves position) by taking the difference between the percentage increase in funding and the percentage increase in costs. We convert this to cash terms by multiplying the percentage difference by the previous year's funding. This approach pre-supposes that, in the previous or base year, schools have spent all their funding or had to make efficiencies, so that their expenditure equals their income, whether that expenditure is for short or long-term commitments.

69. We purposefully do not take account of schools' behaviour in response to rising costs (for example, making savings or drawing from reserves) or unspent budget (for example, adding to reserves). Our intention is to assess any pressures or headroom prior to the behavioural response by schools. The assessment is therefore prior to any consideration of the potential for schools to make efficiencies or improve productivity to fund new activities or increases in costs.

Teachers' Pay

70. For the 2023/24 teachers' pay award, effective from September 2023, the STRB recommended a 6.5 per cent uplift to all pay points and allowances, and a higher uplift (up to 7.1 per cent) for new teachers to reach the Government's commitment of £30,000 starting salaries.[29] The Government accepted these recommendations which were equivalent to an average 6.5 per cent award. The associated cost pressure continued into the first five months of 2024-25 as teachers' pay awards are granted on an academic year basis.

71. In July 2024, the STRB recommended a pay award of 5.5 per cent for 2024/25, which was again implemented in full.[30] The resulting cost pressure is split across the final seven months of 2024-25 and the first five months of 2025-26.

72. For all years, we include estimates of pay drift, i.e. changes to pay bill due to workforce compositional changes and pay progression. For academic years 2023/24, 2024/25 and 2025/26, the drift is estimated as 0.4, 0.3, and 0.3 per cent, respectively. Historical and forecast pay drift was revised upwards since last year following new data becoming available.[31]

[29] Department for Education (2023), *Teachers update. Statement made on 13 July 2023*, https://questions-statements.parliament.uk/written-statements/detail/2023-07-13/hcws942.
[30] Department for Education (2024), *Government confirms above inflation pay award for teachers*, https://www.gov.uk/government/news/government-confirms-above-inflation-pay-award-for-teachers.
[31] Unpublished internal DfE modelling.

Support Staff Pay

73. The 2024-25 pay award was agreed in October 2024, with an increase of £1,290 on all National Joint Council pay points and a 2.5 per cent increase to all allowances.[32] We estimate that this award leads to an average pay rise for school support staff of around 4.6 per cent.

74. Estimation of the average award was made difficult due to the late settlement in 2023-24, which meant that at the time the 2023 School Workforce Census was taken only around half of the staff contracts reflected the 2023-24 award, distorting the support staff pay distribution. To estimate the average 2024-25 pay award we used a simplified approach based on the 2023-24 pay award of 7.6 per cent and using the flat cash awards of £1,925 and £1,290 in 2023-24 and 2024-25.

75. The Local Government Pension Scheme undergoes triennial valuations and accompanying adjustments to employer contribution rates. Using the 2022 valuations report,[33] we estimate a pressure of −0.1 per cent in 2024-25 and 0.0 per cent in 2025-26.

Non-Staff Related Spending

76. The top contributors to mainstream schools' non-staff related costs in the expenditure base year 2022-23 (and proportions of total spending) were:[34]

- Learning resources (not ICT equipment) (4.4 per cent);
- Catering supplies (3.0 per cent);
- Energy costs (2.2 per cent); and
- Administrative supplies (non-educational) (2.1 per cent).

77. No publicly available forecast of inflation is perfectly matched to the patterns of schools' spending on non-staff costs. While inflation experienced by individual schools will differ, we generally use the GDP deflator which is typically used to indicate price changes in public sector spending. For 2023-24 to 2025-26 we used a bespoke energy price inflation factor (see below). For 2023-24, 2024-25 and 2025-26, the latest GDP deflators are 6.1 per cent, 2.4 per cent and 2.4 per cent, respectively.[35]

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[32] GMB Union (2024), *Local government services pay agreement 2024*, https://www.gmb.org.uk/assets/media/documents/lgs-pay-01apr24.pdf.
[33] Local government pension scheme advisory board – England and Wales (2023), *2022 valuations – detail report*, https://lgpsboard.org/index.php/2022-valuations-report.
[34] Department for Education (2024), *Schools financial benchmarking: data sources and interpretation*, https://financial-benchmarking-and-insights-tool.education.gov.uk/.
[35] HM Treasury (2025), *GDP deflators at market prices, and money GDP December 2024 (Quarterly National Accounts)*, https://www.gov.uk/government/collections/gdp-deflators-at-market-prices-and-money-gdp.

Energy Price Inflation

78. We have updated our energy forecast since last year's technical note with newly published data for LA-maintained schools spend in 2023-24.[36] We set a baseline for 2023-24 using the latest data for LA-maintained schools, and forecast academy spending for academic year 2023/24, as the equivalent academies' data are not yet available. From the 2023-24 baseline, we have used Department for Energy Security and Net Zero (DESNZ) energy price forecasts to estimate the growth in schools' energy costs to 2024-25 and 2025-26, in accordance with Green Book appraisal guidance.[37]

79. The baseline data indicate a 21.3 per cent increase in energy prices in 2023-24. The central forecast scenario suggests a 4.1 per cent increase in energy prices in 2024-25, and a −5.1 per cent decrease in 2025-26. These estimates carry significant uncertainty.[38]

80. In our analysis of cost increases in schools, we apply the energy-specific inflation rates to 2023-24, 2024-25 and 2025-26 and combine them with the GDP deflator for all other non-staff spending to obtain an overall non-staff inflation rate in each year.

Funding

81. The mainstream school funding elements included in this analysis are shown in Table 5.

82. Related grants in the first line are some small grants (about £30 million a year) covering funding to the City of London, the Isles of Scilly and two city technology colleges.

83. Since last year's technical note, 2023-24 funding has changed due to the inclusion in the analysis of funding block transfers (mainly from the schools block to the high needs block) and updates to published allocations. 2024-25 is similarly affected but differs mainly due to the addition of the TPECG and CSBG grants. For mainstream schools, these grants were rolled into the schools block of the DSG in 2025-26.

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[36] Department for Education (2024), LA and school expenditure, https://explore-education-statistics.service.gov.uk/find-statistics/la-and-school-expenditure.

[37] Department for Energy Security and Net Zero (2023), *Valuation of energy use and greenhouse gas emissions for appraisal*, https://www.gov.uk/government/publications/valuation-of-energy-use-and-greenhouse-gas-emissions-for-appraisal.

[38] In our energy price inflation modelling, we cannot account for differences between energy retail prices and schools' contract prices without detailed knowledge of those contracts, nor include any energy savings made during the year.

Table 5: Core mainstream school funding used in the analysis.

Funding category	2023-24	2024-25	2025-26
Schools Block & related grants	£44,180m	£45,130m	£48,700m
High Needs funding in mainstream schools	£2,030m	£2,380m	£2,680m
Pupil Premium (deprivation & service children)	£2,470m	£2,510m	£2,640m
Teachers' pay additional grant	£430m	£750m	£0m
2024 teachers' pension employer contribution grant	£0m	£920m	£0m
Core schools budget grant	£0m	£950m	£0m
Funding to support employer NICs costs in 2025-26	£0m	£0m	£790m
Early career framework funding	£60m	£50m	£60m
Unallocated funding	£0m	£0m	£110m
Total funding to mainstream schools	**£49,170m**	**£52,690m**	**£54,980m**
Annual growth in funding		7.1%	4.3%

Source: DfE

84. The funding to support the increased employer NICs costs from 2025-26 is based on an early assessment of the Department's expected funding allocation.

85. The schools block has also been adjusted for the differences in the financial treatment of academies and maintained schools. This includes the recoupment gap, which is the difference between what funding is given to academies and what is recouped from local authorities for the equivalent academies' funding within a financial year. This arises where there are differences in the financial treatment of academies and maintained schools: for example, because maintained schools are funded on an April-March basis, and academies on a September-August basis. It also includes the funding allocated for academies in respect of the grants that will continue to be paid for mainstream academies until the end of August 2025 – the core schools budget grant, the teachers' pay additional grant and the teachers' pension employer contribution grant. In 2025-26, the amount of funding paid out to academies in respect of the general annual grant and these other grants is forecast to exceed the amount of funding recouped from local authorities' schools block allocations. It is important for this analysis to reflect that additional funding, so that we capture all of the funding going to mainstream schools.

86. High needs funding is based on the total high needs budget and section 251 high needs budget return.[39] [40] It includes:

- Place funding of £210 million (2023-24), £210 million (2024-25) and £220 million (2025-26, projected using a 5-year trend);
- Top-up and targeted funding of £1,820 million (2023-24), £2,170 million (2024-25) and £2,460 million (2025-26; proportion of budget projected based on a 5-year trend).

[39] Department of Education (2022-2024). The high needs budget is published in the high needs national funding formula technical notes. The latest note is available here: https://www.gov.uk/government/publications/national-funding-formula-tables-for-schools-and-high-needs-2025-to-2026.

[40] Department of Education (2022, 2023). Planned high needs spending is published in: *Planned LA and school expenditure*, https://explore-education-statistics.service.gov.uk/find-statistics/planned-la-and-school-expenditure.

Data Quality, Limitations of Analysis and Key Assumptions

87. The data used to estimate cost increases come from a variety of sources, referenced throughout the note, which have their own sets of assumptions and vary in quality. There is a greater level of uncertainty for support staff expenditure, where less published information is available. Estimates of the effects of teachers' pay awards also carry an inherent uncertainty given the flexibility that schools and academies have to make decisions on pay.

88. The estimates of cost increases are intended to be updated annually. The analysis uses the latest data, and assumptions and methodology are reviewed and refined before each update.

89. The analysis carries a high level of uncertainty as the underlying data can and do change after we have published the technical note. We now provide uncertainty ranges alongside our key output figures.

90. Other factors which could contribute to differences between estimates and eventual outturn include changes in:

- Schools' behaviour in response to rising costs (making savings or drawing from reserves) or to unspent budgets (adding to reserves);
- Government policies affecting schools;

91. Note that due to rounding and because various pressures are applied cumulatively, a cost increase or pressure quoted in the text may differ slightly from a simple sum of individual pressures involved.

92. We analyse schools' costs and the growth in funding in a traditional financial year (April-March). In the case of academies, we recognise that their accounting year follows an academic year cycle.

93. The cost and funding increases presented are averages across all schools in England and should not be read as pertaining to individual schools.

Annex – Supporting Schools

94. The Department recognises that most schools will need to supplement the new funding they receive in FY 2025-26 with efficiencies. However, schools are not alone in their efforts to better manage their spending. The Department will be developing a suite of productivity initiatives, which will start with delivering commercial support to provide schools with access to the Department's energy contracts. When schools' energy contracts are up for renewal, they can join the Department's contract. The Department will also develop a number of other initiatives, including plans to secure better banking solutions for schools, and the creation of Departmental goods and services deals for IT and spend on areas other than technology. These are available to all state funded schools.

95. The table below lists the current support available for schools to secure best value from all their resources, as well as the new productivity initiatives previously referenced:

Type of support	Benefit to schools	How to access support
The Department's energy contracts	Ensure schools are getting the best possible deal on their energy contracts. Schools involved in the pilot will save 36% on average compared to their previous contract.	Contact - energy.schools@education.gov.uk
The School Resource Management Adviser Programme	School Resource Management Advisers are accredited sector experts that provide peer-to-peer advice to schools on using revenue and capital resources. Since 2018 the programme has identified potential savings of £334 million in the schools they worked with, which those schools have been able to use for the benefit of their own pupils.	The school resource management advisers (SRMA) programme - GOV.UK
Risk Protection Arrangement	An alternative to commercial insurance. The Risk Protection Arrangement saved members £135 million in 2021-22	Join the risk protection arrangement (RPA) for schools - GOV.UK

Type of support	Benefit to schools	How to access support
	compared to what they were paying prior to the RPA launch in cash terms.	
Get help buying for schools	Get help buying for schools is a free and impartial national procurement service for schools and multi-academy trusts. The service supports schools and trusts with expert advice to buy goods and services compliantly and have peace of mind that they are getting good value in terms of cost, quality and time. The service saved schools £6.7 million in 21-22.	[Buying for schools: get free help from procurement specialists - GOV.UK]
Teaching Vacancies	A free, national search and listing service to help schools recruit the staff they need and save money on recruitment costs. We estimate that, in total, schools using Teaching Vacancies have saved between £47.3 and £60.8 million from September 2018 to August 2024.	[Teaching, leadership and support jobs - Teaching Vacancies - GOV.UK]
Banking solutions	Securing banking solutions for schools to access better interest rates. We are working with the banking sector to support schools to move to levels closer to the base rate. Schools should feel empowered to choose who they bank with, and we also encourage schools to shop around in order to secure the	This is currently in development. We will publish details of how to access the Department's banking support when it becomes available.

Type of support	Benefit to schools	How to access support
	best accounts for them, to help improve the interest they earn.	
The Financial Benchmarking & Insights Tool	The principal place for schools to examine their financial data and benchmark their spending to see how it compares with others and use the information to establish relationships with other schools.	Home - Financial Benchmarking and Insights Tool - GOV.UK
Plan technology for your school and the digital and technology standards	A new digital service helping schools make more informed decisions about technology, which saves time and money when they plan and implement change. The service supports schools to meet DfE’s digital and technology standards, which lead to safer, more cost-efficient practices, and more informed decision making.	Plan technology for your school - GOV.UK Meeting digital and technology standards in schools and colleges - Guidance - GOV.UK
Good Estate Management for Schools Guidance (GEMS) and Estate Competency Framework	A suite of guidance, tools and resources to help schools manage their buildings strategically and effectively and set the standards, skills and knowledge required by those conducting estate management functions. Findings from the most recent phase of the Capital Adviser Programme (CAP) showed trusts that use GEMS to support their estate management practices were generally adopting more effective estate management principles in comparison to those that were not. CAP is also projected to	Good estate management for schools - Guidance - GOV.UK Good estate management for schools - Estate management competency framework - Guidance - GOV.UK

Type of support	Benefit to schools	How to access support
	save trusts that took part in the second phase of the programme over £8.2m across energy (£2.5m), project delivery (£3.6m), and maintenance costs (£2.1m) over the next two years.	
Integrated Curriculum and Financial Planning	Guidance and support to help schools and trusts plan the best curriculum for their pupils with the funding they have available.	Integrated curriculum and financial planning (ICFP) - GOV.UK
A local support offer	A set of training modules, which will be delivered via in-person, practical training sessions until October 2025. The training will be focused on technical skills and knowledge, covering a range of financial, leadership, HR and procurement subjects.	Develop your skills across the board with our comprehensive ISBL-aligned training — ISBL School resource management: training and support - GOV.UK
A mentoring programme	A programme designed to support school leaders in developing their skills, confidence and resource management capability.	The school resource management advisers (SRMA) programme - GOV.UK School resource management: training and support - GOV.UK
Training webinars	A series of free-to-access live hour-long webinars aimed at SBPs, school leaders, governors and trustees. Current sessions cover topics such as integrated curriculum and financial planning, financial planning and budgeting assumptions, procurement, HR,	Home | School Resource Management School resource management: training and support - GOV.UK

Type of support	Benefit to schools	How to access support
	strategic leadership and professional development. Evaluation of the webinars showed that 93% of respondents' knowledge had increased as a result of the training and 90% of respondents stated it would have a positive impact on their school. These webinars are running until the 31st March. Further details will be shared about the next series of webinars for 2025/26.	
Qualification Bursaries	Bursaries cover 75% of the cost for school and trust business professionals to complete the Level 7 Diploma in School Financial and Operational Leadership.	Contact – sbp.policy@education.gov.uk School resource management: training and support - GOV.UK

96. Tools to help governors provide effective challenge include the Academy trust governance guide, the Maintained schools governance guide and the Financial Benchmarking and Insights Tool (FBIT), which provides a summary report for governors, containing the key financial performance metrics for their school.

Department for Education

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