



Department
for Education

Schools' Costs

2025 to 2029

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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, 2025-26) and academic years using a forward slash (for example, 2025/26).

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 by financial year (April-March). The underlying analytical approach for this note is based on a 'steady-state model', meaning we project forward the future cost of inputs and the demands on the system from forecast pupil numbers to assess overall financial sustainability at a national level, with a simplifying assumption that current activities and approaches are maintained. It is therefore important to consider the figures provided in this note in the context of the government's planned reforms. We have therefore sought to provide, alongside our figures, some commentary on interactions with these reforms.

The implications for individual schools of our analysis of pay affordability will depend on wider factors and they will need to understand and plan for their own situations. We assume that schools will consider pay awards for all their staff.

Note that teachers' pay awards are subject to recommendations by the School Teachers' Review Body (STRB) and the government's response, while support staff pay awards are currently subject to negotiations between employers and unions and will become subject to recommendations by the School Support Staff Negotiation Body (SSSNB) in due course. 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.

Review of 2025-26. On average, at the national level, mainstream schools' costs were estimated to be increasing by 5.7 per cent. Schools were expected to find approximately the first 1 per cent of pay awards for all staff by maximising value for money from existing

budgets,¹ equivalent to 0.6 per cent of their overall expenditure. This is a shared endeavour, and the collective responsibility of government and the entire school system. The Department has a range of tools and support towards which it signposted schools and trusts to help them achieve this.² This includes the new current accounts and savings accounts guidance and banking comparison tool, and the new Energy for Schools Service – alongside the Get Help Buying for Schools service and the Teaching Vacancies Service. The School Resource Management Adviser offer is open to all schools, as is the Financial Benchmarking and Insights Tool.

On current estimates, after accounting for accompanying pay grants and the element of the pay awards that schools were expected to cover, cost and funding increases net out one another this year.

Financial position in 2026-27 & 2027-28. Despite ongoing pressures on the public purse, the Core Schools Budget will rise to £67 billion in 2026-27 and will see an above real terms per pupil increase in funding across 2026-27 and 2027-28. In her remit letter to the STRB, the Secretary of State requested formal recommendations for pay awards for school teachers and leaders in the academic years 2026/27 and 2027/28, as well as an indicative pay award for the 2028/29 academic year to be confirmed or reconsidered in a future remit.

Our detailed analysis focuses on the financial years 2026-27 and 2027-28 during which the first two awards would apply. For 2028-29, we have insufficient data on funding and costs to calculate headroom for the reasons set out in section 1.5.

For 2026-27 and 2027-28, we include cost pressures in mainstream schools due to the overhang into 2026-27 of the final five months of the 2025/26 academic year teachers' pay award, pay drift,³ the National Living Wage, employer National Insurance contribution changes, local government pension scheme contribution rates and non-staff related spending. We omit the coming in-year pay awards for both teachers (September awards) and support staff (April awards), as they are undecided. Without accounting for these pay awards, schools' costs are estimated to increase by 1.9 per cent across the two years.

Core funding to mainstream schools is set to increase by 3.7 per cent over 2026-27 and 2027-28. The difference between the 3.7 per cent increase in funding and the 1.9 per cent increase in costs indicates that mainstream schools would be able to spend on average a further 1.8 per cent, for a central estimate of £1.0 billion in financial headroom, at the

¹ Department for Education (2025), *Teacher pay: everything you need to know about the 2025 pay award*, <https://educationhub.blog.gov.uk/2025/05/teacher-pay-everything-you-need-to-know-about-the-2025-pay-award/>

² Links for the individual initiatives can be found through the Maximising Value for Pupils collection page: Department for Education (2025), *Maximising Value for Pupils*, <https://www.gov.uk/government/collections/maximising-value-for-pupils-guidance-for-schools-and-trusts>.

³ Pay drift reflects the pay bill costs of workforce compositional changes and pay progression.

national level, over the two years. This headroom carries a level of uncertainty of approximately +/- £200 million (or a range of £0.8-£1.2 billion).

Pay affordability in 2026-27, 2027-28 & 2028-29. Around a quarter or £250 million of the £1.0 billion headroom across 2026-27 and 2027-28 applies to 2026-27, making that year considerably more challenging in financial terms than 2027-28. This headroom corresponds to a pay increase of 2.7 per cent over the two years if the increases are to be affordable in each individual year.⁴ This is the affordable pay increase over and above pay drift, which is estimated to increase average teacher pay by around 0.5 per cent over the two years. Pay drift estimates reflect the pay bill costs of workforce compositional changes as well as teacher pay progression.⁵

Note that while the greater headroom in 2027-28 would allow for a higher affordable pay award than in 2026-27, any such higher award would reduce the headroom in 2028-29 due to the overhang of the September 2027 teachers' pay award into that year.

In its written evidence to the STRB, the Department set out that an increase in teachers' pay of 6.5 per cent across 2026-27 to 2028-29 would be appropriate, balancing the need for competitive pay awards with the challenging fiscal position.⁶ A 6.5 per cent award over the next three years, when combined with the increases from the last two pay rounds of almost 10 per cent, would mean that teacher pay would rise by almost 17 per cent across the Parliament. Using the November 2025 Office for Budget Responsibility's forecasts for the Consumer Price Index,⁷ this would be a real terms increase of almost 4 per cent over the five years. The forecast expects CPI inflation to fall across 2026 and stabilise, around the Bank of England's 2 per cent target, from the end of the year.

Our ambition is to work with schools and trusts to maximise value from the investment in the school system, so every pound delivers for children. This is a shared endeavour and the collective responsibility of government and the entire school system. It is critical to delivering our ambitions and delivering for our children and young people. We know schools and trusts are experienced in making tough decisions to manage costs and protect quality, and we know there is excellent practice across the sector, with schools and trusts proactively finding ways to secure better value from their resources. We want to

⁴ The headroom on total expenditure would reduce by about 0.6 percentage points or approximately £330 million for every 1.0 percentage point increase in pay (from April for support staff and September for teachers). This is comprised of 0.3 percentage points (£175 million) for teachers and 0.3 percentage points (£155 million) for support staff. Every 1.0 percentage point increase in teachers' pay would also increase costs in the following financial year by 0.2 percentage points or about £120 million.

⁵ The level of pay increase for an individual teacher will often be higher than the pay award. The nature of the teacher pay system means that the majority of classroom teachers not already at the top of their pay range will progress up the pay scale each year.

⁶ Department for Education (2025), *Evidence to the STRB: 2026 pay award for teachers and leaders*, <https://www.gov.uk/government/publications/evidence-to-the-strb-2026-pay-award-for-teachers-and-leaders>.

⁷ Office for Budget Responsibility (2025), *Economic and Fiscal Outlook - November 2025*, <https://obr.uk/efo/economic-and-fiscal-outlook-november-2025/>.

spread this throughout the system, seizing opportunities to go further in unlocking the full value of the substantial resources available, including the expertise and commitment of the skilled people working to make this happen.

To support this shared endeavour the Department has launched the Maximising Value for Pupils programme. The programme tackles the systemic issues driving higher costs for schools and trusts and supports them to allocate resources smartly across four key pillars: commercial spend; assets, including reserves; workforce deployment; and developing capabilities, including digital and technology. It equips schools and trusts with essential data and insights to give them clear sight of what is possible and how to take advantage of the opportunities across the four pillars of the programme.⁸

⁸ Department for Education (2025), *Maximising Value for Pupils*, <https://www.gov.uk/government/publications/maximising-value-for-pupils/maximising-value-for-pupils>.

1. Introduction

1. Each year the Department analyses mainstream school funding and costs for the current financial year together with a forecast. This year, the forecast covers future pay affordability over three years to reflect the STRB's latest remit to consider pay awards for teachers over 2026-27 to 2028-29.

2. Detailed analysis is provided of costs and funding increases that mainstream schools are expected to manage over the financial years 2026-27 and 2027-28, and a more limited analysis for 2028-29. Our assessment for 2028-29 lacks the information necessary to robustly estimate financial headroom in that year and the treatment is necessarily broader than for 2026-27 and 2027-28 where headroom and pay affordability can be discussed in quantitative terms.

3. The analysis aims to help the school sector assess, as far as possible, what is being asked of the average school financially, in terms of the balance between funding and cost factors, and to support school leaders to better understand their own position in relation to the average.

4. The costs covered relate to schools' expenditure on the activities supported by core funding allocations in mainstream English primary and secondary schools (maintained schools, academies, and free schools, with pupils in reception to year 11). It excludes special schools and other high needs providers, for whom we lack the data to make an equivalent comparison.

1.1. Outline of our approach

5. We compare increases in mainstream schools' costs against growth in their funding in the same period. For 2025-26, this allows us to assess how much flexibility there is in schools' budgets for spending beyond that needed to maintain the current level of provision. This includes approximately the first 1 per cent of pay awards that schools were expected to find through maximising value from existing budgets.

6. For future years, where undecided pay awards are missing from the costs being assessed, the difference between funding and cost increases provides a measure of what financial headroom is available for awards before accounting for any additional headroom created by schools and trusts realising better value from their existing budgets.

7. We analyse spending and then forecast the costs for schools to continue to perform those same activities in the future, while considering price and pay inflation and changes in pupil and teacher numbers. We are not taking a view on whether individual schools are making 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 spending accordingly.

8. The cost and funding increases presented are averages or totals across mainstream schools 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. The scope for realising better value will also vary significantly between schools and is expected to increase over time, with more potential from 2027-28 onwards due to greater opportunity to plan and adapt and as the support offered through the Maximising Value for Pupils programme continues to expand.

9. This note makes no assumptions about the outcome of the relevant pay award processes, nor should its analysis be seen as an indication of what might be agreed through those processes.

10. 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 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 replaced by better informed estimates.

11. Uncertainty or planning ranges are stated alongside our cost and headroom figures – which are quoted as ‘central estimates’ – and are intended to provide an indication of the level of uncertainty in those central estimates based on our judgement. The various factors responsible for uncertainty in forecasts are set out in section B.10.

1.2. Core school funding

12. Costs should be seen in the wider context of funding for schools. The overall Core Schools Budget, which includes funding for both schools and high needs settings, totalled £61.6 billion in 2024-25 and is £65.3 billion in 2025-26, the latter including additional funding of £2.3 billion announced at the October Budget and £1.4 billion to support schools and high needs settings with the increases to employer National Insurance contributions (NICs) from April 2025 and the 2025 staff pay awards.

13. Despite ongoing pressures on the public purse, the Core Schools Budget will rise to £67 billion in 2026-27 and will see an above real terms per pupil increase in funding across the years included in this note.

14. The government will need to consider how it will manage costs at a local authority level arising from SEN over the coming years, while ensuring that schools are funded adequately to meet their new and ongoing responsibilities.

1.3. The Department's Written Evidence to the STRB

15. In its written evidence to the STRB,⁹ the Department set out that the government's pay strategy alongside other support for teachers and leaders is starting to deliver improvements to the recruitment and retention of teachers. To continue to build on these improvements, the Department considers that a 6.5 per cent pay award for teachers over the three years 2026-27 to 2028-29 would be appropriate, balancing the need for competitive pay awards with the challenging fiscal position. This proposed award, combined with the previous two, would be a real terms pay increase of almost 4 per cent over the Parliament for teachers.¹⁰

16. Pay affordability across the three years will depend on both future decisions about schools' funding and inflationary pressures on expenditure.

17. The Department anticipates that schools' and trusts' capacity to plan and maximise their use of resources – supported by guidance, offers, and wider measures to tackle national drivers of cost through the new Maximising Value for Schools Programme – will increase over the next three years and contribute to improved pay affordability. This aligns with the central purpose of the multi-year teachers' pay remit to give schools and trusts long term certainty to support effective budget planning.

1.4. Maximising Value for Pupils ¹¹

18. As noted above, despite pressures on the public purse, the Core Schools Budget will rise to £67 billion in 2026–27 and will see an above real-terms per-pupil increase across the years covered in this note. Nevertheless, all parts of the public sector, including schools and trusts, are expected to drive better value for pupils.

19. To support the affordability of a 6.5 per cent pay increase for teachers over three years, we recognise that most schools and trusts will need to supplement funding provided through the Core Schools Budget by implementing plans to realise and sustain better value from existing budgets.

20. Whilst we judge this to be a manageable ask, we recognise it will be challenging. Schools and trusts are not alone in this. The Department is committed to working alongside schools and trusts as part of a shared endeavour to drive better value, to help them improve outcomes for pupils by getting best value from all their resources. That is why the Department has established the Maximising Value for Pupils programme. This

⁹ Department for Education (2025), *Evidence to the STRB: 2026 pay award for teachers and leaders*, <https://www.gov.uk/government/publications/evidence-to-the-strb-2026-pay-award-for-teachers-and-leaders>.

¹⁰ Based on CPI inflation: Office for Budget Responsibility (2025), *Economic and Fiscal Outlook - November 2025*, <https://obr.uk/efo/economic-and-fiscal-outlook-november-2025/>.

¹¹ Department for Education (2025), *Maximising Value for Pupils*, <https://www.gov.uk/government/publications/maximising-value-for-pupils/maximising-value-for-pupils>.

builds on previous support, such as the School Resource Management programme, and existing tools and services, and goes further by:

- tackling systemic drivers of higher costs through new and expanded commercial support and offers;
- providing updated tools and advice beyond the commercial support above, helping schools and trusts to go further to unlock additional value.

21. The potential for maximising value will differ significantly between schools, depending on their local context, priorities, and capacity to act. The Department will continue to develop and expand the offer over the coming years. More detail on the Maximising Value for Pupils programme including how schools can access support will continue to be updated on our website.¹² We therefore expect the benefits to build over time, with opportunities increasing to help increase affordability.

1.5. Special Educational Needs & Disabilities system reform

22. The Schools White Paper sets out the basis of planned changes to the special educational needs & disabilities (SEND) system to make the school system more inclusive and improve outcomes for all children and young people.¹³

23. As with previous years, this technical note includes estimates of the growth in the costs of special educational needs (SEN) provision above baseline population growth and inflation in mainstream schools, which we refer to as ‘additional’ SEN costs.¹⁴ While it is reasonable to assume that spending on workforce makes up the vast majority of these SEN costs, our modelling does not apply any assumptions regarding the nature of this spending – and it does not feed into our workforce projections.

24. We expect there to be changes to the way schools organise themselves and their spending to meet SEN within mainstream settings arising from the government’s wider aim to improve inclusivity within mainstream schools. However, at this point, while we have updated the calculations in this note to make methodological improvements, it is based on forward projections of the current SEN funding framework.

25. Therefore, SEN is a significant component of the future uncertainty around schools’ headroom position towards the end of this spending period, making it impossible to provide a robust assessment about the headroom position for 2028-29 at this time.

¹² Department for Education (2025), *Maximising Value for Pupils*, <https://www.gov.uk/government/publications/maximising-value-for-pupils/maximising-value-for-pupils>.

¹³ Department for Education (2026), *Every child achieving and thriving*, <https://www.gov.uk/government/publications/every-child-achieving-and-thriving>.

¹⁴ In this note we use ‘SEN’ to refer to all children and young people with special educational needs, including those whose needs arise because of a disability.

26. The Schools White Paper announced over £4bn of investment over the Spending Review to support more inclusive practice, which includes an additional £500 million of funding per year for mainstream schools and other educational settings for the next three years, from 2026-27. The purpose of the Inclusive Mainstream Fund is to be invested to prioritise early intervention for children and young people with SEND and to support a more inclusive offer for pupils with SEND in mainstream settings; this funding is not to be used on existing activity. Therefore, we have not included this additional investment in our affordability calculations, and it does not contribute towards headroom in our modelling. In addition to the Inclusive Mainstream Fund, we are investing £1.8bn across the next three years to create an Experts at Hand service in every local area provide routine access to specialist support such as educational psychologists, speech and language therapists or occupational therapists, to EY settings, mainstream schools and colleges. This will help to ensure that schools, and other education settings, are not routinely having to pay for these services out of their core budgets.

1.6. Structure of this note

27. Section 2 reviews the pay affordability position for mainstream schools in the current year, 2025-26.

28. Section 3 summarises the evidence we have about funding, costs, realising better value from schools' and trusts' existing budgets, and pay affordability over the three years 2026-27 to 2028-29:

- section 3.1. Financial headroom estimates, prior to schools and trusts realising better value from their existing budgets, are presented for 2026-27 and 2027-28.
- section 3.2. The need for schools and trusts to realise better value from existing budgets to augment pay affordability over the three years.

29. Annex A presents the detailed analysis of costs and funding increases:

- section A.1. The current financial year 2025-26, where the full increase to costs in mainstream schools can be compared against the increase in their funding.
- section A.2. A look ahead to 2026-27 and 2027-28, where a similar assessment is made, but excluding pay awards as they are unknown at this point.
- section A.3. A summary of partial cost increases in 2028-29.

30. Annex B describes the methodology and data used in our analysis.

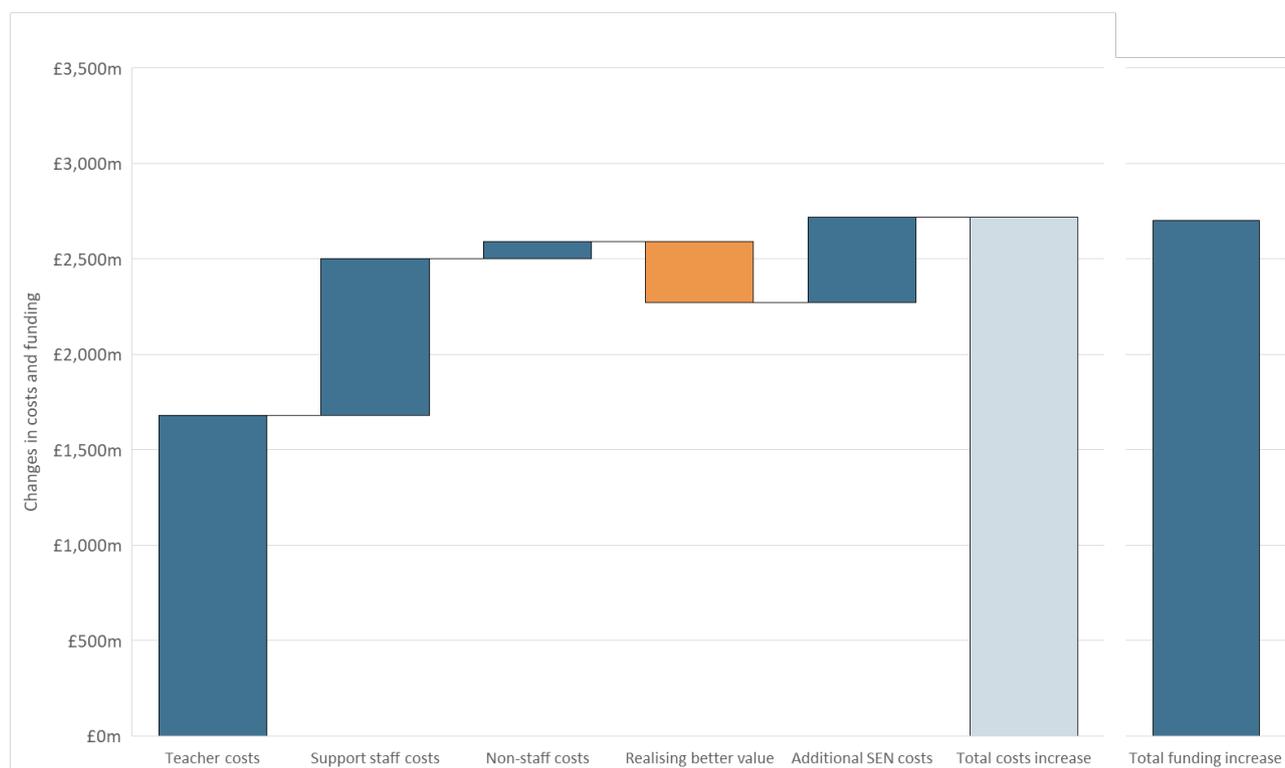
31. Annex C provides information related to frequently asked questions about the analysis.

2. Review of Pay Affordability in 2025-26

32. This section gives an overview of how we estimate the increases in the costs and funding in mainstream schools in the current financial year, 2025-26. Comparing increases in costs and funding allows us to assess how much flexibility there is in schools' budgets to maintain the current level of provision, assuming no adjustment to that provision. More details of the analysis behind these figures can be found in Annex A.

33. On average, at the national level, mainstream schools' costs are estimated to be increasing by 5.7 per cent. In 2025-26, schools were expected to find approximately the first 1 per cent of pay awards for all staff through maximising value for money from existing budgets, equivalent to 0.6 per cent of their expenditure.¹⁵ The Department has a range of tools and support towards which it supported schools and trusts to help them achieve this. After funding the first 1 per cent, schools' costs are expected to be increasing by 5.1 per cent overall in 2025-26. Including the accompanying pay grants, mainstream schools' funding has also risen by 5.1 per cent, balancing the increase in costs, as can be seen in Figure 1.

Figure 1: Changes to mainstream schools' costs and funding in 2025-26 compared to 2024-25.



¹⁵ Department for Education (2025), *Teacher pay: everything you need to know about the 2025 pay award*, <https://educationhub.blog.gov.uk/2025/05/teacher-pay-everything-you-need-to-know-about-the-2025-pay-award/>

34. Note that we do not consider the position of schools' reserves in our analysis, nor other income that schools may receive. The implications for individual schools will depend on their specific financial situations and wider factors.

3. Pay Affordability in 2026-27 and 2027-28

35. In this section, we consider future pay affordability. In her remit letter to the STRB, the Secretary of State requested formal recommendations for pay awards for school teachers and leaders in the academic years 2026/27 and 2027/28, as well as an indicative pay award for the 2028/29 academic year to be confirmed or reconsidered in a future remit. Our analysis focuses on the financial years 2026-27 and 2027-28 during which the first two awards would apply.

36. In 2026-27, financial headroom in mainstream schools would reduce by about 0.6 percentage points or approximately £330 million (£335 million in 2027-28) for every 1.0 percentage point increase in pay (from April for support staff and September for teachers).¹⁶ Every 1.0 percentage point increase in teachers' pay would also reduce the scope for new spending in the following financial year by a further 0.2 percentage points or about £120 million. Section B.1 has an explanation of how these figures are calculated.

3.1. Financial headroom in 2026-27 and 2027-28

37. The underpinning analysis to determine the headroom in mainstream schools is described in detail in Annex A. For 2026-27 and 2027-28 we can quantify the financial headroom from the expected increases in funding and costs for which we have forecasts (i.e. omitting the pay awards that are undecided). For 2028-29, where the STRB's remit is only for an indicative pay recommendation, we have insufficient data on funding and costs to calculate headroom for the reasons set out in section 1.5.

38. In 2026-27 and 2027-28 we estimate the increase in mainstream schools' costs across those two years together as 1.9 per cent, excluding future pay awards. Their funding is increasing by 3.7 per cent over the same period.

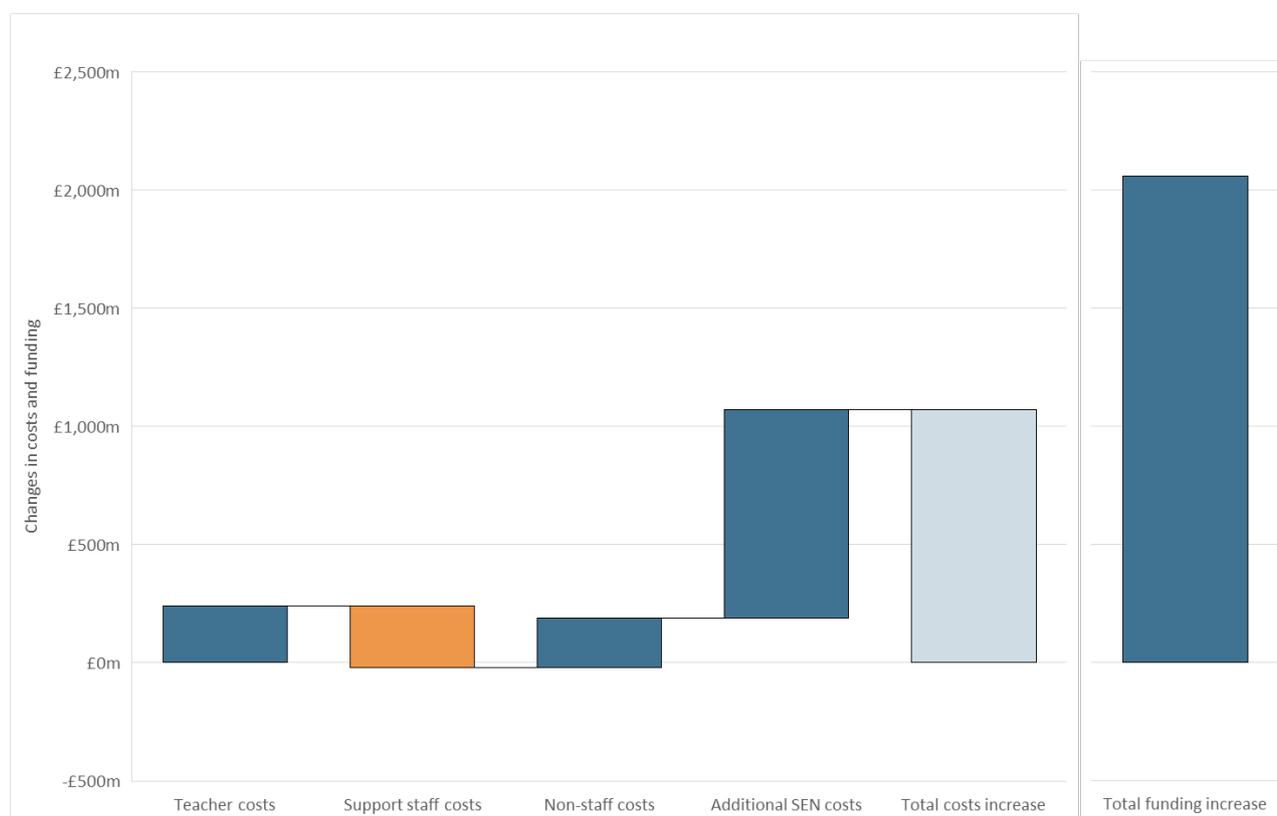
39. Taking the difference between the increases in funding and costs indicates that there is financial headroom of 1.8 per cent on average, or £1.0 billion at the national level across the two years, with a level of uncertainty of +/- £200 million.¹⁷ Approximately a quarter or £250 million of this headroom applies to 2026-27 making that year more challenging in financial terms than 2027-28. This is the headroom before accounting for any additional headroom created by schools and trusts realising better value from their existing budget.

40. Figure 2 gives a breakdown of the total changes to costs and funding over 2026-27 and 2027-28.

¹⁶ 0.3 percentage points (£175 million) for teachers and 0.3 percentage points (£155 million) for support staff.

¹⁷ The various factors responsible for uncertainty in forecasts are set out in section B.10.

Figure 2: Breakdown of the increase in mainstream schools' costs and funding over the two years 2026-27 & 2027-28 compared to 2025-26.



41. Staff-related costs scale with the projected number of teachers needed. Falling numbers of primary age pupils means we can expect a reduction in overall staff numbers compared to previous years.¹⁸ (Primary age pupils in mainstream and nursery schools had fallen by almost 150,000 by January 2025 compared to the peak in January 2019 and are projected to continue falling.¹⁹) Nevertheless, the cost of teacher-related expenditure displays an increase. This is due to the overhang of the September 2025 pay award into 2026-27 as well as pay drift.²⁰ However, there is no overhang (or pay drift) in the case of support staff pay so the related costs decline with pupil numbers.

42. Non-staff costs are assumed to scale with pupil numbers, however the reduction due to fewer pupils is outweighed by price inflation and so these costs rise overall.

43. The additional SEN pressures arise from the change in the costs of SEN provision above baseline population growth and inflation in mainstream schools (see section B.3).

¹⁸ Teacher demand projections are driven by pupil numbers based on the assumptions in the Department's Teacher Workforce Model – see section B.2.

¹⁹ Department for Education (2025), *National pupil projections*, <https://explore-education-statistics.service.gov.uk/find-statistics/national-pupil-projections>.

²⁰ Pay drift reflects the pay bill costs of workforce compositional changes and pay progression.

We estimate these costs to be around £880 million across 2026-27 and 2027-28, based on forward projections of the current SEN funding framework. We do not make assumptions about spending in respect of these costs and how these costs are managed will vary at local level depending on need and schools' existing workforce structure.

44. This note assumes that the investment provided for SEND reform detailed in the Schools White Paper is for schools to undertake additional activity to support children with SEN and so is not included in our assessment of financial headroom. However, we are aware that many schools will choose to spend this additional funding on their workforce and this may support schools to manage their overall costs.

45. We expect many schools could increase the value of their budgets by remobilising their existing workforce in response to growing SEN. The Schools White Paper outlines approaches to improve inclusivity in mainstream schools,²¹ that could also reduce schools' costs. For example, schools could commission cohort-level provision for commonly occurring need, which could provide more flexible and responsive support. Where this occurs, this would reduce costs and increase headroom in budgets across these years; however, we have not included any assumptions about such changes in these calculations.

3.2. Scope for increasing pay affordability

46. The £1.0 billion headroom across 2026-27 and 2027-28 presented in the previous section corresponds to an overall pay increase of 2.7 per cent if the increases are to be affordable within each individual year and all staff were to receive the same awards. As explained in section 1.5, we do not yet have sufficient evidence to provide a corresponding figure for 2028-29.

47. In its written evidence to the STRB, the Department set out that an increase in teachers' pay of 6.5 per cent across the three years 2026-27 to 2028-29 would be appropriate, balancing the need for competitive pay awards with the challenging fiscal position.²²

48. Although we can only estimate the headroom over the first two years, it is clear from our analysis that schools will need to realise and sustain better value from existing spending – supported by guidance, offers, and wider measures to tackle national drivers of cost through the new Maximising Value for Schools Programme – to support the creation of additional headroom to improve the manageability of a 6.5 per cent pay increase over the three years.

²¹ Department for Education (2026), *Every child achieving and thriving*, <https://www.gov.uk/government/publications/every-child-achieving-and-thriving>.

²² Department for Education (2025), *Evidence to the STRB: 2026 pay award for teachers and leaders*, <https://www.gov.uk/government/publications/evidence-to-the-strb-2026-pay-award-for-teachers-and-leaders>.

49. The Department is committed to working alongside schools and trusts and has established the Maximising Value for Pupils programme to support schools and trusts to make the most of every pound across four key pillars: commercial spend; assets, including reserves; workforce deployment; and developing capabilities, including digital and technology.²³

50. We know schools and trusts are experienced in making decisions to manage costs and protect quality, and we know there is excellent practice across the sector, with schools and trusts proactively finding ways to secure better value from their resources. Through the new programme, we want to spread this throughout the system, realising opportunities to go further in unlocking the full value of the resources available.

51. We know that government has a role to play because systemic challenges at a national level can be barriers for schools and trusts striving to get the most out of their budgets, and, through the Maximising Value for Pupils programme, government will tackle issues that increase costs and prevent schools and trusts from realising the best value for money.

52. Schools and trusts will also be able to take advantage of the updated Financial Benchmarking and Insight Tool to quickly examine their financial data and benchmark spending against similar schools and trusts. This can help identify where the evidence points to the biggest opportunities to drive value.

53. The potential for maximising value will strengthen over time and whilst we recognise this will be challenging, we judge it to be a manageable ask for schools and trusts to drive better value from their budgets over the three years.

54. The full costs of pay increases over the three years will depend on decisions made in each year about support staff and teachers' pay awards. Teachers' pay awards are subject to recommendations by the STRB and the government's response. The government will be reinstating the School Support Staff Negotiation Body (SSSNB) through the Employment Rights Act. In the meantime, 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 schools need to make their own assumptions for financial planning purposes.

55. The implications for individual schools will depend on wider factors and they will need to understand and plan for their own situations. The Department assumes that schools will consider pay awards across the board, i.e. for all their staff.

²³ Department for Education (2025), *Maximising Value for Pupils*, <https://www.gov.uk/government/publications/maximising-value-for-pupils/maximising-value-for-pupils>.

Annex A – Detailed Analysis of Costs & Funding

A.1. Review of 2025-26

56. In this section we step through the calculations done to estimate cost increases in 2025-26 due to price inflation and demographic changes and present the increase in funding for the year. Details of the methodology with underlying data are set out in Annex B.

Cost increases in 2025-26

57. In order to estimate cost increases, we combine the impacts of various price inflation factors with changes to staff and pupil numbers in three broad spending categories (teaching staff, support staff and non-staff related costs). We begin by setting expenditure equal to funding in 2023-24 for which we have spending data for both maintained schools and academies. For each spending category, we work forward year by year applying specific price inflation and demographic growth to eventually estimate the increase in costs in 2025-26 compared to 2024-25.

58. Staff-related cost increases relate to pay awards, employer pension contribution rate changes, and employer National Insurance contributions (NICs) threshold and rate changes. Staff-related costs are assumed to scale with the projected number of teachers needed. 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. Note that a reduction in overall numbers of teachers needed is driven by falling numbers of primary age pupils.

59. 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 use an internal estimate of price change in 2025-26.²⁴

60. The 2025 pay awards were backed by a significant investment of £615 million in additional funding for schools in 2025-26, including over £470 million for mainstream schools.²⁵ Like the rest of the public sector, schools needed to play their part in getting maximum value from every pound of public money and were expected to find

²⁴ Note that we revert to using the GDP deflator for all non-staff costs, including energy, from 2026-27 onwards.

²⁵ Department for Education (2025), *DfE Update local authorities: 28 May 2025*, <https://www.gov.uk/government/publications/dfe-update-28-may-2025/dfe-update-local-authorities-28-may-2025>.

approximately the first 1 per cent of pay awards through maximising value for money from existing budgets. More detail on how the Department is supporting the sector through the Maximising Value for Pupils programme is available in section 1.4 of this note and online.²⁶

61. Current estimates of the underlying price inflation for each spending category are as follows:

Table 1: Price inflation by expenditure category in financial year 2025-26.

Expenditure category	2025-26
Teacher expenditure, per teacher	6.7%
Support staff expenditure, per staff member	6.3%
Non-staff expenditure (including energy), per pupil	2.0%

Source: DfE

62. Teachers' pay inflation is made up of several factors, the largest being the final five months of the 2024/25 pay award of 5.5 per cent and the first seven months of the 2025/26 pay award of 4.0 per cent from September 2025. Other contributions come from pay drift (0.3 per cent) and employer NICs rate and threshold changes (1.7 per cent).²⁷ With those factors, overall price inflation on teacher expenditure is 6.7 per cent.

63. Price inflation on support staff expenditure is made up of an award of 3.2 per cent, 2.9 per cent from employer NICs rate and threshold changes, and a small (<0.05 per cent) increase from local government pension scheme (LGPS) employer contribution changes.²⁸

64. Non-staff related price inflation is represented by the GDP deflator of 2.9 per cent, except energy with estimated price inflation in 2025-26 of -5.1 per cent (see sections B.7 and B.8). Combined, the GDP deflator and energy inflation correspond to an overall inflation rate of 2.0 per cent on non-staff costs.

65. Next, we weight the inflation factors by the proportions of expenditure in each category in the previous year (2024-25): teaching staff (53 per cent), support staff (28 per cent), and non-staff (19 per cent). 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.

²⁶ Department for Education (2025), *Maximising Value for Pupils*, <https://www.gov.uk/government/publications/maximising-value-for-pupils/maximising-value-for-pupils>.

²⁷ Pay drift reflects the pay bill costs of workforce compositional changes and pay progression.

²⁸ LGPS changes are based on historical trends in the three-year pension re-valuation cycle.

²⁹ 6.3% results from the compounding of the main factors rather than a straight sum.

Table 2: Weighted per-pupil price inflation in 2025-26.

Expenditure category	2025-26
Teacher expenditure, per pupil (weighted)	3.8%
Support staff expenditure, per pupil (weighted)	1.9%
Non-staff expenditure, per pupil (weighted)	0.4%
Overall per-pupil price inflation (sum of the above)³⁰	6.0%

Source: DfE

66. We combine the per-pupil price inflation of 6.0 per cent with the fall in pupil numbers (driven by primary pupils), averaged over the financial year, of –1.1 per cent. This indicates that the costs faced by mainstream schools will increase by 4.9 per cent in 2025-26. To this we apply two adjustments:

- an additional 0.8 per cent due to rising additional costs of SEN provision in mainstream settings;
- an adjustment of –0.6 per cent to account for the expectation that schools would find approximately the first 1 per cent of pay awards for all staff through maximising value for money from existing budgets.³¹

67. Adding those factors leads to an overall increase in mainstream schools' costs of 5.1 per cent in 2025-26. This is a central estimate with a level of uncertainty of approximately +/- 0.2 percentage points.³²

Funding & financial headroom in 2025-26

68. To assess the impact on mainstream schools' finances of cost increases in 2025-26, we compare those increases against the growth in their funding compared to 2024-25. In Table 3, we show the elements we include of core funding to mainstream schools in 2025-26:

³⁰ The percentages do not appear to sum to 6.0% due to rounding effects.

³¹ Department for Education (2025), *Teacher pay: everything you need to know about the 2025 pay award*, <https://educationhub.blog.gov.uk/2025/05/teacher-pay-everything-you-need-to-know-about-the-2025-pay-award/>

³² The various factors responsible for uncertainty in forecasts are set out in section B.10.

Table 3: Core mainstream school funding in 2024-25 and 2025-26 used in this analysis.

Funding category	2024-25	2025-26
Schools Block, related grants & adjustments ³³	£45,090m	£48,600m
High Needs funding in mainstream schools	£2,680m	£3,130m
Pupil Premium (deprivation & service children)	£2,520m	£2,610m
Teachers' pay additional grant (TPAG)	£750m	£0m
2024 teachers' pension employer contribution grant (TPECG)	£920m	£0m
Core schools budget grant (CSBG)	£940m	£0m
National Insurance contributions (NICs) grant	£0m	£790m
Schools budget support grant (SBSG)	£0m	£470m
Early career framework funding	£60m	£50m
Total funding to mainstream schools	£52,960m	£55,650m
Annual growth in funding		5.1%

Source: DfE

69. Note the following grants that were paid separately in 2024-25 were allocated within the schools block in 2025-26: teachers' pay additional grant (TPAG), 2024 teachers' pension employer contribution grant (TPECG), core schools budget grant (CSBG).

70. On this basis, the funding to mainstream schools in 2025-26 was 5.1 per cent higher than funding in 2024-25, which compensates for the 5.1 per cent increase in their costs for a headroom of 0.0 per cent +/- 0.2 percentage points.

A.2. Look Ahead to 2026-27 and 2027-28

Cost increases in 2026-27 and 2027-28

71. Future staff pay awards are yet to be agreed so we omit them from our analysis. We include the following costs:

- 1) the teachers' pay award from September 2025, which affects the first five months of 2026-27;
- 2) teachers' pay drift;
- 3) National Living Wage (NLW) increase;
- 4) employer contribution rate changes for the local government pension scheme (LGPS); and
- 5) non-staff related price inflation.

³³ Includes 1) transfers by local authorities of funding between blocks (mostly from the schools block to high needs) in the Dedicated Schools Grant; 2) adjustment for recoupment of funding for academies; see section B.9.

72. The mainstream school price inflation over the next two years is summarised as follows:

Table 4: Annual price inflation by expenditure category in 2026-27 and 2027-28 (excluding undecided pay awards in those years).

Expenditure category	2026-27	2027-28
Teacher expenditure, per teacher	1.9%	0.3%
Support staff expenditure, per staff member	-0.1%	-0.2%
Non-staff expenditure (including energy), per pupil	2.2%	2.0%

Source: DfE

73. The teacher-related inflation in 2026-27 includes the remaining five months of the 4.0 per cent teachers' pay award from September 2025, and pay drift pressure of 0.2 per cent, which together total 1.9 per cent. In 2027-28 we only have pay drift of 0.3 per cent.

74. In the case of support staff, the net cost pressures of -0.1 and -0.2 per cent in the two years is due to small savings/pressures from pension employer contribution and NLW changes.

75. Non-staff related price inflation (including energy costs) is represented by the GDP deflator of 2.2 and 2.0 per cent in the two years.

76. After weighting the inflation factors in each expenditure category by its proportion of total school spending, we convert them to a common per-pupil set of units using the relative changes in teacher and pupil numbers:

Table 5: Weighted per-pupil price inflation in 2026-27 and 2027-28.

Expenditure category	2026-27	2027-28
Teacher expenditure, per pupil (weighted)	1.2%	0.4%
Support staff expenditure, per pupil (weighted)	0.1%	0.0%
Non-staff expenditure, per pupil (weighted)	0.4%	0.4%
Overall per-pupil price inflation (sum of the above)	1.7%	0.8%

Source: DfE

77. We combine the price inflation of 1.7 and 0.8 per cent with falls in pupil numbers, averaged over each financial year, of -1.0 and -1.1 per cent (driven by falling primary pupil numbers).

78. We then apply 0.8 per cent for the rise in additional costs of SEN provision in mainstream settings in each of the two years. Note that we exclude any cost changes

associated with investment provided for SEND reform,³⁴ given that these are system-related rather than pay-related changes.

79. Excepting the pay awards yet to be determined, schools' costs are estimated to increase by 1.4 and 0.5 per cent in 2026-27 and 2027-28. We combine these cost increases to obtain a central estimate of 1.9 per cent in total over 2026-27 and 2027-28, within a planning range of +/- 0.4 percentage points.³⁵

Funding and financial headroom in 2026-27 and 2027-28

80. Provisional core schools funding going to mainstream schools in 2026-27 for reception to year 11 includes the elements listed in Table 6:

Table 6: Core mainstream school funding in 2025-26 to 2027-28 used in the analysis.

Funding category	2025-26	2026-27	2027-28
Schools Block, related grants & adjustments	£48,600m	£50,340m	
High Needs funding in mainstream schools	£3,130m	£3,540m	
Pupil Premium (deprivation & service children)	£2,610m	£2,740m	
National Insurance contributions (NICs) grant	£790m	£0m	
Schools budget support grant (SBSG)	£470m	£0m	
Early career framework funding	£50m	£50m	
Unallocated funding	£0m	£50m	
Total funding to mainstream schools	£55,650m	£56,720m	£57,710m
Annual growth in funding		1.9%	1.8%

Source: DfE

81. For 2027-28, final decisions are yet to be made about how the core schools budget will be split into the Dedicated Schools Grant blocks and other funding elements. For this technical note we use provisional funding which is used for internal guidance and business planning prior to such decisions being made.

82. The National Insurance contributions (NICs) grant and schools budget support grant (SBSG) which are being paid as separate grants in 2025-26 will be allocated within the schools block in 2026-27.

83. Based on the above funding elements, the funding to mainstream schools is set to increase by 1.9 and 1.8 per cent in 2026-27 and 2027-28, or 3.7 per cent in total.

84. Looking across both 2026-27 and 2027-28, the difference between the 3.7 per cent increase in funding and the 1.9 per cent increase in costs indicates headroom in mainstream schools of 1.8 per cent on average, or £1.0 billion at the national level, before

³⁴ Department for Education (2026), *Every child achieving and thriving*, <https://www.gov.uk/government/publications/every-child-achieving-and-thriving>.

³⁵ The various factors responsible for uncertainty in forecasts are set out in section B.10.

pay awards have been included in the costs and before accounting for any additional headroom created by schools realising better value from their existing budgets. The headroom is a central estimate carrying a level of uncertainty of +/- £200 million.³⁶ Only £250 million of the £1.0 billion pertains to 2026-27 making it more financially challenging than 2027-28.

A.3. Schools' Costs in 2028-29

85. In the Secretary of State's remit letter, the STRB was asked to recommend in their 2026 report an indicative pay award for the 2028/29 academic year to be confirmed or reconsidered in a future remit.

86. We have insufficient data on costs and funding to estimate the headroom in the financial year 2028-29 for the reasons set out in section 1.5.

87. For transparency, we provide here the price inflation and demographic pressures for 2028-29, but we necessarily omit the cost adjustment we would normally apply due to changes in additional costs associated with growing numbers of SEN pupils.

88. We estimate the increases in costs in 2028-29 where we have forecasts available: teachers' pay drift, NLW, LGPS contribution changes and non-staff related inflation. We omit undecided pay awards.

Table 7: Price inflation by expenditure category in 2028-29.

Expenditure category	2028-29
Teacher expenditure, per teacher	0.3%
Support staff expenditure, per staff member	0.1%
Non-staff expenditure (including energy), per pupil	1.9%

Source: DfE

89. Teachers' pay inflation is made up of forecast pay drift of 0.3 per cent.

90. Support staff pay inflation of 0.1 per cent is based on historical trends in LGPS employer contribution changes.

91. Non-staff related price inflation is proxied by the forecast GDP deflator of 1.9 per cent in 2028-29.

92. Weighting the inflation factors in each expenditure category by its proportion of total school spending and converting them to a per-pupil basis yields price inflation as follows.

³⁶ The various factors responsible for uncertainty in forecasts are set out in section B.10.

Table 8: Weighted per-pupil price inflation in 2028-29.

Expenditure category	2028-29
Teacher expenditure, per pupil (weighted)	0.5%
Support staff expenditure, per pupil (weighted)	0.2%
Non-staff expenditure, per pupil (weighted)	0.3%
Overall per-pupil price inflation (sum of the above)	1.1%

Source: DfE

93. By combining the per-pupil price inflation with pupil growth, averaged over the financial year, of –1.3 per cent, we estimate that the costs faced by mainstream schools will fall by 0.3 per cent in 2028-29. This is a central estimate with a level of uncertainty of approximately +/- 0.2 percentage points. As mentioned above, this change in costs omits any contribution from additional spending on growing numbers of SEN pupils above the core costs for which every pupil attracts funding – it therefore cannot be compared directly to the cost changes that are presented previously for 2026-27 and 2027-28.

Annex B – Methodology

B.1. General approach

94. The approach taken to determine cost increases due to price inflation and staff and pupil number changes (demographic factors) is as follows:

- we use published mainstream schools' expenditure for 2023-24, the latest year of data currently available, to assign spending to three broad price-inflation categories.^{37 38}
 - teaching staff related spending (52 per cent);
 - support staff related spending (29 per cent); and
 - non-staff related spending (19 per cent).
- 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 needed, driven by pupil number changes (AY).
- f) 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 needed, proxied by the change in teacher number needed (AY).
- g) 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);
 - changes in pupil numbers (AY).

³⁷ Department for Education (2025), Academies' accounts returns (AAR) for 2023/24 from *Data sources and interpretation*, <https://financial-benchmarking-and-insights-tool.education.gov.uk/data-sources>.

³⁸ Department for Education (2024), Local authority maintained schools' consistent financial reporting (CFR) for 2023-24 from *LA and school expenditure*, <https://explore-education-statistics.service.gov.uk/find-statistics/la-and-school-expenditure/2023-24>.

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

95. 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. This difference is called the headroom if the increase in funding exceeds the increase in costs, otherwise it is a deficit. We convert the headroom or deficit to cash terms by multiplying the percentage difference by the previous year's funding at the national level. This approach pre-supposes that, in the previous or base year, schools have spent all their funding or have realised better value, so that their expenditure equals their income, whether that expenditure is for short or long-term commitments.

96. The analysis assumes that levels of provision are maintained in future years when calculating cost increases using price inflation and demographic pressures. It does not take detailed 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 primary intention is to assess any pressures or headroom prior to the behavioural response by schools.

97. To calculate the total cost of a 1 percentage point increase in pay, we simply apply a 1 per cent pay award to staff costs in the model and observe the percentage change to overall costs. Teachers' pay awards are applied in September and support staff awards are applied in April. This raises the costs incurred in the financial year in which the awards are applied; and in the following financial year due to the remaining 5 months of the teachers' pay award. The percentage increase in costs reduces the headroom in percentage terms. The change in headroom is converted to cash terms by multiplying the percentage change by the previous year's funding at the national level. In general, a 1 per cent pay increase for all staff would raise the in-financial-year costs (reduce the headroom) by 0.6 percentage points, and by 0.2 percentage points in the year after. In cash terms this equates to £330 million in 2026-27,³⁹ and £120 million in 2027-28.

98. The calculations described here are done prior to accounting for any additional headroom created by schools and trusts realising better value from their existing budget.

³⁹ 0.3 percentage points (£175 million) for teachers and 0.3 percentage points (£155 million) for support staff.

B.2. Demographic changes and schools' expenditure

99. Non-staff related costs are assumed to scale with the number of pupils of primary age and in years 7 to 11. Projections of pupil numbers are based on published national pupil projections (NPP).⁴⁰ However, note that we made an adjustment to the changes in pupil numbers to reflect lower outturn compared to that in the NPP for the academic year 2025/26.⁴¹ As a result, the pupil growth in financial year 2025-26 was reduced from -0.7 to -1.1 per cent and in 2026-27 from -0.7 to -1.0 per cent.

100. Average growth in numbers of pupils and teachers needed by financial year:

Financial year	2024-25	2025-26	2026-27	2027-28	2028-29
<i>Average pupil growth</i>	-0.4%	-1.1%	-1.0%	-1.1%	-1.3%
<i>Average teacher need growth</i>	-0.3%	-0.7%	-0.7%	-0.7%	-0.7%

which is split by phase as follows:

Financial year	2024-25	2025-26	2026-27	2027-28	2028-29
<i>Average primary pupil growth</i>	-1.0%	-1.7%	-1.5%	-1.6%	-1.6%
<i>Average secondary (Y7-Y11) pupil growth</i>	0.5%	-0.3%	-0.3%	-0.4%	-0.9%
<i>Average primary teacher need growth</i>	-0.9%	-1.4%	-1.2%	-1.3%	-1.3%
<i>Average secondary (Y7-Y11) teacher need growth</i>	0.5%	0.1%	0.0%	0.0%	0.0%

101. Staff-related costs are proportional to the number of teachers needed to maintain current provision. Projections of numbers of teachers needed are based on the Department's Teacher Workforce Model, where teacher numbers are driven by pupil numbers, i.e. driven by need. The reduction in overall teacher numbers needed can be seen to be driven by falling numbers of primary age pupils. With the adjustment to pupil growth, overall teacher need growth in 2025-26 reduced from -0.4 to -0.7 per cent and in 2026-27 from -0.5 to -0.7 per cent.

102. In the absence of alternative projections of growth in the numbers of support staff needed, we use growth in the number of teachers needed as a proxy.

⁴⁰ Department for Education (2025), *National pupil projections*, <https://explore-education-statistics.service.gov.uk/find-statistics/national-pupil-projections>.

⁴¹ Outturn based on comparing pupil numbers in the 2025-26 and 2026-27 Dedicated Schools Grant allocations: <https://www.gov.uk/government/publications/dedicated-schools-grant-dsg-2025-to-2026>; <https://www.gov.uk/government/publications/dedicated-schools-grant-dsg-2026-to-2027>.

B.3. SEN-related costs

103. Our analysis includes an order-of-magnitude estimate of the change in the costs of SEN provision above baseline population growth and inflation in mainstream schools, which we refer to as ‘additional’ SEN costs. This is based on Departmental projections of SEN Support and EHCP pupils in mainstream school settings and assumptions around the costs for pupils with SEN under the current system.

104. This year, we improved the methodology for calculating these costs. Previously we only considered the growth in pupils with EHCPs and applied the full cost per pupil of that provision from the schools block together with average top-up funding from local authority high needs spending. We now assume that the majority of pupils granted an EHCP were already receiving SEN Support so the increase in costs is less than the full cost to the schools block. Additionally, we have sought to reflect the cost of provision for pupils attracting SEN Support based on the average cost. A crude pathway analysis for changes to SEN status using representative unit costs yields overall unit costs associated with new SEN Support and EHCP pupils. Compared to our previous analysis, the additional SEN cost increase in mainstream schools in 2025-26 is larger (0.8 per cent versus 0.6 per cent). The cost increase remains 0.8 per cent in 2026-27 and 2027-28.

105. Under these assumptions, we estimate the total costs of SEN provision (EHCP and SEN Support) to be around £880 million +/- £100 million across 2026-27 and 2027-28. The costs of EHCP provision are broadly balanced by top-up funding from the local authority. Note that our calculations reflect the costs of providing educational services to SEN pupils within the current SEND Framework and rely on projecting existing data trends forward in time. The Schools White Paper outlines the Government’s plans to reform the SEND system.⁴²

106. The Schools White Paper announced over £4bn of investment over the Spending Review in supporting more inclusive practice, which includes an additional £500 million of funding per year for mainstream schools and other educational settings for next three years, from 2026-27, to support the delivery of SEND reform. We have not included this additional investment in our affordability calculations, and it therefore does not contribute towards headroom in our modelling. This is on the principle that this funding is to be invested to prioritise early intervention for children and young people with SEND and to support a more inclusive offer for pupils with SEND in mainstream settings. However, we recognise that a significant proportion of this funding will be spent on workforce, which may help offset the costs of any pay awards. We encourage schools to consider all their

⁴² Department for Education (2026), *Every child achieving and thriving*, <https://www.gov.uk/government/publications/every-child-achieving-and-thriving>.

funding in the round to respond to the challenge of promoting mainstream inclusion and to respond to wider cost pressures.

107. We expect that schools and trusts will consider if there are opportunities to improve their workforce deployment and/or redeploy existing staff towards new priorities with appropriate training. The Department is producing a range of resources,⁴³ including updates to the Financial Benchmarking and Insights Tool,⁴⁴ to support this.

B.4. Teachers' pay

108. In July 2024, the STRB recommended a pay award of 5.5 per cent for 2024/25, which was implemented in full.⁴⁵ The resulting cost pressure is split across the final seven months of 2025-26 and the first five months of 2026-27 as teachers' pay awards are granted on an academic year basis. In May 2025, an award of 4.0 per cent was recommended.

109. For all years, we include estimates of pay drift, i.e. changes to pay bill due to workforce compositional changes and pay progression. The drift is estimated as:⁴⁶

Financial year	2024/25	2025/26	2026/27	2027/28	2028/29
<i>Average teachers' pay drift</i>	0.4%	0.3%	0.2%	0.3%	0.3%

B.5. Support staff pay

110. The 2025-26 pay award was agreed in July 2025, with an increase of 3.2 per cent on all National Joint Council pay points and allowances.⁴⁷

111. The Local Government Pension Scheme undergoes triennial valuations and accompanying adjustments to employer contribution rates. From the 2022 valuation report,

⁴³ Links to individual initiatives can be found through the Maximising Value for Pupils collection page: Department for Education (2025), *Maximising Value for Pupils*, <https://www.gov.uk/government/collections/maximising-value-for-pupils-guidance-for-schools-and-trusts>.

⁴⁴ Department for Education (2025), *Financial Benchmarking and Insights Tool*, <https://financial-benchmarking-and-insights-tool.education.gov.uk/>.

⁴⁵ 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>.

⁴⁶ Unpublished internal DfE modelling.

⁴⁷ Association of School and College Leaders (2025), *Local government services pay agreement 2025*, <https://www.ascl.org.uk/ASCL/media/ASCL/Help%20and%20advice/Pay%20and%20Conditions/NJC-local-government-pay-agreement-July-2025.pdf>.

and using that and earlier reports to provide an average three-year cyclical trend beyond 2025-26,⁴⁸ we estimate pressures of:

Financial year	2024-25	2025-26	2026-27	2027-28	2028-29
Local govt pension scheme cost changes	-0.1%	0.0%	-0.2%	-0.3%	0.1%

B.6. National Insurance Contribution changes

112. In 2025-26, the employer NIC secondary threshold was reduced to £5,000 and has now been frozen until the end of 2030-31.⁴⁹ The rate was increased from 13.8 per cent to 15.0 per cent. We estimate the pressures in that year as 1.7 per cent for teacher-related expenditure and 2.9 per cent for support staff related expenditure.⁵⁰

113. The frozen threshold results in an additional pressure on pay bills in each year which depends on the size of the pay award. The pressure is estimated at less than 0.1 per cent a year for both teachers and support staff from 2026-27 to 2028-29.

B.7. Non-Staff related inflation

114. The top contributors to mainstream schools' non-staff related costs in the expenditure base year 2023-24 (and proportions of total spending) were:⁵¹

- learning resources (not ICT equipment) (4.2 per cent);
- catering supplies (3.1 per cent); and
- energy costs (2.3 per cent).

115. No publicly available forecast of inflation is perfectly matched to the patterns of schools' non-staff expenditure. 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 2024-25 and 2025-26 we incorporated a bespoke energy price inflation factor:

⁴⁸ Local government pension scheme advisory board – England and Wales (2023), *2022 valuations – detail report*, <https://lgpsboard.org/index.php/2022-valuations-report>.

⁴⁹ HM Revenue & Customs (2025), *Income Tax: Maintaining the Personal Allowance and the basic rate limit for Income Tax, and equivalent National Insurance contributions thresholds until 5 April 2031*, <https://www.gov.uk/government/publications/maintaining-income-tax-and-equivalent-national-insurance-contributions-thresholds-until-5-april-2031/income-tax-maintaining-the-personal-allowance-and-the-basic-rate-limit-for-income-tax-and-equivalent-national-insurance-contributions-thresholds-unt>.

⁵⁰ Unpublished DfE internal modelling.

⁵¹ Department for Education (2025), *Data sources and interpretation*, <https://financial-benchmarking-and-insights-tool.education.gov.uk/data-sources>.

Financial year	2024-25	2025-26	2026-27	2027-28	2028-29
<i>Non-staff related inflation, GDP deflator</i>	4.0%	2.9%	2.2%	2.0%	1.9%
<i>As above, but including bespoke energy costs in 2024-25 & 2025-26</i>	4.0%	2.0%	2.2%	2.0%	1.9%

B.8. Energy price inflation

116. From a 2023-24 baseline of schools' energy spending, we 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.⁵²

117. 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.⁵³

118. In our analysis of cost increases in schools, we apply the energy-specific inflation rates to 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 of those years. Beyond 2025-26, we assume that the GDP deflator covers all price inflation, including energy.

B.9. Funding

119. The mainstream school funding included in this analysis has been updated to include new grants and to reflect published allocations where applicable (Table 9 below).

120. 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. Adjustments are made due to block transfers of funding (mainly from the schools block to the high needs block) and the recoupment gap.⁵⁴

⁵² 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>.

⁵³ 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.

⁵⁴ The recoupment gap 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, e.g. because maintained schools are funded on an April-March basis, and academies on a September-August basis.

Table 9: Core mainstream school funding used in the analysis.

Funding category	2024-25	2025-26	2026-27	2027-28
Schools Block, related grants & adjustments	£45,090m	£48,600m	£50,340m	
High Needs funding in mainstream schools	£2,680m	£3,130m	£3,540m	
Pupil Premium (deprivation & service children)	£2,520m	£2,610m	£2,740m	
Teachers' pay additional grant (TPAG)	£750m	£0m	£0m	
2024 teachers' pension employer contribution grant (TPECG)	£920m	£0m	£0m	
Core schools budget grant (CSBG)	£940m	£0m	£0m	
National Insurance contributions (NICs) grant	£0m	£790m	£0m	
Schools budget support grant (SBSG)	£0m	£470m	£0m	
Early career framework funding	£60m	£50m	£50m	
Unallocated funding	£0m	£0m	£50m	
Total funding to mainstream schools	£52,960m	£55,650m	£56,720m	£57,710m
Annual growth in funding		5.1%	1.9%	1.8%

Source: DfE

121. For mainstream schools, the teachers' pay additional grant (TPAG), 2024 teachers' employer contribution grant (TPECG) and core school budget grant (CSBG) were rolled into the schools block of the DSG from 2025-26. Similarly, the National Insurance contributions (NICs) grant and the schools budget support grant (SBSG) for mainstream schools will become part of the schools block in 2026-27.

122. The figures are not broken down by funding category in 2027-28 as the detailed budgets will be decided at a later date. For this technical note we use provisional funding which is used for internal guidance and business planning prior to such decisions being made.

123. High needs funding is based on the section 251 high needs budget and outturn spending returns:

- place funding of £210 million (2024-25), £270 million (2025-26), £280 million (2026-27) and £300 million (2027-28); the final two are projected from the 2025-26 budget using a 5-year linear trend;⁵⁵

⁵⁵ Department for Education (2024, 2025). Planned high needs spending, 2024-25: *Planned LA and school expenditure*, <https://explore-education-statistics.service.gov.uk/find-statistics/planned-la-and-school-expenditure>; for 2025-26: <https://www.gov.uk/government/publications/section-251-2024-to-2025>.

- top-up and targeted funding of £2,470 million (2024-25), £2,860 million (2025-26), £3,260 million (2026-27) and £3,650 million (2027-28), the latter three projected from the latest outturn year of 2024-25 using a 3-year linear trend due to a more quickly accelerating increase.⁵⁶

B.10. Data Quality, Limitations of Analysis and Key Assumptions

124. 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 on decisions about pay.

125. 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.

126. The analysis carries a high level of uncertainty as the underlying data can and do change after we have published the technical note. This applies in particular when we are looking more than one year ahead as we do in this edition of the note. We provide uncertainty ranges alongside our key output figures.

127. Specific 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);
- forecasts of input data, e.g. GDP deflators, and pupil and staff numbers;
- funding, e.g. new grants, replacement of budgets with actuals;
- methodology to improve the analysis;
- government policies affecting schools.

⁵⁶ Department for Education (2025). Reported high needs spending, 2024-25: *LA and school expenditure*, <https://explore-education-statistics.service.gov.uk/find-statistics/la-and-school-expenditure/2024-25>.

128. 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.

129. 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.

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

Annex C – Explanatory Notes

C.1. National and school level costs and funding

131. 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.

132. 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 us to robustly estimate cost pressures for individual schools. For example, the only data available on cost pressures are 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) Schools have different spending profiles as 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. The Department does, however, expect schools and trusts to maximise value from their budgets.
- 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.

133. The Department has launched the Maximising Value for Pupils programme to tackle systemic drivers of higher costs for schools and trusts, and support schools and trusts to identify and implement ways to secure better value from their resources across four key pillars: commercial spend; assets, including reserves; workforce deployment; and developing capabilities, including digital and technology. The programme's impact will be felt at a national level but will vary across schools and trusts depending on how they engage with elements of the offer, whether through commercial support or through the tools and advice which give them clear sight of what is possible, and how to take advantage of the opportunities of the programme.

134. The potential for maximising value is highly variable and will differ significantly between schools, depending on their local context, priorities, and capacity to act. It cannot therefore be fully quantified or guaranteed.

C.2. Measuring and forecasting inflation

135. 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 slower 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 using bespoke forecasts of energy price inflation in 2024-25 and 2025-26.

C.3. Forecasting by financial year

136. 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 periods used by some schools. The note currently provides a forecast by financial year (April to March) which we acknowledge 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.

C.4. Implications for academies of different funding basis

137. 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.

C.5. New demands and new ways of working for schools

138. We are sometimes asked whether our assessment has taken full account of new demands on schools. The Department's analysis of affordability is intended to apply over a time horizon from one to several years. The analysis effectively resets itself based on the latest data on schools' spending patterns, so it remains grounded in the recent past.

139. 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 aware of significant changes happening that will influence schools' operating models including the Maximising Value for Pupils programme, changes in technology such as AI, and reform of the SEND system. It is very difficult to analyse the overall impact of those changes at a national level. Our assessment should be considered alongside the information that the government has provided in the Maximising Value for Pupils policy statement,⁵⁷ and on SEND reform in the Schools White Paper.⁵⁸

140. 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, our affordability analysis 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 activities.

C.6. Coverage of the assessment

141. The analysis is currently designed to forecast cost pressures for 5 to 16 year old provision in mainstream schools, the largest sector covered by the Core Schools Budget. The analysis 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.

⁵⁷ Department for Education (2025), *Maximising Value for Pupils*, <https://www.gov.uk/government/publications/maximising-value-for-pupils/maximising-value-for-pupils>.

⁵⁸ Department for Education (2026), *Every child achieving and thriving*, <https://www.gov.uk/government/publications/every-child-achieving-and-thriving>.



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