



Department
for Education

Area cost adjustment for national funding formula: technical note

July 2022

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Introduction

1. This note describes the area cost adjustments (ACAs) for the schools, high needs and central school services blocks of the national funding formula. In previous years the ACAs have been described separately in the technical notes for the three blocks, but for 2023-24 the ACAs for all three blocks are described in this note, because they all have many similarities.
2. The ACA is a multiplier applied to funding factors to reflect geographical variation in labour market costs.

The hybrid ACA

3. The schools and high needs blocks have a hybrid ACA which reflects a combination of
 - a. the four geographical pay bands for teachers and
 - b. regional variations in the labour market for non-teaching staff.

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

The teacher pay element of the ACA

4. The teacher pay element of the ACA is derived from the autumn 2020 School Workforce Census, which is the latest available at the time of publication of this NFF.
5. The methodology for the teacher pay ratio is designed to bring out the differences in pay ranges between the four regional pay bands (Inner London, Outer London, Fringe and Rest of England)¹, but not to reflect any regional differences in distribution along the pay ranges. We do not want the teacher pay cost adjustment to reflect regional differences in staffing choices; we only want it to reflect the differences in pay ranges between the four regional pay bands. E.g. If in Inner London there are fewer teachers in the leadership grade compared to the national average, we do not want this to skew the teacher pay cost

¹ These areas are defined in the [School teachers' pay and conditions under Annex 2: Interpretation \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/90442/school-teachers-pay-conditions-2016-17-2018-19-2019-20-2020-21-2021-22-2022-23-2023-24.pdf)

adjustment.

6. We calculate a notional average salary for each regional pay band to measure the differences between pay bands. The first step in this calculation is to create four data sets, one for each regional pay band. We include actual or notional pay for all teachers in England in each dataset. To do this we need four versions of pay data for each teacher, their actual basic pay (used to populate the dataset of the regional pay band they work in) and three notional pay figures (used to populate the datasets for the other three regional pay bands). The notional pay is the pay a teacher would receive if they worked in a different regional pay band at the same level (see paragraph 8). The notional average salary for each regional pay band is the mean of each dataset. As we include all teachers in each dataset, the only difference between the notional average salaries is the variations between the regional pay bands.
7. The basic pay is the gross salary minus allowances (allowances are classified into teaching and learning responsibilities, special educational needs, recruitment and retention, and other).
8. The calculation used to transform the basic pay of each teacher in England from the teacher's actual pay band to the notional pay for the other three regional pay bands is set out in an example below. This transformation is repeated for all teachers and all regional pay bands. E.g. The transformation to Inner London notional basic pay for a teacher who is in the Rest of England, is calculated as follows:
 - a. First, calculate the difference between the actual basic pay for the teacher and the bottom of the teacher's actual pay range (the Rest of England range in this case) for this teacher's grade (leadership, leading practitioner, upper pay range, main pay range or unqualified teacher). The pay ranges are as defined in the School Teachers' Pay and Conditions Document (STPCD) for the relevant year (e.g. STPCD 2020 if November 2020 salaries are used).
 - b. Then calculate the difference between the top and bottom of the Inner London pay range for this teacher's grade and divide by the difference between the top and bottom of the teacher's actual pay range (the Rest of England in this case). This gives an uplift which is used to convert the teacher's actual basic pay to their Inner London notional basic pay.

- c. Apply the uplift calculated in step b to the distance from the bottom of the pay range to the teacher's actual basic pay, calculated in step a.
 - d. Add the figure calculated in step c to the bottom of the pay range for Inner London for this teacher's grade. This gives the Inner London notional pay for this teacher.
9. The following groups of staff are included in our calculation of the ACA teachers' pay cost adjustment:
 - a. Qualified and unqualified teachers
 - b. Full-time and part-time teachers
 - c. Classroom teachers and leaders
 - d. Teachers in mainstream (i.e. primary, secondary, middle and all-through) schools and in special schools and in alternative provision.
10. The following groups of staff are not included in our calculation of the ACA teachers' pay cost adjustment:
 - a. Centrally employed teachers
 - b. Some supply teachers (those who are not included in the School Workforce Census)
 - c. Teachers with incomplete or unreliable pay data
11. The following caveats apply:
 - a. Data is collected in the School Workforce Census in early November each year, at a time when not all schools have held pay determination meetings for their teachers. This means that salaries of some teachers may reflect the previous academic year.
 - b. Approximately 1-2% of schools do not provide School Workforce Census data each year.
12. The teacher pay ratio for each regional pay band is calculated by dividing the mean notional basic pay for that pay band by the mean notional basic pay for the Rest of England pay band. This results in a teacher pay ratio of 1 for most of

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

The non-teaching staff element of the ACA

13. The non-teacher pay element of the national funding formula ACA is based on the general labour market specific cost adjustment calculated for 2013-14 by what is now the Department for Levelling Up, Housing & Communities (DLUHC). DLUHC published updated 2021 GLM data on 29 March 2022. However, we are not using these figures for the 2023-24 NFFs, and are instead continuing to use the previously-available GLM data for 2013-14. The method of compiling the recent GLM data was different compared to the 2013-14 figures, and there has not been sufficient time to make the new data compatible with the existing ACA methodology in the NFFs. We aim to use the new GLM data in the NFFs for 2024-25.

Combining the teacher and non-teacher elements

14. For the schools block ACA, the teacher and non-teaching staff elements are weighted in proportion to actual expenditure on teaching and non-teaching staff in mainstream schools and academies.
15. For the high needs block ACA, the teacher and non-teaching staff elements are weighted in proportion to actual expenditure on teaching and non-teaching staff in special schools and alternative provision establishments.
16. The data source for expenditure in maintained schools is LA and school expenditure 2020-21² and the source for expenditure in academies is Academies' Accounting Returns 2020/2021³. Data from these two sources is combined to calculate the weightings.
17. The teacher proportion is the total expenditure on teachers divided by total expenditure on teachers, non-teaching staff and non-pay combined.
18. The non-teaching staff proportion is the total expenditure on non-teaching staff

² [LA maintained schools, expenditure data \(www.gov.uk\)](http://www.gov.uk) and [LA maintained schools, income data \(www.gov.uk\)](http://www.gov.uk)

³ [Financial benchmarking service \(www.gov.uk\)](http://www.gov.uk): follow link "AAR 2020/21"

divided by total expenditure on teachers, non-teaching staff and non-pay combined.

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

| Expenditure type | Schools block weightings | High needs block weightings |
|--------------------|--------------------------|-----------------------------|
| Teaching staff | 55.40% | 43.05% |
| Non-teaching staff | 27.73% | 43.63% |
| Non-staff | 16.87% | 13.32% |

Figure 1: weightings for the schools and high needs block ACAs

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

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

where

A is the ACA

T is the teacher pay ratio for the geographical area

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

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

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

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

ACA for the central school services block

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

ACAs for part-fringe local authorities

22. Buckinghamshire, Essex, Hertfordshire, Kent and West Sussex fall partly in the Fringe teacher pay band and partly in the Rest of England pay band. Each of these local authorities (LAs) has one teacher pay ratio (and one general labour market cost adjustment) for its schools in the Fringe area and another for the rest.
23. For the schools block, this results in one ACA for schools in the Fringe and another for the rest, in each of these five LAs.
24. For the high needs block, each LA has a single ACA, based on an average of the fringe and non-fringe ACAs, weighted by the population aged 2 to 18⁴ in the respective districts.
25. For the CSSB, the ACA for the part-fringe LAs is an average of the two general labour market cost adjustments for the respective districts, weighted by the number on roll in mainstream schools from the October 2021 School Census.
26. For schools block growth funding in the 2023-24 dedicated schools grant, the ACA for the five part-fringe LAs will be the average of the two schools block ACAs for the respective districts, weighted by the number on roll in mainstream schools from the October 2022 School Census.

⁴ From the [Mid-2020 lower layer Super Output Area population estimates \(www.gov.uk\)](https://www.gov.uk)

Table of ACAs

27. The ACAs for the schools, high needs and central school services blocks of the 2023-24 national funding formulas are shown below

| Local authority name | Districts | Schools block ACA | High needs block ACA | CSSB ACA |
|-------------------------------------|--|-------------------|----------------------|----------|
| Barking and Dagenham | Barking and Dagenham | 1.13477 | 1.12861 | 1.10813 |
| Barnet | Barnet | 1.10187 | 1.11605 | 1.16706 |
| Barnsley | Barnsley | 1.00000 | 1.00000 | 1.00000 |
| Bath and North East Somerset | Bath and North East Somerset | 1.01464 | 1.02303 | 1.05279 |
| Bedford | Bedford | 1.01570 | 1.02470 | 1.05662 |
| Bexley | Bexley | 1.08553 | 1.09034 | 1.10813 |
| Birmingham | Birmingham | 1.00338 | 1.00532 | 1.01220 |
| Blackburn with Darwen | Blackburn with Darwen | 1.00000 | 1.00000 | 1.00000 |
| Blackpool | Blackpool | 1.00000 | 1.00000 | 1.00000 |
| Bolton | Bolton | 1.00547 | 1.00860 | 1.01972 |
| Bournemouth, Christchurch and Poole | Bournemouth, Christchurch and Poole | 1.00000 | 1.00000 | 1.00000 |
| Bracknell Forest | Bracknell Forest | 1.05790 | 1.07776 | 1.14842 |
| Bradford | Bradford | 1.00016 | 1.00025 | 1.00058 |
| Brent | Brent | 1.15111 | 1.15432 | 1.16706 |
| Brighton and Hove | Brighton and Hove | 1.00169 | 1.00267 | 1.00611 |
| Bristol | Bristol | 1.01464 | 1.02303 | 1.05279 |
| Bromley | Bromley | 1.08553 | 1.09034 | 1.10813 |
| Buckinghamshire Fringe | Areas covered by the former Chiltern and South Bucks districts | 1.04762 | 1.05011 | 1.10593 |
| Buckinghamshire non-Fringe | Areas covered by the former Aylesbury Vale and Wycombe districts | 1.02873 | 1.05011 | 1.10593 |
| Bury | Bury | 1.00547 | 1.00860 | 1.01972 |
| Calderdale | Calderdale | 1.00016 | 1.00025 | 1.00058 |
| Cambridgeshire | All | 1.01286 | 1.02023 | 1.04637 |
| Camden | Camden | 1.18892 | 1.21380 | 1.30337 |
| Central Bedfordshire | Central Bedfordshire | 1.01570 | 1.02470 | 1.05662 |
| Cheshire East | Cheshire East | 1.00363 | 1.00572 | 1.01310 |
| Cheshire West and Chester | Cheshire West and Chester | 1.00363 | 1.00572 | 1.01310 |
| Cornwall | Cornwall | 1.00000 | 1.00000 | 1.00000 |
| Coventry | Coventry | 1.00338 | 1.00532 | 1.01220 |

| Local authority name | Districts | Schools block ACA | High needs block ACA | CSSB ACA |
|--------------------------|---|-------------------|----------------------|----------|
| Croydon | Croydon | 1.08553 | 1.09034 | 1.10813 |
| Cumbria | All | 1.00000 | 1.00000 | 1.00000 |
| Darlington | Darlington | 1.00000 | 1.00000 | 1.00000 |
| Derby | Derby | 1.00000 | 1.00000 | 1.00000 |
| Derbyshire | All | 1.00000 | 1.00000 | 1.00000 |
| Devon | All | 1.00000 | 1.00000 | 1.00000 |
| Doncaster | Doncaster | 1.00000 | 1.00000 | 1.00000 |
| Dorset | Dorset | 1.00000 | 1.00000 | 1.00000 |
| Dudley | Dudley | 1.00338 | 1.00532 | 1.01220 |
| Durham | Durham | 1.00000 | 1.00000 | 1.00000 |
| Ealing | Ealing | 1.15111 | 1.15432 | 1.16706 |
| East Riding of Yorkshire | East Riding of Yorkshire | 1.00000 | 1.00000 | 1.00000 |
| East Sussex | All | 1.00169 | 1.00267 | 1.00611 |
| Enfield | Enfield | 1.08553 | 1.09034 | 1.10813 |
| Essex Fringe | Basildon, Brentwood, Epping Forest, Harlow | 1.03845 | 1.01988 | 1.03536 |
| Essex non-Fringe | Braintree, Castle Point, Chelmsford, Colchester, Maldon, Rochford, Tendring, Uttlesford | 1.00355 | 1.01988 | 1.03536 |
| Gateshead | Gateshead | 1.00000 | 1.00000 | 1.00000 |
| Gloucestershire | All | 1.00631 | 1.00992 | 1.02275 |
| Greenwich | Greenwich | 1.18892 | 1.21380 | 1.30337 |
| Hackney | Hackney | 1.18892 | 1.21380 | 1.30337 |
| Halton | Halton | 1.00363 | 1.00572 | 1.01310 |
| Hammersmith and Fulham | Hammersmith and Fulham | 1.18892 | 1.21380 | 1.30337 |
| Hampshire | All | 1.01421 | 1.02235 | 1.05123 |
| Haringey | Haringey | 1.13477 | 1.12861 | 1.10813 |
| Harrow | Harrow | 1.10187 | 1.11605 | 1.16706 |
| Hartlepool | Hartlepool | 1.00000 | 1.00000 | 1.00000 |
| Havering | Havering | 1.08553 | 1.09034 | 1.10813 |
| Herefordshire | Herefordshire | 1.00000 | 1.00000 | 1.00000 |
| Hertfordshire Fringe | Broxbourne, Dacorum, East Hertfordshire, Hertsmere, St Albans, Three Rivers, Watford, Welwyn Hatfield | 1.04762 | 1.05499 | 1.10163 |
| Hertfordshire non-Fringe | North Hertfordshire, Stevenage | 1.01570 | 1.05499 | 1.10163 |
| Hillingdon | Hillingdon | 1.10187 | 1.11605 | 1.16706 |
| Hounslow | Hounslow | 1.10187 | 1.11605 | 1.16706 |

| Local authority name | Districts | Schools block ACA | High needs block ACA | CSSB ACA |
|-----------------------------|--|-------------------|----------------------|----------|
| Isle of Wight | Isle of Wight | 1.01421 | 1.02235 | 1.05123 |
| Islington | Islington | 1.18892 | 1.21380 | 1.30337 |
| Kensington and Chelsea | Kensington and Chelsea | 1.18892 | 1.21380 | 1.30337 |
| Kent Fringe | Dartford, Sevenoaks | 1.03845 | 1.00843 | 1.01390 |
| Kent non-Fringe | Ashford, Canterbury, Dover, Gravesham, Maidstone, Shepway, Swale, Thanet, Tonbridge and Malling, Tunbridge Wells | 1.00071 | 1.00843 | 1.01390 |
| Kingston upon Hull, City of | Kingston upon Hull, City of | 1.00000 | 1.00000 | 1.00000 |
| Kingston upon Thames | Kingston upon Thames | 1.10187 | 1.11605 | 1.16706 |
| Kirklees | Kirklees | 1.00016 | 1.00025 | 1.00058 |
| Knowsley | Knowsley | 1.00112 | 1.00177 | 1.00405 |
| Lambeth | Lambeth | 1.18892 | 1.21380 | 1.30337 |
| Lancashire | All | 1.00000 | 1.00000 | 1.00000 |
| Leeds | Leeds | 1.00016 | 1.00025 | 1.00058 |
| Leicester | Leicester | 1.00000 | 1.00000 | 1.00000 |
| Leicestershire | All | 1.00000 | 1.00000 | 1.00000 |
| Lewisham | Lewisham | 1.18892 | 1.21380 | 1.30337 |
| Lincolnshire | All | 1.00000 | 1.00000 | 1.00000 |
| Liverpool | Liverpool | 1.00112 | 1.00177 | 1.00405 |
| Luton | Luton | 1.01570 | 1.02470 | 1.05662 |
| Manchester | Manchester | 1.00547 | 1.00860 | 1.01972 |
| Medway | Medway | 1.00071 | 1.00111 | 1.00255 |
| Merton | Merton | 1.15111 | 1.15432 | 1.16706 |
| Middlesbrough | Middlesbrough | 1.00000 | 1.00000 | 1.00000 |
| Milton Keynes | Milton Keynes | 1.02873 | 1.04519 | 1.10358 |
| Newcastle upon Tyne | Newcastle upon Tyne | 1.00000 | 1.00000 | 1.00000 |
| Newham | Newham | 1.13477 | 1.12861 | 1.10813 |
| Norfolk | All | 1.00000 | 1.00000 | 1.00000 |
| North East Lincolnshire | North East Lincolnshire | 1.00000 | 1.00000 | 1.00000 |
| North Lincolnshire | North Lincolnshire | 1.00000 | 1.00000 | 1.00000 |
| North Northamptonshire | North Northamptonshire | 1.00329 | 1.00518 | 1.01186 |
| North Somerset | North Somerset | 1.01464 | 1.02303 | 1.05279 |
| North Tyneside | North Tyneside | 1.00000 | 1.00000 | 1.00000 |
| North Yorkshire | All | 1.00000 | 1.00000 | 1.00000 |
| Northumberland | Northumberland | 1.00000 | 1.00000 | 1.00000 |
| Nottingham | Nottingham | 1.00277 | 1.00436 | 1.00999 |

| Local authority name | Districts | Schools block ACA | High needs block ACA | CSSB ACA |
|-----------------------------|-----------------------|--------------------------|-----------------------------|-----------------|
| Nottinghamshire | All | 1.00277 | 1.00436 | 1.00999 |
| Oldham | Oldham | 1.00547 | 1.00860 | 1.01972 |
| Oxfordshire | All | 1.02223 | 1.03497 | 1.08016 |
| Peterborough | Peterborough | 1.01286 | 1.02023 | 1.04637 |
| Plymouth | Plymouth | 1.00000 | 1.00000 | 1.00000 |
| Portsmouth | Portsmouth | 1.01421 | 1.02235 | 1.05123 |
| Reading | Reading | 1.03480 | 1.05475 | 1.12548 |
| Redbridge | Redbridge | 1.08553 | 1.09034 | 1.10813 |
| Redcar and Cleveland | Redcar and Cleveland | 1.00000 | 1.00000 | 1.00000 |
| Richmond upon Thames | Richmond upon Thames | 1.10187 | 1.11605 | 1.16706 |
| Rochdale | Rochdale | 1.00547 | 1.00860 | 1.01972 |
| Rotherham | Rotherham | 1.00000 | 1.00000 | 1.00000 |
| Rutland | Rutland | 1.00000 | 1.00000 | 1.00000 |
| Salford | Salford | 1.00547 | 1.00860 | 1.01972 |
| Sandwell | Sandwell | 1.00338 | 1.00532 | 1.01220 |
| Sefton | Sefton | 1.00112 | 1.00177 | 1.00405 |
| Sheffield | Sheffield | 1.00000 | 1.00000 | 1.00000 |
| Shropshire | Shropshire | 1.00000 | 1.00000 | 1.00000 |
| Slough | Slough | 1.05790 | 1.07776 | 1.14842 |
| Solihull | Solihull | 1.00338 | 1.00532 | 1.01220 |
| Somerset | All | 1.00000 | 1.00000 | 1.00000 |
| South Gloucestershire | South Gloucestershire | 1.01464 | 1.02303 | 1.05279 |
| South Tyneside | South Tyneside | 1.00000 | 1.00000 | 1.00000 |
| Southampton | Southampton | 1.01421 | 1.02235 | 1.05123 |
| Southend-on-Sea | Southend-on-Sea | 1.00355 | 1.00558 | 1.01279 |
| Southwark | Southwark | 1.18892 | 1.21380 | 1.30337 |
| St Helens | St Helens | 1.00112 | 1.00177 | 1.00405 |
| Staffordshire | All | 1.00000 | 1.00000 | 1.00000 |
| Stockport | Stockport | 1.00547 | 1.00860 | 1.01972 |
| Stockton-on-Tees | Stockton-on-Tees | 1.00000 | 1.00000 | 1.00000 |
| Stoke-on-Trent | Stoke-on-Trent | 1.00000 | 1.00000 | 1.00000 |
| Suffolk | All | 1.00002 | 1.00004 | 1.00009 |
| Sunderland | Sunderland | 1.00000 | 1.00000 | 1.00000 |
| Surrey | All | 1.05790 | 1.07776 | 1.14842 |
| Sutton | Sutton | 1.10187 | 1.11605 | 1.16706 |
| Swindon | Swindon | 1.00718 | 1.01130 | 1.02590 |
| Tameside | Tameside | 1.00547 | 1.00860 | 1.01972 |
| Telford and Wrekin | Telford and Wrekin | 1.00000 | 1.00000 | 1.00000 |

| Local authority name | Districts | Schools block ACA | High needs block ACA | CSSB ACA |
|-----------------------------|---|--------------------------|-----------------------------|-----------------|
| Thurrock | Thurrock | 1.03845 | 1.04718 | 1.07832 |
| Torbay | Torbay | 1.00000 | 1.00000 | 1.00000 |
| Tower Hamlets | Tower Hamlets | 1.18892 | 1.21380 | 1.30337 |
| Trafford | Trafford | 1.00547 | 1.00860 | 1.01972 |
| Wakefield | Wakefield | 1.00016 | 1.00025 | 1.00058 |
| Walsall | Walsall | 1.00338 | 1.00532 | 1.01220 |
| Waltham Forest | Waltham Forest | 1.08553 | 1.09034 | 1.10813 |
| Wandsworth | Wandsworth | 1.18892 | 1.21380 | 1.30337 |
| Warrington | Warrington | 1.00363 | 1.00572 | 1.01310 |
| Warwickshire | All | 1.00702 | 1.01104 | 1.02531 |
| West Berkshire | West Berkshire | 1.03480 | 1.05475 | 1.12548 |
| West Northamptonshire | West Northamptonshire | 1.00329 | 1.00518 | 1.01186 |
| West Sussex Fringe | Crawley | 1.05790 | 1.01182 | 1.02416 |
| West Sussex non-Fringe | Adur, Arun, Chichester, Horsham, Mid Sussex, Worthing | 1.00000 | 1.01182 | 1.02416 |
| Westminster | Westminster | 1.18892 | 1.21380 | 1.30337 |
| Wigan | Wigan | 1.00547 | 1.00860 | 1.01972 |
| Wiltshire | Wiltshire | 1.00718 | 1.01130 | 1.02590 |
| Windsor and Maidenhead | Windsor and Maidenhead | 1.05790 | 1.07776 | 1.14842 |
| Wirral | Wirral | 1.00112 | 1.00177 | 1.00405 |
| Wokingham | Wokingham | 1.03480 | 1.05475 | 1.12548 |
| Wolverhampton | Wolverhampton | 1.00338 | 1.00532 | 1.01220 |
| Worcestershire | All | 1.00000 | 1.00000 | 1.00000 |
| York | York | 1.00000 | 1.00000 | 1.00000 |



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