



Department  
for Education

# **Schools' Costs**

**2023 to 2025**

**February 2024**

# Contents

Summary	3
About this Technical Note	3
Expiry or Review Date	4
Main Points	4
Introduction	7
Schools' Costs in 2023-24	9
Schools' Funding in 2023-24	13
Schools' Costs in 2024-25	14
Schools' Funding in 2024-25	17
Methodology	18
Teachers' Pay	20
Support Staff Pay	20
Non-Staff Related Spending	21
Energy Price Inflation	21
Funding	22
Data Quality, Limitations of Analysis and Key Assumptions	24
Annex – School Resource Management	25

# 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 in mainstream schools in England at the national level.

The analysis is split into two parts: the current financial year 2023-24; and a look ahead to 2024-25. We focus on funding and costs of 5 to 16 year old education and therefore exclude early years and post-16 provision from the analysis.

The cost and funding increases presented are averages across all schools in England and should not be read as pertaining to individual schools. We understand and recognise that this national level picture does not reflect the position for each individual school, nor the position for special schools or alternative provision.

Each individual school will experience different funding increases; this reflects our national funding formula (NFF) and the move towards a fairer funding system. Our funding system is not designed so that every school gets the same level of funding, or the same funding increase every year. The NFF takes a variety of factors into account specific to each individual school, such as the number of pupils a school has, the additional needs that its pupils are likely to have, and how its location may affect the school's running costs. The NFF replaced a funding system where schools' funding was driven by local authorities' historic spending decisions, and failed to take account of changes in their needs.

Each individual school will also face different costs, in part because of the autonomy we give schools to make different spending choices. The funding increases which schools receive will therefore never exactly track the changes in each individual school's precise costs.

All schools need to understand and plan for their own situation. We recognise that such planning can sometimes be difficult, especially in the context of uncertain costs. There are advice and tools available via [School Resource Management](#), including [Buying for Schools](#), to support schools with this planning.

We consider schools' costs and funding in a traditional financial year (April-March). We recognise that the accounting year for academies follows an academic year cycle and therefore, over the short term, the implications will be somewhat different.

With regard to the headroom calculations and what this means for pay awards, we judge pay awards to be fully funded in a given year when the increase in overall funding equals or exceeds the increase in overall costs at the national level, i.e. the total budgetary

headroom is zero or positive in cash terms at the national level. We recognise that the picture may be different for individual schools.

In this note, we denote financial years using a hyphen (for example, 2023-24) and academic years using a forward slash (for example, 2023/24).

## Expiry or Review Date

Annual updates are planned.

## Main Points

We assess the increases in spending on teaching staff, support staff and non-staff related expenditure. Increases in staff-related costs, accounting for over 80 per cent of schools' spending, are driven mainly by pay awards. For most non-staff spending, we use the GDP deflator, the standard measure of price inflation in the public sector, but treat energy price increases separately.

We compare increases in schools' costs against growth in their funding in the same year. This allows us to assess how much flexibility there is in schools' budgets which would allow spending beyond that needed to maintain the current level of provision.

For the 2023 technical note, we were only able to present the impacts of recent energy price volatility on their costs in general terms. We subsequently estimated energy costs over the two-year period 2022-23 and 2023-24 in an Education Hub post.<sup>1</sup> This year we include estimates of energy price inflation in our assessment of schools' costs, although those estimates carry high uncertainty.

**2023-24.** For the current financial year, we estimate that the funding that goes to mainstream schools has risen by 7.6 per cent. On average, at the national level, their costs are estimated to be increasing by 6.7 per cent in 2023-24.

Comparing the increases in funding and costs would imply that **mainstream schools could, on average, raise their spending by a further 0.9 per cent in 2023-24, or by around £400 million at the national level.**

This headroom figure is more uncertain than in past years as we cannot account for differences between energy retail prices and schools' contract prices,<sup>2</sup> nor include any

---

<sup>1</sup> Department for Education (2023), *The Education Hub*, 28 March 2023, <https://educationhub.blog.gov.uk/2023/03/28/teacher-strikes-latest-everything-you-need-to-know-about-the-teacher-pay-offer/>.

<sup>2</sup> For example, dependent on contract durations and prices, whether fixed or variable prices, and contract renewal dates.

energy savings made during the year.<sup>3</sup> The headroom would be lower than this if contract energy costs increased at a higher rate than retail energy prices, and vice versa.

Large cost increases were seen across all spending categories this year, e.g. a pay award of 6.5 per cent for teachers, the highest pay uplift in over three decades; an average 7.6 per cent award for support staff; and an estimated 5.6 per cent inflation on non-staff related costs, including energy.

**2024-25.** Looking ahead to 2024-25, we include cost increases in mainstream schools due to the final five months of the 2023/24 teachers' pay award, pay drift,<sup>4</sup> the National Living Wage, local government pension scheme contribution rates and non-staff related spending.<sup>5</sup> On this basis, overall costs in 2024-25 are estimated to increase by 1.9 per cent on average. This omits the main pay awards in 2024 for both teachers (for 2024/25) and support staff (for 2024-25), as they are unknown at this time. This note makes no assumption about the outcome of the relevant pay award processes, nor should its analysis be seen as an indication of what might be agreed through these processes.

Core funding to mainstream schools is set to increase by 3.1 per cent in 2024-25. The difference between the 3.1 per cent increase in funding and the 1.9 per cent increase in costs (excepting the 2024 pay awards) indicates that **mainstream schools could increase their spending by a further 1.2 per cent on average, or around £600 million at the national level in 2024-25.** This estimate will inform the Department's overall assessment of what pay awards, for both teachers and support staff, might be absorbed within schools' existing aggregate budgets.

The uncertainty on the estimated £600 million spending headroom remains high for the same reasons as for 2023-24, although is considered to be lower than for that year. The Office for Budget Responsibility expects inflationary pressures to decline in 2024-25. Future energy prices remain highly uncertain. The headroom would be lower were energy costs to rise faster than we have estimated. Equally, it would be higher were energy costs to instead fall.

Teachers' pay awards are subject to recommendations by the School Teachers' Review Body (STRB) and the government's response, while other staff pay awards are subject to negotiations between employers and unions. Pay awards are unknown until those processes are complete, so, as usual, schools need to make assumptions in the meantime to aid their financial planning.

---

<sup>3</sup> For example, through changing energy use, installing efficiency measures or making use of the 2022-23 Energy Bill Relief Scheme and the 2023-24 Energy Bills Discount Scheme.

<sup>4</sup> Changes to the teacher pay bill due to workforce compositional changes (with teachers who leave being, on average, more experienced and higher paid than new entrants) and pay progression (with many teachers remaining in consecutive service in receipt of higher pay rises than the pay award, as they progress through the pay points or are promoted to more senior posts).

<sup>5</sup> We do not have final figures for the additional funding to be provided to schools to pay for changes to teachers' pension scheme contribution rates that are coming in 2024-25. We have therefore omitted the accompanying spending pressure.

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

## Introduction

1. This technical note provides school leaders and others with analysis of cost increases that mainstream schools are expected to face over the financial years 2023-24 and 2024-25. This will help them understand broadly how and why costs change in each year compared with the previous year. The costs covered relate mainly to schools' expenditure on the activities supported by core funding allocations.

2. Costs should be seen in the wider context of funding for schools. Multi-year settlements for schools' funding were announced at the 2019 Spending Review (covering the financial years 2020-21 to 2022-23) and at the 2021 Spending Review (for 2022-23 to 2024-25), with further funding announced in 2022 at the Autumn Statement (for 2023-24 and 2024-25). Further funding also followed to cover the 2023/24 teachers' pay award (£525 million in 2023-24, and £900 million in 2024-25).<sup>6</sup> This funding was distributed to mainstream schools and high needs via the teachers' pay additional grant (TPAG). The Education and Skills Funding Agency (ESFA) has published TPAG allocations for mainstream schools for 2023-24<sup>7</sup> and the methodology for 2024-25<sup>8</sup>. In total, schools received £49.8 billion in 2021-22, £53.8 billion in 2022-23, £57.7 billion in 2023-24 and are due to receive over £59.6 billion in 2024-25, compared with £44.4 billion in 2019-20.<sup>9</sup> <sup>10 11</sup> The government also provided additional funding, on top of existing budgets, to cover unavoidable costs relating to the COVID-19 outbreak and recovery plans that could not be met from schools' budgets.<sup>12</sup> That income, and those costs, are not considered in this analysis.

3. Our estimates of costs cover mainstream English primary and secondary schools (maintained schools, academies, and free schools, with pupils in reception to year 11) and exclude special schools and other high needs providers. The analysis is done at the national level by examining the average cost increases that schools are forecast to face.

---

<sup>6</sup> For mainstream schools, high needs, early years and post-16.

<sup>7</sup> Education and Schools Funding Agency (2023), *Teachers' pay additional grant for 2023 to 2024*, <https://www.gov.uk/government/publications/teachers-pay-additional-grant-2023-to-2024>

<sup>8</sup> Education and Schools Funding Agency (2023), *Teachers' pay additional grant 2024 to 2025: methodology*, <https://www.gov.uk/government/publications/teachers-pay-additional-grant-2024-to-2025/teachers-pay-additional-grant-2024-to-2025-methodology>

<sup>9</sup> HM Treasury (2021), *Autumn Budget and Spending Review 2021*, Table 4.2, [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1043689/Budget\\_AB2021\\_Web\\_Accessible.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1043689/Budget_AB2021_Web_Accessible.pdf).

<sup>10</sup> HM Treasury (2022), *Autumn Statement*, Paragraph 5.63, [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1118417/CCS1022065440-001\\_SECURE\\_HMT\\_Autumn\\_Statement\\_November\\_2022\\_Web\\_accessible\\_1.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1118417/CCS1022065440-001_SECURE_HMT_Autumn_Statement_November_2022_Web_accessible_1.pdf)

<sup>11</sup> Department for Education (2023), *Teachers' update*, <https://questions-statements.parliament.uk/written-statements/detail/2023-07-13/hcws942>.

<sup>12</sup> Department for Education (2024), *School funding: between financial years 2010 to 2011 and 2024 to 2025*, <https://explore-education-statistics.service.gov.uk/find-statistics/school-funding-statistics>.

4. Specific costs will vary from school to school and depend on various factors, including the characteristics and number of staff and pupils, approaches to procurement and the conditions and types of buildings – as well as, more recently, energy contracts and usage. A significant factor is also the different choices individual schools make about, for example, their overall workforce composition and how much, and for what, they choose to invest funding in non-staffing resources. This enables schools to make spending choices which best reflects the needs of their pupils, but it is also a key factor for why our analysis is done at the national level: we cannot seek to model each school's individual costs given the autonomy schools have to make their own spending decisions.

5. The cost impact of teacher pay awards can vary at school level, depending on workforce composition. All schools need to understand and plan for their own situation. As set out in the Annex, the department offers a number of tools and resources to help schools and trusts improve outcomes for pupils by getting the best value from all resources.<sup>13</sup>

6. The first section of this note deals with cost and funding increases in the current financial year 2023-24, for which, we estimate the major cost drivers and assess their impact on schools' finances this year.

7. The second section examines cost and funding increases in 2024-25, where we do not yet know the additional costs due to staff pay awards.

8. Subsequent sections detail the methodology we have used to produce the estimates of cost increases and discuss uncertainties and limitations of the analysis. There are a number of factors that could lead to differences between the forecasts and eventual increases in the costs considered here, as set out at the end of this note.

---

<sup>13</sup> Department of Education (2023), *School resource management*, <https://www.gov.uk/government/collections/schools-financial-health-and-efficiency>.



## Schools' Costs in 2023-24

9. We first consider the cost increases that mainstream schools in England face this financial year.

10. Details of how we calculate cost increases are set out in the Methodology section. In summary, we combine the impacts of various price inflation factors with changes to staff and pupil numbers (demographic factors) for spending in three broad price-inflation categories (teaching staff, support staff and non-staff related costs). We begin by setting expenditure equal to funding in the latest year for which we have spending data for both maintained schools and academies, 2021-22. The expenditure is apportioned by type of spending, and we work forward by applying the price inflation and demographic factors, specific to each category, in each subsequent year, to estimate spending in 2023-24.

11. Staff-related costs include pay awards, employer pension contribution rate changes, and National Insurance rate changes. Staff related costs are assumed to scale with estimated teacher demand. 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.

12. Non-staff related costs are assumed to scale with price inflation and pupil numbers. 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 spending where, in particular, there have been larger, more volatile changes over the last two years.

13. We previously published an estimate of the increase in energy costs to schools in cash terms over 2022-23 and 2023-24 of around £750 million.<sup>14</sup> We were unable to specify how those costs fell across the two years as that depends, crucially, on having detailed knowledge of the characteristics of schools' energy contracts.<sup>15</sup> We also could not determine the efficacy of the schemes intended to limit or reduce bills.<sup>16</sup> In the crudest assessment, assuming the increases were on average spread equally over the two years, the resulting inflation rate on all non-staff spending would have been 11.1 per cent in 2023-24. For comparison, the latest forecast for the GDP deflator in 2023-24 is 6.1 per cent.

---

<sup>14</sup> Department for Education (2023), *The Education Hub*, 28 March 2023, <https://educationhub.blog.gov.uk/2023/03/28/teacher-strikes-latest-everything-you-need-to-know-about-the-teacher-pay-offer/>.

<sup>15</sup> For example, contract durations and prices, whether fixed or variable prices, and contract renewal dates.

<sup>16</sup> The 2022-23 Energy Bill Relief Scheme and the 2023-24 Energy Bills Discount Scheme.

14. A subsequent assessment of energy price inflation (see Methodology section) using published scenarios of energy retail price projections, indicates for the central estimate a much more modest increase in energy prices in 2023-24 compared to 2022-23 (1.4 per cent cf. 52.1 per cent), implying close to a levelling out of prices in 2023-24. However, our estimate still carries considerable uncertainty: we cannot account for differences between energy retail prices and schools' contract prices without detailed knowledge of those contracts,<sup>17</sup> nor include any energy savings made during the year.<sup>18</sup> This estimate leads to a total non-staff inflation rate of 5.6 per cent for 2023-24.

15. The overall price inflation for each spending category is set out in Table 1.

**Table 1: Price inflation by expenditure category in financial year 2023-24.**

<b>Expenditure category</b>	<b>2023-24</b>
Teacher expenditure, per teacher	5.6% + 0.3% = 5.9%
Support staff expenditure, per staff member	6.5%
Non-staff expenditure (including energy), per pupil	5.6%

Source: DfE

16. The teachers' pay inflation is made up of several factors, the largest being the final five months of the 2022/23 pay award applied from September 2022 of 5.4 per cent and the first seven months of the 2023/24 pay award, applied from September 2023, of 6.5 per cent. Smaller contributions come from pay drift of -0.1 per cent and -0.3 per cent from (NI) employer contribution rate and threshold effects.<sup>19 20</sup> With those factors, the teachers' pay inflation is 5.6 per cent.

17. In the teacher expenditure category, we include an additional 0.3 per cent pressure from other spending we expect schools will have committed to in 2023-24 (explained at the end of this section).<sup>21</sup> That takes the total inflation included in the teacher category to 5.9 per cent.

18. Support staff pay inflation is made up of an average award of 7.6 per cent (estimated by applying the relevant pay award to the total pay in each pay band), a 0.1 per cent pressure from NI, and a -1.1 per cent decrease from local government pension scheme (LGPS) employer contributions.

---

<sup>17</sup> For example, dependent on contract durations and prices, whether fixed or variable prices, and contract renewal dates.

<sup>18</sup> For example, through changing energy use, installing efficiency measures or making use of the 2022-23 Energy Bill Relief Scheme and the 2023-24 Energy Bills Discount Scheme.

<sup>19</sup> Pay drift reflects the pay bill costs of workforce compositional changes and pay progression.

<sup>20</sup> The negative pressure due to NI contributions is the combined effect of the reversal of the rate increase in 2022-23 (-0.4%) and a smaller pressure (+0.1%) from keeping the secondary threshold flat in 2023-24 compared to 2022-23.

<sup>21</sup> We have shown the inclusion of the additional 0.3% in Table 1 as a simple addition; in reality the 0.3% is added to the pay award and pay drift before being combined cumulatively with NI pressures.

19. Non-staff related price inflation is represented by the GDP deflator of 6.1 per cent, except energy with estimated price inflation in 2023-24 of 1.4 per cent. Combined, the GDP deflator and energy inflation rates correspond to an overall rate of 5.6 per cent on non-staff related expenditure.

20. We then weight the inflation factors in each expenditure category by its proportion of total mainstream school spending (teaching staff (52 per cent), support staff (30 per cent) and non-staff (18 per cent)). Before summing the factors, we also need to convert them to a common per-pupil set of units using the relative changes in teacher and pupil numbers compared to the previous year. The resulting per-pupil price inflation is set out in Table 2.

**Table 2: Weighted per-pupil price inflation in 2023-24.**

<b>Expenditure category</b>	<b>2023-24</b>
Teacher expenditure, per pupil (weighted)	3.1%
Support staff expenditure, per pupil (weighted)	1.9%
Non-staff expenditure, per pupil (weighted)	1.0%
<b>Overall per-pupil price inflation (sum of the above)</b>	<b>6.0%</b>

Source: DfE

21. By combining the per-pupil price inflation with pupil growth, averaged over the financial year, of 0.1 per cent, we estimate that the costs faced by mainstream schools will increase by 6.1 per cent in 2023-24. To this we apply an additional 0.5 per cent due to rising costs of special educational needs provision in mainstream settings. **This yields an overall increase in mainstream schools' costs of 6.7 per cent in 2023-24.**<sup>22</sup> Again, we note that this increase carries a high degree of uncertainty for the reasons given earlier.

22. We mentioned at paragraph 17 that we added an additional 0.3 per cent to teachers' pay inflation for 2023-24. In its written evidence to the STRB in 2023, the Department advised that an average pay award for teachers of 3.5 per cent would be manageable within schools' budgets.<sup>23</sup> After new data became available, we estimated that a 4.0 per cent teachers' pay award would be manageable on average, at the national level.<sup>24</sup>

23. Following the STRB's recommendations, the Government agreed in July 2023 to a 6.5 per cent pay award for teachers, accompanied by extra funding through the teachers'

<sup>22</sup> Due to rounding and because the pressures are applied cumulatively, the overall increase in costs differs slightly from a simple sum of the individual pressures.

<sup>23</sup> Department for Education (2023), *Evidence to the STRB: 2023 pay award for teachers and leaders*, <https://www.gov.uk/government/publications/evidence-to-the-strb-2023-pay-award-for-teachers-and-leaders>.

<sup>24</sup> Department for Education (2023), *The Education Hub*, 28 March 2023, <https://educationhub.blog.gov.uk/2023/03/28/teacher-strikes-latest-everything-you-need-to-know-about-the-teacher-pay-offer/>.

pay additional grant (TPAG), which was sufficient to cover the costs to schools above a 3.5 per cent award.<sup>25</sup> That meant that, according to our assessment of schools' costs versus funding as set out in this publication, we provided funding over and above what the model said was needed to ensure that costs and funding remained in balance, and so there was technically headroom remaining for further expenditure by schools (around £120 million funding, equivalent to 0.5 per cent on the teachers' pay award for 2023/24, corresponding to a pressure of 0.3 per cent in 2023-24 and 0.2 per cent in 2024-25).

24. It would not be an accurate reflection of the agreement reached in July 2023 if we were to continue to treat this headroom as available for further expenditure by schools. To offset this, we therefore account for a corresponding 'pressure'. We assume that schools committed the additional funding to long-term expenditure and so we added 0.3 per cent to teachers' pay inflation for 2023-24 in Table 1. We have made this adjustment within the teachers' pay inflation category given its relevance to the 2023/24 pay award, but 'true' teachers' pay inflation is of course the unadjusted 5.6 per cent. Similarly, we added 0.2 per cent to teachers' pay inflation for 2024-25 in Table 3, which appears later in this note.

---

<sup>25</sup> Department for Education (2023), *The Education Hub*, 13 July 2023, <https://educationhub.blog.gov.uk/2023/07/13/teacher-strikes-everything-you-need-to-know-about-the-2023-24-teacher-pay-award/>.

## Schools' Funding in 2023-24

25. To assess the impact on mainstream schools' finances of their cost increases in 2023-24, we compare those increases against the growth in their funding.

26. We have published a time series of total schools' core funding, which shows an increase of 8.0 per cent in 2023-24 compared to 2022-23.<sup>26</sup> However, for our purposes, we need the subset of that funding which goes to mainstream schools, including:

- Schools block and related funding;
- Pupil premium grant (deprivation and service elements only);
- High needs funding (we include only funding that goes to mainstream schools);
- Mainstream schools additional grant (this grant, paid separately in 2023-24, has been incorporated into the schools block of funding from 2024-25);
- Teachers' pay additional grant;
- Early careers framework funding.

27. On that basis, **the funding to mainstream schools in 2023-24 was 7.6 per cent higher than funding in 2022-23.** (The main difference between this and the 8.0 per cent increase in total core funding in the published time series is the higher rate of funding increase for high needs included in the latter.)

28. In the previous section, we estimated that mainstream schools' costs would increase by 6.7 per cent in 2023-24. **Comparing the increases in funding and costs would imply that those schools could, on average, raise their spending by a further 0.9 per cent in 2023-24, or by around £400 million at the national level.** As mentioned previously, this headroom figure is more uncertain than in past years as we cannot account for differences between energy retail prices and schools' contract prices, nor include any energy savings made during the year. The headroom would be lower than this if contract energy costs increased at a higher rate than retail energy prices, and vice versa.

---

<sup>26</sup> Department for Education (2024), *School funding: between financial years 2010 to 2011 and 2024 to 2025*, <https://explore-education-statistics.service.gov.uk/find-statistics/school-funding-statistics>.

## Schools' Costs in 2024-25

29. We cannot yet provide a complete analysis of cost increases in 2024-25, as future staff pay awards are yet to be agreed. This note makes no assumption about the outcome of the relevant pay processes, nor should its analysis be seen as an indication of what might be agreed through these processes.

30. We include the following cost increases in the analysis:

- 1) The known teachers' pay award in September 2023, which affects the first five months of the financial year 2024-25, and the associated NI employer contribution pressure;
- 2) Teachers' pay drift;<sup>27</sup>
- 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, including energy prices.

31. We do not yet know the precise amount of further funding that the Government has committed to providing schools to support them with increases to employer contribution rates to the teachers' pensions scheme from April 2024. We have therefore omitted the accompanying cost increase.

32. For our assessment of energy price inflation in 2023-24, we applied the central projection of retail energy prices (see Methodology section). The corresponding energy inflation rate in 2024-25 is 6.2 per cent, corresponding to an overall inflation rate on non-staff related costs of 2.1 per cent, slightly higher than the GDP deflator of 1.7 per cent. As for the 2023-24 calculations, we cannot account for the differences between energy retail prices and contract prices, nor include any energy savings made during the year. However, we note that the Office for Budget Responsibility expects inflationary pressures to significantly decline in 2024-25 compared to 2023-24.

33. The price inflation in 2024-25 is summarised as follows:

---

<sup>27</sup> Changes to pay bill due to workforce compositional changes and pay progression.

**Table 3: Annual price inflation by expenditure category in 2024-25 (excluding 2024/25 teaching and 2024-25 support staff awards).**

<b>Expenditure category</b>	<b>2024-25</b>
Teacher expenditure, per teacher	2.8% + 0.2% = 3.0%
Support staff expenditure, per staff member	-0.1%
Non-staff expenditure (including energy), per pupil	2.1%

Source: DfE

34. The teacher-related inflation in 2024-25 is the remaining five months of the 6.5 per cent teachers' pay award in 2023/24, applied from September 2023, the accompanying NI contribution pressure and a small (less than 0.1 per cent) pay drift pressure, which together come to 2.8 per cent. We include an additional 0.2 per cent on teachers' pay inflation in 2024-25 for the reason set out in paragraphs 23 and 24, taking total inflation in that category to 3.0 per cent.<sup>28</sup>

35. In the case of support staff, the decrease is due to a lower average LGPS employer contribution rate compared to 2023-24.

36. Non-staff related price inflation of 2.1 per cent combines the energy inflation rate of 6.2 per cent with the GDP deflator of 1.7 per cent for other non-staff related expenditure.

37. As we did for the analysis of costs in 2023-24, we weight the inflation factors in each expenditure category by its proportion of total school spending and convert them to a common per-pupil set of units using the relative changes in teacher and pupil numbers. This results in per-pupil price inflation as follows:

**Table 4: Weighted per-pupil price inflation in 2024-25.**

<b>Expenditure category</b>	<b>2024-25</b>
Teacher expenditure, per pupil (weighted)	1.9%
Support staff expenditure, per pupil (weighted)	0.1%
Non-staff expenditure, per pupil (weighted)	0.4%
<b>Overall per-pupil price inflation (sum of the above)</b>	<b>2.4%</b>

Source: DfE

38. We combine the 2.4 per cent price inflation with pupil growth, averaged over the financial year, of -0.8 per cent and apply 0.3 per cent for rising costs of special educational needs provision in mainstream settings.

39. **Excepting the main pay awards yet to be determined in 2024 (for teachers in 2024/25 and support staff in 2024-25), costs are estimated to increase by 1.9 per**

---

<sup>28</sup> We have shown the inclusion of the additional 0.2% in Table 3 as a simple addition; in reality the 0.2% is added to the pay award and pay drift before being combined cumulatively with NI pressures.

**cent in 2024-25.** This increase carries a higher than usual uncertainty for the reasons given earlier.



## Schools' Funding in 2024-25

40. The core funding going to mainstream schools in 2024-25 for reception to year 11 is again a subset of schools' funding included in the published time series of total core funding, which shows an increase of 3.1 per cent in 2024-25 compared to 2023-24.<sup>29</sup> The funding to mainstream schools includes:

- Schools block and related funding (incorporating the previously separate mainstream schools additional grant);
- Pupil premium grant (deprivation and service elements only);
- High needs funding (we include only funding that goes to mainstream schools);
- Teachers' pay additional grant.

This funding also shows an increase of 3.1 per cent in 2024-25.

41. The difference between the 3.1 per cent increase in funding and the 1.9 per cent increase in costs estimated in the previous section indicates that **schools could increase their spending by a further 1.2 per cent on average, or around £600 million at the national level in 2024-25**. This is before accounting for pay awards for both teachers (2024/25) and support staff (2024-25). This estimate will inform the Department's overall assessment of what pay awards, for both teachers and support staff, might be absorbed within schools' existing aggregate budgets.

42. The uncertainty on the estimated £600 million spending headroom remains high for the same reasons as for 2023-24, although is considered to be lower than for that year. The Office for Budget Responsibility expects inflationary pressures to decline in 2024-25 following two years of high inflation, with GDP deflators of 6.8 per cent and 6.1 per cent in 2022-23 and 2023-24, respectively. The headroom would be lower were energy prices to rise faster than we have estimated, or higher were energy costs to fall. Future energy prices remain highly uncertain.

43. Teachers' pay awards are subject to recommendations by the School Teachers' Review Body (STRB) and the government's response, while other staff pay awards are subject to negotiations between employers and unions. Pay awards are unknown until those processes are complete, so, as usual, schools need to make assumptions in the meantime to aid their financial planning.

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

---

<sup>29</sup> Department for Education (2024), *School funding: between financial years 2010 to 2011 and 2024 to 2025*, <https://explore-education-statistics.service.gov.uk/find-statistics/school-funding-statistics>.

## Methodology

45. The approach taken to determine cost increases due to price inflation and staff and pupil number changes (demographic factors) in 2023-24 and 2024-25 is as follows:

- a) We use published mainstream schools' expenditure for 2021-22, the latest year of data, to assign spending to three broad price-inflation categories:
  - Teaching staff related spending (53 per cent);
  - Support staff related spending (29 per cent); and
  - Non-staff related spending (18 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 noted 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)
  - National Insurance (NI) contribution rate changes and threshold effects; rate changes include a reduction in 2023-24 due to the reversal of the Health and Social Care Levy (HSC Levy), collected through NI in 2022-23 (FY)
  - Changes in the number of teachers, driven by pupil number changes (AY).
- f) We also included an additional 0.3 per cent to teachers' pay inflation in 2023-24 and 0.2 per cent in 2024-25, to account for additional spending commitments (see paragraphs 23 and 24)
- g) For support staff related costs, we include:
  - NLW awards and general pay awards (FY)
  - Employer pension contribution changes (FY)
  - NI contribution rate changes and threshold effects; rate changes include a reduction in 2023-24 due to the reversal of the HSC Levy, collected through NI in 2022-23 (FY)
  - Changes in the number of staff, proxied by the change in teacher numbers (AY).
- h) Non-staff related costs are assumed to change in line with:
  - Forecast inflation, as measured by the GDP deflator, except where adjusted for energy-specific price rises (FY)
  - Changes in pupil numbers (AY).
- i) Inflation factors for each staff category are converted to a per-pupil basis using the relative changes in teacher and pupil numbers.

- j) We sum these inflation factors, weighted by the proportion of spending in each category, to obtain total per-pupil price inflation averaged across all mainstream schools.
- k) By combining price inflation and demographic pressures cumulatively, we obtain the increase in costs in each year, to which we apply cumulatively the additional costs of providing educational services to pupils with special educational needs (see below).

46. Teacher number projections are based on unpublished internal modelling of teacher numbers driven by pupil numbers, i.e. driven by need, based on published national pupil projections (NPP).<sup>30</sup> We average the pupil and teacher growth across financial years. In financial year 2023-24, pupil growth and teacher growth are both 0.1 per cent. In 2024-25, the corresponding figures are -0.8 per cent and -0.2 per cent, respectively.

47. The HSC Levy imposed costs on employers from 6 April 2022, to be collected via raised National Insurance rates in that year, and ended on 5 November 2022. Internal analysis of staff pay data has estimated a 12-month impact of the increased contributions as 0.7 per cent and 0.5 per cent of the pay bill for teachers and support staff, respectively. Seven months of the levy correspond to a pressure in 2022-23 (0.4 per cent and 0.3 per cent for teaching and support staff, respectively) and its reversal led to a corresponding reduction in 2023-24.

48. The employer NI contribution secondary threshold is currently frozen until 2027-28.<sup>31</sup> Compared to previous years, this results in an additional pressure on pay bills. For 2023-24, we estimate the pressure as 0.1 per cent and 0.4 per cent for teachers and support staff, respectively. The pressures in 2024-25 will depend on the pay awards in that year.

49. The costs of providing educational services to pupils with special educational needs have increased in recent years. This additional pressure has been estimated for 2023-24 and 2024-25 as 0.5 and 0.3 per cent, respectively, of the costs to mainstream schools.

50. We can assess the additional spending power or pressure on schools' budgets (ignoring the reserves position) by taking the difference between the percentage increase in funding and the percentage increase in costs. We convert this to cash terms by multiplying the percentage difference by the previous year's funding. This approach presupposes that, in the previous or base year, schools have spent all their funding, i.e.

---

<sup>30</sup> Department for Education (2023), *National pupil projections*, <https://explore-education-statistics.service.gov.uk/find-statistics/national-pupil-projections>.

<sup>31</sup> Office for Budget Responsibility (2023), *The impact of frozen or reduced personal tax thresholds*, [The impact of frozen or reduced personal tax thresholds - Office for Budget Responsibility \(obr.uk\)](https://obr.uk/the-impact-of-frozen-or-reduced-personal-tax-thresholds/).

expenditure = funding, whether that expenditure is for short or long-term commitments. If some of that expenditure is for one-off or short-term commitments, then that money can be available for new spending in future years as well.

51. We do not take account of schools' behaviour in response to rising costs (for example, making savings or drawing from reserves) or unspent budget (for example, adding to reserves).

## Teachers' Pay

52. Following recommendations by the School Teachers' Review Body (STRB) in July 2022,<sup>32</sup> the government raised the starting salary for new teachers by up to 8.9 per cent and increased the pay ranges for early-career teachers by 5 to 8 per cent, and for experienced teachers and leaders by 5 per cent for the 2022/23 pay award, effective from September 2022.<sup>33</sup> These pay rises were equivalent to a 5.4 per cent increase in the teachers' pay bill. The effects of this continued into the first five months of 2023-24.

53. For the 2023/24 pay award, effective from September 2023, the STRB recommended a 6.5 per cent uplift to all pay points and allowances, and a higher uplift (up to 7.1 per cent) for new teachers to reach the Government's commitment of £30,000 starting salaries.<sup>34</sup> The Government accepted these recommendations which were equivalent to an average 6.5 per cent award. The associated cost pressure will continue into the first five months of 2024-25 as teachers' pay awards are granted on an academic year basis.

54. For all years, we include estimates of pay drift, i.e. changes to pay bill due to workforce compositional changes and pay progression. For academic years 2022/23 to 2024/25, the drift is estimated as -0.2, 0.0, and 0.1 per cent, respectively.

## Support Staff Pay

55. The 2023-24 pay award was agreed by the National Employers in November 2023, with an increase of £1,925 on all National Joint Council pay points and a 3.88 per cent increase to all allowances.<sup>35</sup> By taking account of the distribution of school workforce pay by pay point and by pay region, and applying the appropriate uplift to each

---

<sup>32</sup> School Teachers' Review Body (2022), *School Teachers' Review Body 32nd report: 2022*, [School Teachers' Review Body 32nd report: 2022 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/114444/school-teachers-review-body-32nd-report-2022.pdf).

<sup>33</sup> Department for Education (2022), *Government delivers landmark rises to teachers' salaries*, [Government delivers landmark rises to teachers' salaries - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/government-delivers-landmark-rises-to-teachers-salaries).

<sup>34</sup> Department for Education (2023), *Teachers update. Statement made on 13 July 2023*, [Written statements - Written questions, answers and statements - UK Parliament](https://www.parliament.uk/business/committees/committees-a-z/commons-secondary/education-and-skill/written-questions-answers-and-statements/written-question/2023-07-13/education-13).

<sup>35</sup> National Joint Council for local government services (2023), *Local government services pay agreement 2023*, [National Joint Council for Local Government Services \(emcouncils.gov.uk\)](https://www.njcouncil.org.uk/2023/07/2023-local-government-services-pay-agreement/).

point on the scale, we estimate that this award leads to an average pay rise of around 7.6 per cent.

56. This analysis was made more difficult this year as the 2022-23 pay award was not agreed until November 2022, when the 2022 school workforce census, whose data we use as the base year to which we apply the award in order to calculate the average uplift, was also being taken. As a result, only around half of the staff contracts reflected the 2022-23 award while the rest remained at the 2021-22 level. Consequently, we had to crudely separate the two overlapping pay distributions for each pay region by making use of the 2021 workforce census distribution as a template. We then had a pay distribution reflecting the 2022-23 award, to which we applied the 2023-24 pay award by pay point to estimate the average award for 2023-24.

57. The Local Government Pension Scheme undergoes triennial valuations and accompanying adjustments to employer contribution rates. Using the 2022 valuations report,<sup>36</sup> we estimate a pressure of -1.1 per cent in 2023-24 and -0.1 per cent in 2024-25.

## Non-Staff Related Spending

58. The top contributors to mainstream schools' non-staff related costs in the expenditure base year 2021-22 (and proportions of total spending) were:

- Learning resources (not ICT equipment) (4.0 per cent);
- Catering supplies (2.9 per cent);
- Administrative supplies (non-educational) (2.1 per cent); and
- Energy costs (1.5 per cent).

59. No publicly available forecast of inflation is well matched to the patterns of schools' spending on non-staff costs. While inflation experienced by individual schools may be different, for expenditure other than energy, we use the GDP deflator which is typically used to indicate price changes in public sector spending. For 2023-24 and 2024-25 the relevant figures are 6.1 and 1.7 per cent, respectively.<sup>37</sup>

## Energy Price Inflation

60. We have updated our energy forecast since last year's technical note, on account of newly published data for LA-maintained schools spend in 2022-23, and updated

---

<sup>36</sup> Local government pension scheme advisory board – England and Wales (2023), *2022 valuations – detail report*, <https://lgpsboard.org/index.php/2022-valuations-report>.

<sup>37</sup> HM Treasury (2024), *GDP deflators at market prices, and money GDP December 2023 (Quarterly National Accounts)*, <https://www.gov.uk/government/collections/gdp-deflators-at-market-prices-and-money-gdp>.

energy retail price forecasts produced by the Department for Energy Security and Net Zero (DESNZ).<sup>38</sup> We set a baseline for 2022-23 using the latest data for LA-maintained schools, and forecast academy spending for academic year 2022/23, since that data is not yet available. From the 2022-23 baseline, we used DESNZ energy price forecasts to estimate the growth in school's energy costs to 2023-24 and 2024-25, in accordance with Green Book appraisal guidance. DESNZ produce a range of scenarios, high, central and low, to demonstrate the current high degree of uncertainty in the energy markets.

61. The baseline data indicate a 52.1 per cent increase in energy prices in 2022-23 compared to 2021-22. The central forecast scenario suggests a 1.4 per cent increase in energy prices between 2022-23 and 2023-24, rising to 6.2 per cent between 2023-24 and 2024-25.

62. In our analysis of cost increases in schools, we apply the energy-specific inflation rates from 2022-23 onwards and combine them with the GDP deflator for all other non-staff spending to obtain an overall non-staff inflation rate in each year.

## Funding

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

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

Funding category	2022-23	2023-24	2024-25
Schools Block & related grants	£41,740m	£44,370m	£45,350m
High Needs funding in mainstream schools	£1,790m	£2,000m	£2,160m
Pupil Premium (deprivation & service elements only) <sup>39</sup>	£2,310m	£2,460m	£2,540m
Teachers' pay additional grant (TPAG) <sup>40</sup>	£0m	£430m	£750m
Early career framework funding	£10m	£60m	£50m
<b>Total funding to mainstream schools</b>	<b>£45,850m</b>	<b>£49,330m</b>	<b>£50,850m</b>
Annual growth in funding		7.6%	3.1%

Source: DfE

64. Related grants in the first line include the schools supplementary grant (£1,170 million in 2022-23), the mainstream schools additional grant (£1,450 million in 2023-24),

<sup>38</sup> Department for Energy Security and Net Zero (2023), *Valuation of energy use and greenhouse gas emissions for appraisal*, [Green Book supplementary guidance: valuation of energy use and greenhouse gas emissions for appraisal - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/114444/green-book-supplementary-guidance-valuation-of-energy-use-and-greenhouse-gas-emissions-for-appraisal.pdf).

<sup>39</sup> The pupil premium funding for 2024-25 is only indicative; allocations have not yet been published for that year.

<sup>40</sup> TPAG for mainstream schools only. 2024-25 is the current forecast budget; 2024-25 allocations are yet to be published.

and some small grants (less than £30 million a year) covering funding to the City of London, the Isles of Scilly and two city technology colleges.

65. High needs funding is based on the total high needs budget and section 251 planned spending returns.<sup>41</sup> <sup>42</sup> It includes:

- Place funding of £200 million (2022-23), £210 million (2023-24), £220 million (2024-25, projected using a 5-year trend);
- Top-up & targeted funding (the proportion of the section 251 spend is applied to total high needs budget (excepting safety valve funding)<sup>43</sup>): £1,590 million (2022-23), £1,790 million (2023-24), £1,940 million (2024-25; projected using a 5-year trend).

---

<sup>41</sup> Department of Education (2021-2023). The high needs budget is published in high needs national funding formula technical notes; the latest note is available here: <https://www.gov.uk/government/publications/national-funding-formula-tables-for-schools-and-high-needs-2024-to-2025>.

<sup>42</sup> Department of Education (2022, 2023). Planned high needs spending is published in: *Planned LA and school expenditure*, [Planned LA and school expenditure, Financial year 2023-24 – Explore education statistics – GOV.UK \(explore-education-statistics.service.gov.uk\)](https://www.gov.uk/government/publications/planned-la-and-school-expenditure).

<sup>43</sup> Department for Education (2023), *Creating sustainable high needs systems*, <https://www.gov.uk/government/publications/creating-sustainable-high-needs-systems>.



## Data Quality, Limitations of Analysis and Key Assumptions

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

67. 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);
- Pupil numbers;
- Forecast GDP deflators;
- Inflation factors, including those that cannot yet be accounted for due to lack of information at this time;
- Government policies affecting schools;
- Additional costs, savings and funding during the COVID-19 pandemic.

68. 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.

69. 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.

70. 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 and therefore, over the short term, the implications will be somewhat different.

71. With regard to the headroom calculations and what this means for pay awards, we judge pay awards to be fully funded in a given year when the increase in overall funding equals or exceeds the increase in overall costs at the national level, i.e. the total budgetary headroom is zero or positive in cash terms at the national level. We recognise that the picture may be different for individual schools.

72. The cost and funding increases presented are averages across all schools in England and should not be read as pertaining to individual schools. All schools need to understand and plan for their own situation.



## Annex – School Resource Management

73. The department is committed to working alongside schools and trusts to help them improve outcomes for pupils by getting the best value from all their resources.

74. The [School Resource Management](#) (SRM) offer, designed in partnership with the sector, contains links to all the support and tools the department currently has on offer.

The resources include:

- 1) Hands-on tailored support through **School Resource Management Advisors** (SRMAs) - sector experts on school resource management who provide free advice and support to academies and schools.
- 2) A series of **free SRM training webinars** covering; Integrated Curriculum and Financial Planning (ICFP), funding and financial management, procurement, estate management, workforce planning, digital and more. Further support for school and trust business professionals (SBPs) including **guidance, training and support** to help develop their business and financial professional capability. This includes a free, one-to-one mentoring programme for school business managers, school finance managers and chief financial or operating officers. The programme is designed to build your knowledge, ability, and confidence through establishing a supportive peer-to-peer relationship.
- 3) Help with understanding schools' and trusts' financial data through the department's **Schools' Financial Benchmarking** service and the **View my financial insights** tool. Along with guidance on how to use this data to achieve excellent resource management. There is also the academies chart of accounts (CoA) which is the Department for Education's (DfE's) standard for financial data that underpins the academies accounts return and budget forecast returns. This reduces subjectivity across the academies sector and so develops the reliability of benchmarking data comparisons.
- 4) Tools to help schools plan and manage their workforce, including the **Integrated curriculum and financial planning** (ICFP) guidance and tool which can help align staff plans with school capacity, needs and budget. Also, support to reduce recruitment costs through our free recruitment service, **Teaching Vacancies**.
- 5) Help to get best value and free advice and support when purchasing goods and service via the **Get help buying for schools** service as well as our **DfE-approved Frameworks** which detail quality-checked suppliers to help achieve good value for money.
- 6) An alternative to commercial insurance, the **Risk Protection Arrangement** (RPA), which now includes Cyber cover, can save schools time and money.

7) The **Good Estate Management for Schools** (GEMS) guidance can help schools manage buildings and land more effectively and the new Estate Management Competency Framework helps identify what functions, skills and knowledge you needed to effectively manage your estate.

8) Guidance to support schools and trusts use of the digital technology and infrastructure via our **Digital and Cyber Standards**.

75. Tools to help governors provide effective challenge, including the **Top 10 planning checks for governors** checklist, and the **View My Financial Insights** (VMFI) tool which provides a downloadable output for governors, containing a snapshot of the key financial performance metrics for their school. The **Governance handbook and competency framework** also provides advice on the roles of governing boards and the skills, knowledge, and behaviours they need to be effective.



Department  
for Education

© Crown copyright 2024

This publication is licensed under the terms of the Open Government Licence v3.0, except where otherwise stated. To view this licence, visit [nationalarchives.gov.uk/doc/open-government-licence/version/3](https://nationalarchives.gov.uk/doc/open-government-licence/version/3).

Where we have identified any third-party copyright information, you will need to obtain permission from the copyright holders concerned.

About this publication:

enquiries <https://www.gov.uk/contact-dfe>

download [www.gov.uk/government/publications](https://www.gov.uk/government/publications)

Follow us on Twitter: [@educationgovuk](https://twitter.com/educationgovuk)

Connect with us on Facebook: [facebook.com/educationgovuk](https://facebook.com/educationgovuk)