



Department  
for Education

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**Respond by 30 April 2014**  
**Ref: Department for Education**

## **Fairer schools funding in 2015-16**

# Fairer schools funding in 2015-16

This consultation sets out the Department for Education's proposal to allocate an additional £350m in 2015-16, to increase the per-pupil budgets for the least fairly funded local areas. Our proposal will mean that in 2015-16, every local area will attract a minimum level of funding for each of its pupils and schools, making the distribution of funding to local areas fairer whilst ensuring that no area receives a cut to its per-pupil budget. This consultation invites views on how to set these minimum funding levels, and how we will distribute the additional £350 million funding.

We are inviting views on whether small changes to the operation of the sparsity factor would be helpful.

**To** Maintained schools; academies; local authorities; governors; bursars; parents; schools forums; trade union organisations

**Issued** 13 March 2014

**Enquiries To** If your enquiry is related to the policy content of the consultation you can contact the Department on 0370 000 2288

e-mail: [SchoolFunding.CONULTATION@education.gsi.gov.uk](mailto:SchoolFunding.CONULTATION@education.gsi.gov.uk)

## Contact Details

If your enquiry is related to the DfE e-consultation website or the consultation process in general, you can contact the Ministerial and Public Communications Division by e-mail: [consultation.unit@education.gsi.gov.uk](mailto:consultation.unit@education.gsi.gov.uk) or by telephone: 0370 000 2288 or via the Department's '[Contact Us](#)' page.

# 1 Introduction

## 1.1 Making school funding fairer

There is widespread recognition that the current school funding system is unfair and out of date. We are committed to addressing this so that, across the country, schools have a fair funding allocation that equips them to provide a world-class education.

Since we first consulted in 2011 on how to improve the school funding system, we have introduced a number of important changes to how local authorities distribute funding to schools. These changes have already led to a more transparent funding system with more money being allocated based on the needs of pupils. In 2013-14, local authorities allocated almost 90% of funding based on the needs of pupils, compared with 71% in 2012-13.

We are now determined to provide additional funding to the least fairly funded local authorities in 2015-16. After we have met our commitment to fund all local authorities at the same cash level per pupil as in 2014-15, we have decided to add a further £350m to fund schools in the least fairly funded authorities. This will be the first time in a decade that funding has been allocated to local areas on the basis of the actual characteristics of their pupils and schools, rather than simply their historic levels of spending. **No local authority or school will receive less funding as a result of this proposal.**

Although these proposals do not represent implementation of a national funding formula, this is the biggest step towards fairer funding for schools in a decade. The proposals we are announcing today put us in a much better position to implement a national funding formula when the time is right. This will be when the government has set spending plans over a longer period of time, allowing us to give schools and local authorities more certainty about how the formula will affect them over a number of years.

This proposal relates to 2015-16. Beyond 2015-16, the allocation of funding between local authorities will be a matter for the next spending review.

## 1.2 Allocating the additional funding fairly

1.2.1 We have carefully considered how we can allocate the £350m as fairly as possible – in a way that reflects the needs of pupils and schools. We are determined to avoid allocating it in a way that could perpetuate the flaws and inconsistencies of the current system, which we have been progressively reforming.

We propose to allocate the additional funding by setting minimum funding levels that a local authority should attract for its pupils and schools in 2015-16. If a local authority already attracts at least these minimum funding levels, then we will not make any change to the amount of funding per pupil that it receives. If a local authority attracts less than these minimum funding levels for the pupils and schools in its area, we will increase its budget so that it meets those levels.

We propose setting a minimum funding level for five pupil characteristics:

- a per-pupil amount ('age weighted pupil unit');
- pupils who are from deprived backgrounds;
- pupils who have been looked after<sup>1</sup>, for example in foster care;
- pupils with low attainment before starting at either their primary or secondary school;
- pupils who speak English as an additional language.

In addition, we propose setting a minimum funding level for two school characteristics currently used by local authorities to allocate money to schools:

- a minimum funding level for each school on top of its per-pupil funding ('lump sum'); and
- a minimum funding level for small schools that are essential to serving rural areas ('sparsity sum')<sup>2</sup>.

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<sup>1</sup> For 2015-16, a single indicator will be provided, covering all pupils who have been looked after for one day or more on the 31 March 2014. This is the same measure as was set out in the operational guidance for 2014-15.

<sup>2</sup> The sparsity factor is one of a number of permitted factors that local authorities can use in their local funding formula. This formula factor allows local authorities to allocate additional funding to small schools that are essential to serving small rural communities.

We propose setting our minimum funding levels based on the average amounts<sup>3</sup> that local authorities allocate to these characteristics in their local formulae at present. We propose to apply the minimum funding level for the basic per-pupil amount ('age-weighted pupil unit') at the average that local authorities currently allocate through this factor. In doing this, we will use roughly 75% of the £350m of additional funding<sup>4</sup>. We then propose to apply the minimum funding levels for the other characteristics using the rest of the additional funding (roughly 25%). This will mean that we can set each of the other minimum funding levels close to the level of its current local authority average<sup>5</sup>.

We propose to raise the minimum funding levels for local authorities in areas with higher salaries in line with a 'hybrid area cost adjustment'. This takes account of both teacher salary and general labour market data. We set out this approach in detail at Annex C.

Indicative minimum funding levels, based on the data currently available, are as follows. These are subject to revision when we have final confirmation of local authorities' local funding formulae for 2014-15.

### **Indicative minimum funding levels**

- A basic per pupil amount – primary: £2,845; key stage 3: £3,951; key stage 4; £4,529
- Deprivation – between £893 and £1,974 – full breakdown in Annex A
- Looked after children – £1,009
- Low prior attainment – primary: £878; secondary: £1,961
- English as an additional language – primary: £505; secondary: £1,216
- A lump sum for every school – primary: £117,082; secondary: £128,189
- Additional sparsity sum for small schools vital to serving rural communities – up to £53,988
- An area cost adjustment to increase minimum funding levels in areas

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<sup>3</sup> In order to calculate the indicative minimum funding levels shown in this document, we have used the published final 2013-14 pro forma data to calculate the average per pupil amounts – with the exception of the lump sum and sparsity sum, where we have used provisional 2014-15 school funding data. To calculate the average per pupil amounts for a particular characteristic, we have only included local authorities that allocated funding for the characteristic in question and the average amounts are calculated as a pupil-weighted average. When final 2014-15 pro forma data is available, we will review the minimum funding levels.

<sup>4</sup> In using the final 2014-15 data this proportion may change. For example, if the average age weighted pupil unit is higher in 2014-15 than in 2013-14, this proportion will increase.

<sup>5</sup> Each of the indicative minimum funding levels, with the exception of the minimum funding level for the basic per pupil amount, has been scaled back from the current local authority average proportionately to use the remaining share of the total available funding (roughly 25%). October 2014 census data will be used to calculate each of the minimum funding levels before Dedicated Schools Grant (DSG) funding is confirmed for 2015-16.

with higher labour market costs.

In order to calculate whether a local authority will attract additional funding to reach the minimum funding levels, we will first look at the amount each local authority would be due to receive in 2015-16 (Schools Block Unit Funding only), given our commitment to fund all local authorities at the same cash level per pupil as in 2014-15. We will then apply the minimum funding levels to calculate a new total. This will be done by:

- i. multiplying each of the minimum funding levels by the relevant number of eligible pupils or schools in the local authority<sup>6</sup>;
- ii. summing each of the totals in (i) to create a new funding amount for the local authority;
- iii. applying the area cost adjustment to the total in (ii);
- iv. if this total is more than the local authority's per pupil cash level in 2014-15, we will increase the local authority's funding to reach this new level;
- v. if not, the level of funding remains the same.

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<sup>6</sup> At the time DSG allocations are confirmed, the department will use October 2014 census data. The exemplification in this document uses October 2013 data.

A worked example of our proposed approach is set out below.

### **Worked Example: Authority X**

**The following example demonstrates how the minimum funding levels would be applied in imaginary authority X, which has 100,000 pupils. This authority only has KS3 pupils and every deprived pupil also lives in an IDACI 6 area.**

#### **i. Total funding 2014-15 £400,000,000**

There are 100,000 pupils in authority X and in 2014-15 this authority will receive £400m with each pupil attracting £4,000.

#### **ii. Apply each of the minimum funding levels:**

- KS3 AWPU MFL x [100,000 pupils in LA] =£3,951 x 100,000 =£395,100,000
- Deprivation MFL x [5,000 deprived pupils] =£1,974 x 5,000 =£9,870,000
- LAC MFL x [250 LAC pupils] =£1,009 x 250 =£252,250
- LPA MFL x [5000 LPA pupils] =£1,961 x 5,000 =£9,805,000
- EAL MFL x [250 EAL pupils] =£1,216 x 250 =£304,000
- Lump sum MFL x [100 schools] =£128,189 x 100 schools =£12,818,900
- Sparsity MFL<sup>7</sup> x [10 schools with 300 pupils ] =£26,994 x 10 =£269,940

#### **iii. New MFL total**

- The sum of each MFL calculation above is =£428,420,090.
- Authority x attracts an ACA adjustment factor of 1.1.
- The adjusted MFL total would be £428,420,090 x 1.1 =£471,262,099
- Divided by the number of pupils in the local authority =£4,713 per pupil

Authority X would receive the higher total budget of £471,262,099 and the higher per pupil amount of £4,713, because their current funding and per pupil amount is less than these new totals.

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<sup>7</sup> In this example, each school attracts 50% of the sparsity MFL. This is because the sparsity amount is a tapered sum. With 300 pupils, the secondary schools attract 50% of the MFL. More information on how the tapering works can be found in the operational guidance for 2014-15.

The table at Annex B lists the 62 local authorities that currently attract less than the indicative minimum funding levels for their pupils and schools. The table indicates the new level of funding per pupil for 2015-16<sup>8</sup> that would result from these indicative minimum funding levels. **Every other local authority will see its per pupil funding maintained in cash terms, consistent with funding decisions since the start of this Parliament. No school or local authority will lose money as a result of this proposal.**

Note that in most cases, we have used published 2013-14 local authority pro-forma data to calculate the indicative minimum funding levels shown in this document. When final 2014-15 data is available we will review the minimum funding levels and **it is possible some local allocations may vary in order to fit within the envelope of funding we have available.** For example, if the average AWPU turns out to be higher in 2014-15, a greater proportion of the £350m funding would be allocated through the AWPU minimum funding level, meaning a smaller proportion of the overall pot would be allocated through the remaining factors.

## 1.3 The role of local authority in 2015-16

1.3.1 Our proposal uses seven of the characteristics used in local formulae, but we are not proposing that local authorities should be required to use those seven factors in their local formulae in 2015-16 (with the exception of the basic per pupil amount and the deprivation factor, which are mandatory). Nor are we proposing that local authorities choosing to use any of these seven factors should be required to weight that factor at or above the minimum funding level. It will remain for the local authority to decide how best to apply its local formulae to meet its circumstances.

We are not proposing any changes for 2015-16 to the way in which local authorities can allocate funding to schools – except, possibly, minor changes to the sparsity factor. When we introduced the sparsity factor for 2014-15, we said that we would review how useful local authorities had found this factor. We would like to seek views on this through this consultation, particularly to understand if any changes would be helpful for 2015-16. We have set out a number of questions on the sparsity factor as part of the consultation response

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<sup>8</sup> Any additional funding allocated would be applied only to the schools block within local authorities' DSG allocations. Local authorities will continue to be free to move funding between their schools, high needs and early years blocks in 2015-16 provided they comply with the requirements of our Minimum Funding Guarantee (MFG).



form provided alongside this document.

We will retain the Minimum Funding Guarantee, which has been in place over many years and which dictates that for the vast majority of schools, funding per pupil cannot drop by more than 1.5% per year<sup>9</sup>.

## **2 Annex A: Indicative minimum funding levels for 2015-16**

- 2.1 Please click [here](#) to download Annex A, the Indicative minimum funding levels for 2015-16.

## **3 Annex B: Indicative changes to local authority funding in 2015-16**

- 3.1 Please click [here](#) to download Annex B, the Indicative changes to local authority funding in 2015-16.

## **4 Annex C: Area Cost Adjustment (ACA)**

- 4.1 Please click [here](#) to download Annex C, the Area Cost Adjustment (ACA)

## **5 Consultation**

- 5.1 To respond to our proposals go to [www.education.gov.uk/consultations](http://www.education.gov.uk/consultations). The consultation closes on 30 April 2014.

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<sup>9</sup> Some funding is excluded from the calculation of the Minimum Funding Guarantee. Details of this are in '2014-15 Revenue Funding Arrangements: Operational Information for Local Authorities.

## **6 How To Respond**

**6.1** Consultation responses can be completed online  
[www.education.gov.uk/consultations](http://www.education.gov.uk/consultations).

by emailing: [SchoolFunding.CONULTATION@education.gsi.gov.uk](mailto:SchoolFunding.CONULTATION@education.gsi.gov.uk)

or send by post to:

Ministerial and Public Communication Division, Level 2, Department for Education, Mowden Hall, Staindrop Road, Darlington, DL3 9BG

## **7 Additional Copies**

**7.1** Additional copies are available electronically and can be downloaded from the Department for Education e-consultation website at:  
[www.education.gov.uk/consultations](http://www.education.gov.uk/consultations)

## **8 Plans for making results public**

**8.1** The results of the consultation and the department's response will be published on the DfE e-consultation website in summer 2014.

# Annex A: Indicative minimum funding levels for 2015-16

1. The table below provides more information about each of the indicative minimum funding levels. These may change when we have final confirmation of local authorities' 2014-15 local funding formulae.

		Minimum funding levels		
		Primary	Secondary	
Age-weighted pupil unit		£2,845	Key stage 3: £3,951 Key stage 4: £4,529	
Pupils who have been eligible for free school meals in the past six years		£893	£1,080	For a pupil who is both eligible for free school meals and lives in an IDACI band 1 to 6 area, the local authority would attract both the FSM and relevant IDACI band minimum funding levels.
Pupils who live in an area that is in one of the income deprivation affecting children index (IDACI) bands	IDACI 1	£237	£321	
	IDACI 2	£290	£423	
	IDACI 3	£387	£530	
	IDACI 4	£453	£596	
	IDACI 5	£511	£659	
	IDACI 6	£741	£894	
Looked after children		£1,009	£1,009	The same measure would be used as is currently set out in the 2014-15 school funding arrangements. The minimum funding level would apply to the children reported to the Department, through the annual children looked after return and who are looked after children, for one day or more at the census point.
Pupils with low prior attainment		£878	£1,961	For the primary measure, this would apply to pupils who did not reach the expected level of development on the new Early Years Foundation Stage Profile or who achieved fewer than 78 points on the old EYFSP. For secondary pupils the minimum funding level applies to pupils not reaching L4 at KS2 in either English or maths.
English as an additional language		£505	£1,216	This minimum funding level would apply to pupils with EAL who entered the English state school system in the past three years.
Lump sum		£117,082	£128,189	Middle schools would attract a minimum lump sum weighted by their ratio of primary to secondary year groups in the school. All-through schools would attract the secondary amount.
Sparsity sum		£53,988	£53,988	A taper would apply, whereby the size of the sum is in inverse proportion to the size of the school. The criteria for attracting the minimum funding level would be the same as the criteria for the sparsity factor in local formulas. Details of this are in '2014-15 Revenue Funding Arrangements: Operational Information for Local Authorities'.



## Annex B: Indicative changes to local authority funding in 2015-16

1. Figure B1 below lists the 62 authorities that would receive additional funding under our indicative minimum funding levels, assuming 2014-15 pupil numbers<sup>1,2</sup>. The minimum funding levels may change when we have final confirmation of LA's 2014-15 local funding formulae.

Figure B1: Indicative changes to local authority funding in 2015-16

Local Authority	Actual 2014-15 funding		Indicative funding under minimum funding levels proposal		Indicative increase in funding under minimum funding levels proposal	
	Funding per pupil	Total funding	Funding per pupil	Total funding	Percentage	Total
Bromley	£4,082	£169.6m	£4,543	£188.7m	11.3%	£19.1m
Cambridgeshire	£3,950	£294.3m	£4,225	£314.8m	7.0%	£20.5m
Brent	£5,066	£190.7m	£5,416	£203.9m	6.9%	£13.2m
Sutton	£4,360	£124.7m	£4,637	£132.6m	6.4%	£7.9m
Northumberland	£4,244	£166.2m	£4,513	£176.8m	6.4%	£10.6m
South Gloucestershire	£3,969	£137.5m	£4,217	£146.1m	6.3%	£8.6m
Shropshire	£4,113	£143.6m	£4,368	£152.5m	6.2%	£8.9m
Merton	£4,534	£98.6m	£4,812	£104.7m	6.1%	£6.0m
Croydon	£4,559	£208.6m	£4,830	£220.9m	5.9%	£12.4m
Bournemouth	£4,154	£79.2m	£4,393	£83.8m	5.8%	£4.6m
Buckinghamshire	£4,040	£275.4m	£4,263	£290.5m	5.5%	£15.2m
Cheshire West and Chester	£4,129	£173.6m	£4,352	£183.0m	5.4%	£9.4m
Leicestershire	£3,995	£339.7m	£4,197	£356.9m	5.1%	£17.2m
Warwickshire	£4,079	£281.3m	£4,267	£294.3m	4.6%	£13.0m
Devon	£4,156	£358.1m	£4,345	£374.3m	4.5%	£16.2m
Surrey	£4,096	£548.8m	£4,282	£573.5m	4.5%	£24.8m
Bury	£4,230	£111.1m	£4,418	£116.1m	4.5%	£5.0m
Norfolk	£4,334	£432.9m	£4,494	£448.9m	3.7%	£16.0m
North Lincolnshire	£4,316	£95.0m	£4,469	£98.4m	3.5%	£3.4m
Westminster	£5,663	£88.2m	£5,862	£91.3m	3.5%	£3.1m

<sup>1</sup> The figures in the table above have been calculated on the basis of 2014-15 pupil numbers (using the October 2013 school census). For 2015-16 we intend to use data from the October 2014 school census.

<sup>2</sup> The methodology for calculating the indicative funding, as a total and per pupil, is set out in the worked example on page 6.

Local Authority	Actual 2014-15 funding		Indicative funding under minimum funding levels proposal		Indicative increase in funding under minimum funding levels proposal	
	Funding per pupil	Total funding	Funding per pupil	Total funding	Percentage	Total
Derbyshire	£4,245	£405.0m	£4,392	£418.9m	3.4%	£14.0m
Poole	£4,007	£68.3m	£4,142	£70.6m	3.4%	£2.3m
Redbridge	£4,668	£199.7m	£4,823	£206.3m	3.3%	£6.6m
Rutland	£4,087	£20.9m	£4,214	£21.5m	3.1%	£0.6m
Gloucestershire	£4,203	£316.0m	£4,331	£325.6m	3.0%	£9.6m
Herefordshire	£4,306	£90.9m	£4,430	£93.5m	2.9%	£2.6m
Stoke-on-Trent	£4,507	£145.1m	£4,634	£149.2m	2.8%	£4.1m
Windsor and Maidenhead	£4,325	£77.5m	£4,440	£79.5m	2.7%	£2.1m
Central Bedfordshire	£4,144	£145.7m	£4,253	£149.5m	2.6%	£3.8m
Cheshire East	£4,077	£186.7m	£4,180	£191.4m	2.5%	£4.7m
Cumbria	£4,449	£269.2m	£4,560	£275.9m	2.5%	£6.7m
Suffolk	£4,241	£370.1m	£4,347	£379.3m	2.5%	£9.2m
Swindon	£4,102	£117.7m	£4,203	£120.5m	2.5%	£2.9m
Salford	£4,551	£131.2m	£4,658	£134.3m	2.3%	£3.1m
Bracknell Forest	£4,187	£62.6m	£4,284	£64.1m	2.3%	£1.4m
North Yorkshire	£4,338	£316.5m	£4,435	£323.7m	2.2%	£7.1m
Wiltshire	£4,213	£249.1m	£4,305	£254.5m	2.2%	£5.4m
Reading	£4,454	£71.1m	£4,547	£72.6m	2.1%	£1.5m
Northamptonshire	£4,189	£395.2m	£4,265	£402.4m	1.8%	£7.2m
Worcestershire	£4,231	£291.5m	£4,302	£296.4m	1.7%	£4.9m
Blackpool	£4,459	£80.2m	£4,530	£81.4m	1.6%	£1.3m
Durham	£4,573	£281.1m	£4,643	£285.4m	1.5%	£4.3m
Cornwall	£4,397	£285.0m	£4,451	£288.5m	1.2%	£3.5m
Telford and Wrekin	£4,367	£97.0m	£4,419	£98.1m	1.2%	£1.1m
Medway	£4,352	£161.1m	£4,402	£163.0m	1.2%	£1.9m
Hertfordshire	£4,320	£670.3m	£4,365	£677.3m	1.0%	£6.9m
Somerset	£4,278	£273.2m	£4,320	£275.9m	1.0%	£2.7m
Lincolnshire	£4,329	£392.0m	£4,370	£395.7m	0.9%	£3.7m
Dorset	£4,167	£202.3m	£4,204	£204.1m	0.9%	£1.8m
Peterborough	£4,490	£124.7m	£4,513	£125.3m	0.5%	£0.6m
Barnsley	£4,459	£126.7m	£4,478	£127.3m	0.4%	£0.5m
Bedford	£4,466	£101.0m	£4,484	£101.4m	0.4%	£0.4m

Local Authority	Actual 2014-15 funding		Indicative funding under minimum funding levels proposal		Indicative increase in funding under minimum funding levels proposal	
	Funding per pupil	Total funding	Funding per pupil	Total funding	Percentage	Total
Plymouth	£4,364	£140.1m	£4,380	£140.6m	0.4%	£0.5m
Isle of Wight	£4,489	£69.6m	£4,504	£69.9m	0.3%	£0.2m
East Riding of Yorkshire	£4,258	£177.9m	£4,271	£178.5m	0.3%	£0.5m
West Berkshire	£4,359	£95.2m	£4,372	£95.5m	0.3%	£0.3m
Walsall	£4,643	£183.3m	£4,655	£183.8m	0.3%	£0.5m
Milton Keynes	£4,440	£167.3m	£4,448	£167.6m	0.2%	£0.3m
Oxfordshire	£4,274	£333.1m	£4,281	£333.6m	0.1%	£0.5m
Barnet	£4,988	£214.3m	£4,994	£214.5m	0.1%	£0.2m
Hillingdon	£4,820	£187.0m	£4,824	£187.2m	0.1%	£0.2m
Derby	£4,544	£154.4m	£4,546	£154.4m	0.0%	£0.1m





## Annex C: Area Cost Adjustment (ACA)

1. This annex provides a detailed explanation of how we have developed the area cost adjustment that we are proposing is used to ensure that the allocation of additional funding reflects differences in area labour market costs.
2. The hybrid area cost adjustment would be applied to each minimum funding level so that in each local authority area, the minimum funding level reflects any disproportionate differences in labour market costs.

### A Hybrid ACA – how does this work?

3. The hybrid ACA has a teachers' pay element and a non-teaching staff element and we describe how both have been calculated below. Both elements are combined to provide an overall adjustment for each local authority and we describe how we do this and how the adjustment has been calculated for an example authority.

#### Teachers' pay element

4. There are four regional pay bands for teachers: Inner London, Outer London, the Fringe and the Rest of England. We do not think it is right to use the average pay for each of these four pay band areas, because in each, average teacher pay will be influenced by the way in which the local authorities in those areas are currently funded. So we have used the following method:

- From the most recent published School Workforce Census (autumn 2012), we have looked at each teacher's<sup>1</sup> basic pay<sup>2</sup> and calculated how far that teacher was up the pay ranges for their regional pay band. For example, a classroom teacher in the Rest of England with basic pay of £21,588 in autumn 2012 is at the bottom of the main pay range for the Rest of England, which extends from £21,588 to £31,552.
- We then calculated what the same teacher's pay would be if he or she were in an equivalent position on the pay ranges for the other pay bands. For example if that teacher were at the bottom of the main pay range in Inner London (which runs from £27,000 to £36,387) they would have a basic salary of £27,000.
- We have repeated this for every teacher and every regional pay band.
- For each regional pay band, we calculated the notional average basic pay as if all teachers in England were in that pay band. For example, to calculate the average

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<sup>1</sup> All grades of teachers were included in the calculation, including the leadership group.

<sup>2</sup> 'Basic pay' refers to the pay spines and pay scales defined in the [School Teachers' Pay and Conditions Document 2012](#) (which was in force at the time when the data was collected). Basic pay excludes items such as allowances for additional responsibilities.

pay in Inner London, we included not only the teachers in Inner London, but also teachers elsewhere, with their pay converted to Inner London rates. In this example, a classroom teacher in the Rest of England whose basic pay is £21,588 would be treated as having a notional basic salary of £27,000, purely for the purpose of calculating the Inner London average. The notional average basic pay for Inner London comes out at £41,388 and for the Rest of England £34,790. These notional amounts are purely for the ACA calculation and are not the actual regional averages.

- The adjustment for Inner London is the ratio of the two, 1.1897.

5. The average basic pay for each band, and the adjustment factors, are shown in figure C1 below.

**Figure C1: Notional average basic pay and adjustment factors for teachers' regional pay bands.**

	Inner London	Outer London	Fringe	Rest of England
Notional average basic pay for ACA calculation	£41,388	£38,256	£35,827	£34,790
Adjustment factor	1.1897	1.0996	1.0298	1.0000

### Non-teaching staff element

6. The non-teaching staff element of the ACA is based on the Department for Communities and Local Government's (DCLG) labour cost adjustment (LCA), a general labour market (GLM) measure that is used to allocate funds to local authorities.

7. DCLG's LCA is based on regression analysis<sup>3</sup> of pay data from the Annual Survey of Hours and Earnings<sup>4</sup>. The regression controls for variables such as age, gender, occupation, industry and public/private sector. The output is LCAs for 55 areas of England<sup>5</sup>.

8. DCLG has set a lower limit, to reflect the fact that national pay scales for public sector employees will not completely reflect the local labour market. The effect of the lower limit is that the 23 'cheapest' areas have their LCAs raised to the value of the threshold area, West Sussex Non-Fringe.

<sup>3</sup> Further information on [DCLG's LCA methodology](#) can be found on the CLG website.

<sup>4</sup> Further information on the [Annual Survey of Hours and Earnings](#) can be found on the Office for National Statistics website.

<sup>5</sup> Some local authorities fall into more than one ACA area. For example, Kent is divided into Fringe and Non-Fringe ACA areas. In these cases, a weighted average ACA for the local authorities could be calculated on the basis of the number of pupils in each area.

9. Some local authorities fall into more than one ACA area. For example, Kent is divided into Fringe and Non-Fringe ACA areas. In these cases, a weighted average ACA for the local authorities could be calculated on the basis of the number of pupils in each area.

### **Hybrid ACA**

10. We have used recently published data on local authority expenditure on education (section 251<sup>6</sup>) to calculate the proportion of total school funding that was spent on (1) expenses related to employing **teachers** (the teacher proportion – 54.4%) and (2) expenses relating to employing **non-teaching staff** (the non-teaching staff proportion – 27.4%). The remaining 18.2% of expenditure was on non-staff costs. These splits have been calculated by apportioning the cost lines according to figure C2 on the following page.

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<sup>6</sup> The most recent Section 251 data (Apprenticeships, Skills, Children and Learning Act 2009) can be found on the Department's website.

**Figure C2: Assumed apportionment of spending between teachers, non-teaching staff and non-pay**

Spending by schools	Teachers	Non-teaching staff	Non-Pay	Excluded	Total	References to notes below
Teaching staff (E01)	100%				100%	
Supply teaching staff (E02)	100%				100%	
Education support staff (E03)		100%			100%	
Premises staff (E04)		100%			100%	
Administrative & clerical staff (E05)		100%			100%	
Catering Staff (E06)		100%			100%	
Cost of other staff (E07)		100%			100%	
Indirect employee expenses (E08)	69%	31%			100%	Note 1
Development and training (E09)	69%	31%			100%	Note 1
Supply teacher insurance (E10)	100%				100%	
Staff related insurance (E11)	69%	31%			100%	Note 1
Building maintenance and improvement (E12)		35%	65%		100%	Note 2
Grounds maintenance and improvement (E13)		35%	65%		100%	Note 2
Cleaning and caretaking (E14)		65%	35%		100%	Note 2
Water and sewerage (E15)			100%		100%	
Energy (E16)			100%		100%	
Rates (E17)			100%		100%	
Other occupation costs (E18)			100%		100%	
Learning resources (not ICT) (E19)			100%		100%	
ICT learning resources (E20)			100%		100%	
Examination fees (E21)			100%		100%	
Administrative supplies (E22)			100%		100%	
Other insurance premiums (E23)			100%		100%	
Special facilities (E24)			100%		100%	
Catering supplies (E25)			100%		100%	
Agency supply teaching staff (E26)	100%				100%	
Bought-in professional services - curriculum (E27)		40%	60%		100%	Note 2
Bought-in professional services - other (E28)		40%	60%		100%	Note 2
Loan interest (E29)			100%		100%	
Community focused extended school staff (E31)				100%	100%	Note 3
Community focused extended school costs (E32)				100%	100%	Note 3

Notes

1. Divided between teachers and other staff in the same proportions as E01, E02, E03, E04, E05, E06 and E07 combined.
2. Based on assumptions derived from a sample of company accounts of firms contracted by local authorities to supply these services.
3. Excluded, as not part of the school budget.

11. Figure C2 produces a ratio of Teachers' Pay to Other Pay and Non-Pay expenditure of 54%:27%:18%<sup>7</sup>. In other words, of the expenditure on labour, 66% was spent on teachers and 34% was spent on non-teaching staff. Therefore, for a combined ACA the teacher pay band data will take a weighting of 66% and the general labour market (GLM) will carry a 34% weighting.

12. This approach provides a solution to the geography mismatch between the GLM geographies and the teachers' regional pay bands, as those authorities who are in Outer London but who pay their teachers at Inner London rates have this reflected in the teachers' pay section of the ACA. The hybrid ACA for each local authority, based on the combination of the teaching and non-teaching staff pay data, in the ratios described above, is shown in figure C3.

### Example calculation

13. Ealing is in the Inner London teacher pay band, and it has a Labour Cost Adjustment of 1.1671 for non-teaching staff. The ACA for Ealing is calculated as follows:

<b>Example – The area cost adjustment for Ealing</b>	
ACA =	1 + teacher proportion * (teacher cost adjustment – 1) + non-teaching staff proportion * (LCA – 1)
=	1 + 54.4%*(1.1897 - 1) + 27.4%*(1.1671 - 1)
=	1.1489

### Area cost adjustment figures by local authority

14. Figure C3 provides the adjustments we are proposing for each local authority. Using the methodology above, the ACA for a local authority area is greater than 1 if either the teacher pay element or the non-teaching staff pay element of the hybrid ACA is greater than 1. The teacher pay element is greater than 1 if all or part of the local authority is in the Fringe, Outer London or Inner London teachers' pay bands. The non-teaching staff pay element is greater than 1 if the GLM labour costs are greater than a

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<sup>7</sup> More precisely, the proportions are 54.4% : 27.4% : 18.2%.

lower limit that has been set by the Department for Communities and Local Government to be equivalent to the West-Sussex Non-Fringe GLM labour cost adjustment<sup>8</sup>.

15. Authorities that are partly in the Fringe teachers' pay band and partly in the Rest of England teachers' pay band appear twice in figure C3, as 'Fringe' and 'Non-Fringe'.

### Table of area cost adjustment by local authority

Figure C3: Area cost adjustment by local authority

Local Authority	Teachers' regional pay band	Teacher cost adjustment	Non-teaching staff element (LCA)	Hybrid ACA
Barking and Dagenham	IL	1.1897	1.1081	1.1328
Barnet	OL	1.0996	1.1671	1.1000
Barnsley	Rest	1.0000	1.0000	1.0000
Bath and North East Somerset	Rest	1.0000	1.0528	1.0145
Bedford	Rest	1.0000	1.0566	1.0155
Bexley	OL	1.0996	1.1081	1.0838
Birmingham	Rest	1.0000	1.0122	1.0033
Blackburn with Darwen	Rest	1.0000	1.0000	1.0000
Blackpool	Rest	1.0000	1.0000	1.0000
Bolton	Rest	1.0000	1.0197	1.0054
Bournemouth	Rest	1.0000	1.0000	1.0000
Bracknell Forest	Fringe	1.0298	1.1484	1.0569
Bradford	Rest	1.0000	1.0006	1.0002
Brent	IL	1.1897	1.1671	1.1489
Brighton and Hove	Rest	1.0000	1.0061	1.0017
Bristol, City of	Rest	1.0000	1.0528	1.0145
Bromley	OL	1.0996	1.1081	1.0838
Buckinghamshire Fringe	Fringe	1.0298	1.1114	1.0467
Buckinghamshire Non-Fringe	Rest	1.0000	1.1036	1.0284
Bury	Rest	1.0000	1.0197	1.0054
Calderdale	Rest	1.0000	1.0006	1.0002
Cambridgeshire	Rest	1.0000	1.0464	1.0127
Camden	IL	1.1897	1.3034	1.1863
Central Bedfordshire	Rest	1.0000	1.0566	1.0155
Cheshire East	Rest	1.0000	1.0131	1.0036
Cheshire West and Chester	Rest	1.0000	1.0131	1.0036
City of London	IL	1.1897	1.5771	1.2613
Cornwall	Rest	1.0000	1.0000	1.0000

<sup>8</sup>Further information on the methodology for [DCLG's area cost adjustment](#) can be found on the DCLG website.



<b>Local Authority</b>	<b>Teachers' regional pay band</b>	<b>Teacher cost adjustment</b>	<b>Non-teaching staff element (LCA)</b>	<b>Hybrid ACA</b>
County Durham	Rest	1.0000	1.0000	1.0000
Coventry	Rest	1.0000	1.0122	1.0033
Croydon	OL	1.0996	1.1081	1.0838
Cumbria	Rest	1.0000	1.0000	1.0000
Darlington	Rest	1.0000	1.0000	1.0000
Derby	Rest	1.0000	1.0000	1.0000
Derbyshire	Rest	1.0000	1.0000	1.0000
Devon	Rest	1.0000	1.0000	1.0000
Doncaster	Rest	1.0000	1.0000	1.0000
Dorset	Rest	1.0000	1.0000	1.0000
Dudley	Rest	1.0000	1.0122	1.0033
Ealing	IL	1.1897	1.1671	1.1489
East Riding of Yorkshire	Rest	1.0000	1.0000	1.0000
East Sussex	Rest	1.0000	1.0061	1.0017
Enfield	OL	1.0996	1.1081	1.0838
Essex Fringe	Fringe	1.0298	1.0783	1.0377
Essex non-Fringe	Rest	1.0000	1.0128	1.0035
Gateshead	Rest	1.0000	1.0000	1.0000
Gloucestershire	Rest	1.0000	1.0227	1.0062
Greenwich	IL	1.1897	1.3034	1.1863
Hackney	IL	1.1897	1.3034	1.1863
Halton	Rest	1.0000	1.0131	1.0036
Hammersmith and Fulham	IL	1.1897	1.3034	1.1863
Hampshire	Rest	1.0000	1.0512	1.0140
Haringey	IL	1.1897	1.1081	1.1328
Harrow	OL	1.0996	1.1671	1.1000
Hartlepool	Rest	1.0000	1.0000	1.0000
Havering	OL	1.0996	1.1081	1.0838
Herefordshire	Rest	1.0000	1.0000	1.0000
Hertfordshire Fringe	Fringe	1.0298	1.1114	1.0467
Hertfordshire Non-Fringe	Rest	1.0000	1.0566	1.0155
Hillingdon	OL	1.0996	1.1671	1.1000
Hounslow	OL	1.0996	1.1671	1.1000
Isle of Wight	Rest	1.0000	1.0512	1.0140
Isles of Scilly	Rest	1.0000	1.0000	1.0000
Islington	IL	1.1897	1.3034	1.1863
Kensington and Chelsea	IL	1.1897	1.3034	1.1863
Kent Fringe	Fringe	1.0298	1.0783	1.0377
Kent non-Fringe	Rest	1.0000	1.0026	1.0007
Kingston upon Hull, City of	Rest	1.0000	1.0000	1.0000
Kingston upon Thames	OL	1.0996	1.1671	1.1000
Kirklees	Rest	1.0000	1.0006	1.0002

<b>Local Authority</b>	<b>Teachers' regional pay band</b>	<b>Teacher cost adjustment</b>	<b>Non-teaching staff element (LCA)</b>	<b>Hybrid ACA</b>
Knowsley	Rest	1.0000	1.0040	1.0011
Lambeth	IL	1.1897	1.3034	1.1863
Lancashire	Rest	1.0000	1.0000	1.0000
Leeds	Rest	1.0000	1.0006	1.0002
Leicester	Rest	1.0000	1.0000	1.0000
Leicestershire	Rest	1.0000	1.0000	1.0000
Lewisham	IL	1.1897	1.3034	1.1863
Lincolnshire	Rest	1.0000	1.0000	1.0000
Liverpool	Rest	1.0000	1.0040	1.0011
Luton	Rest	1.0000	1.0566	1.0155
Manchester	Rest	1.0000	1.0197	1.0054
Medway	Rest	1.0000	1.0026	1.0007
Merton	IL	1.1897	1.1671	1.1489
Middlesbrough	Rest	1.0000	1.0000	1.0000
Milton Keynes	Rest	1.0000	1.1036	1.0284
Newcastle upon Tyne	Rest	1.0000	1.0000	1.0000
Newham	IL	1.1897	1.1081	1.1328
Norfolk	Rest	1.0000	1.0000	1.0000
North East Lincolnshire	Rest	1.0000	1.0000	1.0000
North Lincolnshire	Rest	1.0000	1.0000	1.0000
North Somerset	Rest	1.0000	1.0528	1.0145
North Tyneside	Rest	1.0000	1.0000	1.0000
North Yorkshire	Rest	1.0000	1.0000	1.0000
Northamptonshire	Rest	1.0000	1.0119	1.0033
Northumberland	Rest	1.0000	1.0000	1.0000
Nottingham	Rest	1.0000	1.0100	1.0027
Nottinghamshire	Rest	1.0000	1.0100	1.0027
Oldham	Rest	1.0000	1.0197	1.0054
Oxfordshire	Rest	1.0000	1.0802	1.0220
Peterborough	Rest	1.0000	1.0464	1.0127
Plymouth	Rest	1.0000	1.0000	1.0000
Poole	Rest	1.0000	1.0000	1.0000
Portsmouth	Rest	1.0000	1.0512	1.0140
Reading	Rest	1.0000	1.1255	1.0344
Redbridge	OL	1.0996	1.1081	1.0838
Redcar and Cleveland	Rest	1.0000	1.0000	1.0000
Richmond upon Thames	OL	1.0996	1.1671	1.1000
Rochdale	Rest	1.0000	1.0197	1.0054
Rotherham	Rest	1.0000	1.0000	1.0000
Rutland	Rest	1.0000	1.0000	1.0000
Salford	Rest	1.0000	1.0197	1.0054
Sandwell	Rest	1.0000	1.0122	1.0033



<b>Local Authority</b>	<b>Teachers' regional pay band</b>	<b>Teacher cost adjustment</b>	<b>Non-teaching staff element (LCA)</b>	<b>Hybrid ACA</b>
Sefton	Rest	1.0000	1.0040	1.0011
Sheffield	Rest	1.0000	1.0000	1.0000
Shropshire	Rest	1.0000	1.0000	1.0000
Slough	Fringe	1.0298	1.1484	1.0569
Solihull	Rest	1.0000	1.0122	1.0033
Somerset	Rest	1.0000	1.0000	1.0000
South Gloucestershire	Rest	1.0000	1.0528	1.0145
South Tyneside	Rest	1.0000	1.0000	1.0000
Southampton	Rest	1.0000	1.0512	1.0140
Southend-on-Sea	Rest	1.0000	1.0128	1.0035
Southwark	IL	1.1897	1.3034	1.1863
St. Helens	Rest	1.0000	1.0040	1.0011
Staffordshire	Rest	1.0000	1.0000	1.0000
Stockport	Rest	1.0000	1.0197	1.0054
Stockton-on-Tees	Rest	1.0000	1.0000	1.0000
Stoke-on-Trent	Rest	1.0000	1.0000	1.0000
Suffolk	Rest	1.0000	1.0001	1.0000
Sunderland	Rest	1.0000	1.0000	1.0000
Surrey	Fringe	1.0298	1.1484	1.0569
Sutton	OL	1.0996	1.1671	1.1000
Swindon	Rest	1.0000	1.0259	1.0071
Tameside	Rest	1.0000	1.0197	1.0054
Telford and Wrekin	Rest	1.0000	1.0000	1.0000
Thurrock	Rest	1.0000	1.0783	1.0215
Torbay	Rest	1.0000	1.0000	1.0000
Tower Hamlets	IL	1.1897	1.3034	1.1863
Trafford	Rest	1.0000	1.0197	1.0054
Wakefield	Rest	1.0000	1.0006	1.0002
Walsall	Rest	1.0000	1.0122	1.0033
Waltham Forest	OL	1.0996	1.1081	1.0838
Wandsworth	IL	1.1897	1.3034	1.1863
Warrington	Rest	1.0000	1.0131	1.0036
Warwickshire	Rest	1.0000	1.0253	1.0069
West Berkshire	Rest	1.0000	1.1255	1.0344
West Sussex Fringe	Fringe	1.0298	1.1484	1.0569
West Sussex Non-Fringe	Rest	1.0000	1.0000	1.0000
Westminster	IL	1.1897	1.3034	1.1863
Wigan	Rest	1.0000	1.0197	1.0054
Wiltshire	Rest	1.0000	1.0259	1.0071
Windsor and Maidenhead	Fringe	1.0298	1.1484	1.0569
Wirral	Rest	1.0000	1.0040	1.0011
Wokingham	Rest	1.0000	1.1255	1.0344

<b>Local Authority</b>	<b>Teachers' regional pay band</b>	<b>Teacher cost adjustment</b>	<b>Non-teaching staff element (LCA)</b>	<b>Hybrid ACA</b>
Wolverhampton	Rest	1.0000	1.0122	1.0033
Worcestershire	Rest	1.0000	1.0000	1.0000
York	Rest	1.0000	1.0000	1.0000