ITEM 5

Schools Forum
Dedicated Schools Grant – Update on 2025/26 Growth Budget

Recommendation
The Schools Forum is asked to: -

1) Note the 2025/26 forecast outturn for the Growth Fund Budget.
2) Note that any growth fund underspend will form part of overall DSG underspend at the end of 2025/26.
3) Decide on new initiative that the forecast underspend may be used to fund during the remainder of 2025/26.
4) Note previous decisions made in respect of using growth fund to support gaps in schools budget funding and the decision to discontinue this practice from 2026/27.
5) Decide on whether LA officers should review the growth fund criteria in Appendices A to D below as they no longer reflect the situation in Croydon's Schools and report back to the Forum ahead of finalising 2026/27 Schools Budget.
6) Consider whether it want to introduce a Falling Roll Fund and if yes, set up a "Task and Finish" group to look at the practicality of setting up one ahead of finalising 2026/27 Schools Budget.

1. Background of (Schools Block) Growth funding

1.1 Growth funding forms part of the Dedicated Schools Grant (DSG) and falls under the Schools Block allocation. The grant is allocated through the national funding formula (NFF), and each local authority's school block allocation is determined by the government. The amount payable is a provisional growth allocation published in December of each year. The funding is based on the latest census data recorded and it is calculated using the growth in pupil (increase) numbers between two years of October census data.

2. Determination of Growth Funding Allocation

2.1 The methodology used by the DfE in calculating the growth funding allocation was introduced for the 2019 to 2020 financial year and has remained the same since then.

2.4 Block Transfer - As growth funding is within the school's block, the DfE does not consider any funding movement from the school's formula into the growth fund (or vice-versa) as a transfer between blocks. This means there is no need for a disapplication request with such transfers.

2.5 Role of Schools Forum - The DfE Operational guide, however, suggest that Schools Forum:
a) Must agree the total size of the growth fund.
b) Must be consulted before any expenditure from the growth fund is incurred.

3. Croydon Growth Approved Budget 2025/26

3.1 At its meeting on 10th March 2025, the Schools Forum approved the total sum of £1.308m as 2025/26 growth fund budget. This made up of as follows:

A. 2025/26 growth fund provisional allocation (announced in December 2024 by DfE) of £1.22m. Of this amount, £415k was used to supplement the allocation to all schools leaving a balance of £805k.

B. 2024/25 underspend – then forecast at £503k.

3.2 At its meeting of 27th January 2025, the Schools Forum also approved a two-year support for the proposal to fund Monitoring, Relationship Management & Support in Schools to a total sum of £646,050.

3.3 In addition, the Schools Forum approved a series of expenditure to be met from the growth fund. Table 1 below summarises the original 2025/26 approved growth fund budget.

Table 1. 2025/26 Proposed Growth Fund Budget

	2025/26 Growth Fund Budget	£	
		Year 2025/26	Reference
Existing factors	2025/26 DfE Allocation	1,220,051	
	Amount already used in APT to balance School's Allocation	-415,028	
	Balance left	805,023	
	Add 2024/25 forecast underspend	503,345	
	Total funds available for 2025/26	1,308,368	
	Expenditure Type / Projects		
	Expansion and bulge	275,000	DfE Operational Guide
	Match funding for the AP taskforce	50,000	
	KS4 Pupils in Alternative Provision/therapies	733,368	DfE Operational Guide
	Equipment/Environment (mainly for school's block schools presently accommodating children with AEN)	250,000	
	Total approved expenditure	1,308,368	

4. 2025/26 Growth Fund Forecast Outturn

4.1 The 2025/26 growth fund forecast outturn is £70,000 surplus (please see table 2 below). The major difference between the approved budget and the forecast outturn are:

A. Larger than expected underspend in 2024/25.
B. 2025/26 allocation for expansion and bulge not forecast to be fully utilised.
C. Funding for Schools Monitoring, Relationship Management & Support

4.2 **Underspend** - The DfE Operational guide requires Local authorities to report any unspent growth funding remaining at the year's end to the Schools Forum. Any under/overspend in growth funding will form part of the overall DSG surplus or deficit balance. Therefore, if the underspend is not utilised in 2025/26, it will be used to support the overall position of DSG at the end of the this financial year.

Table 2: 2025/26 Forecast Growth Fund spend

	2025/26 Growth Fund Forecast Outturn	£
		Year 2025/26
	2025/26 DfE Allocation	1,220,051
	Amount already used in APT to balance School's Allocation	-415,028
	Balance left	805,023
	Add 2024/25 actual underspend	1,149,395
	Total funds available for 2025/26	1,954,418
	Expenditure Type / Projects	
	Expansion and bulge	205,000

	Match funding for the AP taskforce	50,000
	KS4 Pupils in Alternative Provision/therapies	733,368
	Equipment/Environment (mainly for school's block schools presently accommodating children with AEN)	250,000
	2 years school support - Monitoring, Relationship Management & Support	646,050
	Total	**1,884,418**
	Forecast underspend	**70,000**

5. Initial outlook on 2026/27 Growth Fund

5.1 At its meeting on 10th March 2025, the Schools Forum decided not to use the growth fund to support gaps in schools' formula funding (note that £415k was used to support the gap in 2025/26). Therefore, the entire growth fund will be available to fund other priorities including permanent expansion and bulge in 2026/27.

5.2 In previous years, the Schools Forum have agreed the expanded criteria in Appendices A to D below as qualification for growth fund. These requirements are broadly in line with the DfE Operational guide. However, these requirements are over 6 years old are no longer relevant to Croydon's particular situation, and the forum is asked to consider whether they are still useful. If Schools Forum is desirous of reviewing the criteria, this will be only applicable to new growth (schools' expansion and bulge only) and will not affect existing commitment made to schools. Extracts from the Schools Operational guidance is as shown in the paragraphs below.

5.3 The criteria below are extracted from the DfE operational guide. The compulsory criteria are:

a) support growth in pre-16 pupil numbers to meet basic need
b) support additional classes needed to meet the infant class size regulation
c) meet the revenue cost of new schools
d) meet revenue costs, for schools, of removing or repurposing surplus places

5.4 In addition to the compulsory criteria above, there are other compliant criteria which the local authority may include as part of its qualifying criteria. These are:

a) additional support where a school has extended its age range (the majority of funding would be paid through the funding formula where the local authority should seek a variation in pupil numbers)
b) support where a school has temporarily increased its PAN, by at least a minimum number of pupils, in agreement with the local authority
c) support for key stage 1 classes where overall pupil numbers exceed a multiple of 30, by at least a minimum number of pupils
d) pre-opening costs, initial equipping allowance, or diseconomy of scale allowance, for new maintained schools and academies; including new academies where the school is opening in response to basic need

5.5 The growth fund must not be used to support:

a) schools in financial difficulty; any such support for maintained schools should be provided from a de-delegated contingency

b) general growth due to popularity; this is managed through lagged funding. This includes cases where schools or academies have admitted above pupil admission numbers (PAN) by their own choice

5.6 **Funding for Expansion and Bulge Class -** These pupils (growth in pupil number) are funded based on the Average Weighted Pupil Unit (AWPU) rate, from the growth fund. The funding is provided to cover the period from September to March, as the class will then be recorded on the October census.

5.7 **Funding for Falling Roll Fund (FRF)** – The growth fund can also be used to fund FRF (if the schools forum so decides). The pupil population has been decreasing nationally, and Croydon is no exception. This has put significant strain on the budget of some schools (especially small primary and secondary schools).

5.8 The criteria for FRF is equally stringent as can be seen in the DfE guidance available at this link Growth and falling rolls fund guidance: 2025 to 2026 - GOV.UK.

6. Conclusion and recommendations

6.1 Schools' Forum members to note the following:

Local authorities should report any unspent growth funding remaining at the year's end to the school's Forum. Any underspend or overspent growth funding will form part of the overall DSG surplus or deficit balance.

6.2 The local authority and Schools Forum should consider a future review of all the growth factors (appendices B to D) as they no longer particularly reflect the situation in Croydon's schools.

6.3 The Schools Forum should consider whether it is desirous to implement a FRF. If yes, a task and finish group can be immediately set-up to work out how this will work in practice. This group can report back to the Forum at its January 2026 meeting ahead of finalising 2026/27 schools budget proposals.

Recommendation

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Appendix A: Croydon historical agreed growth factors

[redacted]	Criteria	2019/20 Criteria
B	Start-Up	£150k for both primary and secondary
C	Inefficiency Factors	To reduce the current lump sum in equal instalments over the remaining forms post-year 1. As laid out below.
D	Bulge	Allocate based on 30 pupils x AWPU x AEN
D	Expansion classes	As above
Reference Table 4	Equipment/Environment	£250k
Not Applicable	Split Site	£150k in the first year

Appendix B: Start Up - Inefficiency factor for new build schools.

The principle is that when Schools get to a total of 7 classes, Schools are funded entirely from formula factors – AWPU and lump sum. The funding would be based on the number of classes unfilled before Schools reach years 7 (primary) or 5 (secondary) as a percentage of the initial sum. All calculations are rounded to the nearest £1K.

Years after establishment	Primary	
Year 1	Startup	£150K
Year 2	5/6 – Inefficiency	£125K
Year 3	4/6 - Inefficiency	£100K
Year 4	3/6 - Inefficiency	£75K
Year 5	2/6 - Inefficiency	£50K
Year 6	1/6 - Inefficiency	£25K
Year 7	0 - Inefficiency	£0

Years after establishment	Secondary	
Year 1	Startup	£150K
Year 2	3/4 - Inefficiency	£112.5K
Year 3	2/4 – Inefficiency	£75K
Year 4	1/4 - Inefficiency	£37.5K
Year 5	0 - Inefficiency	£0

Appendix C: Start-Up Inefficiency factor for annexes

The principle is that the inefficiency factor reduces until it reaches the same level as the split-site factor.

Years after establishment	Split Site Primary Annex	
Year 1	Startup	£150K
Year 2	5/6 – Inefficiency	£125K
Year 3	4/6 - Inefficiency	£100K
Year 4	3/6 - Inefficiency	£75K
Year 5	Split-site factor (distance dependent)	£30 / (£35k)
Year 6	Split-site factor (distance dependent)	£30 / (£35k)

Years after establishment	Split Site Secondary Annex	
Year 1	Startup	£150K
Year 2	3/4 - Inefficiency	£112.5K
Year 3	2/4 – Inefficiency	£75K
Year 4	1/4 - Inefficiency	£37.5K
Year 5	Split-site factor (distance dependent)	£30/ (£35k)

The differences between split site and start-up funding in years 1 to 4 would be funded from the growth fund.

Appendix D

Academy Expansion - Academies who take on an expansion class are entitled to receive pupil funding from April to August. The April to August payment is not made in the same LA financial year as the budget, so there is a lag between budget and payment.

Start-Up - Start-up funding is given to newly opened schools, and the income is allocated based on the number of empty classes. Funding in Year One begins at £150K and decreases by £25k until Year Six, when the last payment is made.

Bulge - Bulge class funding is allocated to schools that enrol an additional class of pupils. In the first year, the additional pupils enrolled in September are not counted on the previous October census, meaning this cohort of pupils is not funded within the school's current budget. From year 2 to year 7 of the bulge, there is funding provided in respect of equipment, in which Croydon allocates £5k per year until the bulge class leaves.