ITEM 3

Dedicated Schools Grant – 2025/26 Growth Fund Budget Update and 2026/27 Growth Fund Budget proposal

Schools Block Working Group

Recommendation
The Schools Block Working Group is asked to:

1.) Note the 2025/26 forecast outturn of the Growth Fund Budget
2.) Propose to Schools Forum to approve to utilise the 2025/26 Equipment/Education funding to support KS4 Pupils in Alternative Provision/therapies.
3.) Propose to Schools Forum to approve the 2026/27 Growth Fund Budget

1. Introduction

1.1 This report sets out three essential updates and a recommendation for the School's Forum to note the following:

(a) Background of (Schools Block) Growth funding,
(b) Determination of growth funding allocation,
(c) Accounting Treatment of under/Overspend at the end of year.

1.2 Background of (Schools Block) Growth funding

1.3 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 2019/20 financial year and has remained the same since then.

2.2 The formula is based on (for 2025/26 Financial Year):

[increase in pupil number between two years using the October census x Area Cost Adjustment x rate (£1,570 for Primary) and (£2,350 for Secondary)].

2.3 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 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 be consulted.
b) Must agree the total size of the growth fund.
c) Must be consulted before any expenditure from the growth fund is incurred.

3. Croydon Growth Funding allocation and forecast outturn for 2025/26

3.1 The growth fund allocation for 2025/26 published by the DfE in December 2025 was £1.220m. The Schools Forum at its meeting in February 2025 agreed the following:

Table 1 – 2025/26 Growth Fund Allocation (from Feb-25 Schools Forum)

	2025/26 Growth Fund Forecast Outturn	**£**
		Year 2025/26
Line 1	2025/26 DfE Allocation	1,220,051
Line 2	Amount used in APT to balance School's Allocation	-415,028
Line 3	**Balance left**	**805,023**
Line 4	Add 2024/25 actual underspend	1,149,395
Line 5	**Total funds available for 2025/26**	**1,954,418**
	Expenditure Type / Projects	
Line 6	Expansion and Bulge	205,000
Line 7	Match funding for the AP taskforce	50,000
Line 8	KS4 Pupils in Alternative Provision/therapies	733,368
Line 9	Equipment/Environment (mainly for school's block schools presently accommodating children with AEN)	250,000
Line 10	2 years school support - Monitoring, Relationship Management & Support	646,050
Line 11	**Total**	**1,884,418**
Line 12	**Forecast underspend**	**70,000**

3.2 The forecast spend of the 2025/26 Growth Fund Budget is as shown in table 2 below:

Table 2 – 2025/26 Growth Fund forecast spend

	2025/26 Growth Fund Forecast Spend	**£**
		Year 2025/26
Funds available	2025/26 DfE Allocation	1,220,051
	Amount already used in APT to balance School's Allocation	-415,028
	Add 2024/25 actual underspend	1,149,395
	Total funds available for 2025/26	**1,954,418**
Payments made to schools	Permanent expansion & bulge class	111,545
	Total payments made to schools	**111,545**
Funding transfers	Alternative Provision & KS4 Pupils in Alternative Provision/therapies	733,368
	2 years school support - Monitoring, Relationship Management & Support	646,050
	Match funding for the AP taskforce	55,000
	Total funds transferred	**1,434,418**
	Total planned expenditure	**1,545,963**
	Balance of funds available	**408,455**

3.3 The £408,455 underspend is driven by the following items as shown in table 3 below:

Table 3 – 2025/26 Growth Fund underspend

	Original planned spend (A)	Updated forecast (B)	Variance (C)
Permanent expansion & Bulge class	205,000	111,545	-93,455
Match funding for AP taskforce	50,000	55,000	5,000
Equipment/Environment	250,000	0	-250,000
Original Forecast underspend			-70,000
Total Underspend			**-408,455**

3.4 We are seeking approval to utilise the £250,000 Equipment/Environment funds to support the KS4 Pupils in Alternative Provision/therapies. This was originally earmarked to have £733,368. £600,000 was provided to Alternative School Provision leaving a shortfall within the KS4 area. If this request is approved this would reduce the £408,455 underspend to £158,455.

4. Proposed 2026/27 Growth Fund allocation and budget

4.1 The 2026/27 growth fund provisional allocation, announced in December 2025 by DfE, was £0.790m, a reduction of £0.430m from £1.220m in 2025/26.

4.2 Unlike in previous two years, no part of growth fund was used to plug schools budget funding shortfall in 2026/27.

4.3 The proposed 2026/27 Growth Fund allocation. Both 2025/26 underspend options are shown in the two tables below. Table A assumes the request in 3.4 will be approved, with a brought forward underspend of £158,455. Table B shows the full underspend of £408,455.

Table 4a – 2026/27 proposed Growth Fund allocation

	Option A - £158,455 b/fwd underspend	**£**
		Year 2026/27
Line 1	2026/27 DfE Allocation	790,178
Line 2	Add 2025/26 actual underspend	158,455
Line 3	**Total funds available for 2026/27**	**948,633**
Line 4	**Expenditure Type / Projects**	
Line 5	Expansion and Bulge	150,000
Line 6	TBC Environment/Equipment or AP Taskforce	158,455
Line 7	KS4 Pupils in Alternative Provision/therapies & Alternative Schools	640,178
Line 8	**Total Expenditure**	**948,633**
Line 9	**Forecast Under/(over)spend**	**-**

Table 4b – 2026/27 proposed Growth Fund allocation

	Option B - £408,455 b/fwd underspend	**£**
		Year 2026/27
Line 1	2026/27 DfE Allocation	790,178
Line 2	Add 2025/26 actual underspend	408,455
Line 3	**Total funds available for 2026/27**	**1,198,633**
Line 4	**Expenditure Type / Projects**	
Line 5	Expansion and Bulge	150,000
Line 6	TBC Environment/Equipment or AP Taskforce	408,455
Line 7	KS4 Pupils in Alternative Provision/therapies & Alternative Schools	640,178
Line 8	**Total Expenditure**	**1,198,633**
Line 9	**Forecast Under/(over)spend**	**-**

4.4 The completed DfE Authority Proforma Tool (APT) has been sent to the DfE for approval to ensure the LA met the 22 January 2026 deadline and has now been approved. Cabinet has also approved the recommendation of Schools Forum regarding 2026/27 Schools Formula factors.

5. Acceptable criteria for allocating growth fund

5.1 Schools Forum has already agreed on standards criteria and amounts to be awarded to qualified schools. These requirements are all in line with the DfE Operational guide.

5.2 The bullet points (DfE criteria) below are extracted from the DfE operational guide:

a) Support where a school or academy has agreed with the local authority to provide an extra class.
b) Additional support where a school has extended its age range.
c) Support where a school has temporarily increased its pupil admission numbers (PAN), by a minimum number of pupils in agreement with the local authority.
d) Support for KS1 classes where overall pupil numbers exceed a multiple of 30 by a minimum number of pupils.
e) Pre-opening costs, initial equipping allowance, or diseconomy of scale allowance for newly maintained schools and academies, including new academies where the school is opening in response to basic need.

5.3 **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.

6. Accounting treatment of under/overspend at year-end.

6.1 **Underspend** - The DfE Operational guide requires Local authorities to report any unspent growth funding remaining at the year's end to the school's Forum. Funding may be carried forward to the following funding period, as with any other centrally retained budget, and local authorities can choose to use it specifically for growth. Any underspend /over in growth funding will form part of the overall DSG surplus or deficit balance.

7. Conclusion and recommendations

7.1 Schools' Forum members to note the following:

a) Local authorities should report any unspent growth funding remaining at the year's end to the school's Forum. Funding may be carried forward to the following funding period, as with any other centrally retained budget, and local authorities can choose to use it specifically for growth. Any overspent growth funding will form part of the overall DSG surplus or deficit balance.

Recommendation
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