Item 5 - Dedicated Schools Grant – 2026/27 Growth Fund Budget

Schools Forum – 21st September 2026

Recommendation The Schools Forum is asked to: -
1. Note how the growth fund is determined by the DfE 2. Note the 2025/26 final outturn of the Growth Fund Budget and the ensuing underspend. 3. Note the initial outlook for 2026/27 growth fund 4. Note the initial 2026/27 growth allocation agreed in March 2026 5. Recommend the LA to explore options for 2026/27 growth fund allocation and outturn

1. Background of Growth funding (Schools Block).

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, and hence growth fund, allocation is determined by formula based on Schools census. The amount payable to local authorities is announced and published in December of each year and refreshed throughout the 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.

1.2 Also included in growth fund calculation is falling rolls fund which is allocated based on each LA medium super output area (MSOA) and is calculated by using reduction between two October censuses.

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.

2.2 **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.

2.3 **Role of Schools Forum** - The Schools Budget Operational guide suggests that Schools Forum:

a) Must be consulted on and agree the total size of the growth fund.
b) Must be consulted before any expenditure from the growth fund is incurred.
c) Should receive regular updates on the use of the funding.

2.4 In fulfilling the requirement of this provision, the Schools Forum has received regular update on the utilisation of the 2025/26 growth fund.

3 2025/26 Growth Fund Final Outturn

3.1 The 2025/26 growth fund final outturn has an underspend of £121,563 (please see table 1 below), which shows the difference between the amount available to spend and actual expenditure incurred on growth fund.

Table 1: 2025/26 Growth Fund outturn

	2025/26 Growth Fund Outturn	Year 2025/26 (£)
Line 1	DfE Allocation	1,220,051
Line 2	Amount already used in APT to balance School's Allocation	-415,028
Line 3	**Amount of 2025/26 Growth Fund Available (A)**	**805,023**
Line 4	Add 2024/25 actual underspend (B)	1,149,395
Line 5	**Total funds available for 2025/26 (C=A+B)**	**1,954,418**
Line 6	2 years school support - Monitoring, Relationship Management & Support	646,050
Line 7	Expansion & Bulge	222,476
Line 8	AP Taskforce match funding	55,000
Line 9	KS4 Pupils in Alternative Provision/Alternative Schools & Croydon Town School	909,329
Line 10	**Total (D)**	**1,832,855**
Line 11	**2025/26 Underspend (E=C-D)**	**121,563**

3.2 **Underspend** - For local authorities that have an overall DSG surplus, the guidance allows, growth funding to 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 in the following year. Any overspent growth funding will form part of the overall DSG surplus or deficit balance.

3.3 The final underspend has reduced (by £282,892) from the forecast reported to Schools Forum, in March 2026 (due to two factors) as can be seen in table 2 below.

Table 2 – Movement in 2025/26 Growth Fund underspend

		March 2026 Forecast (A)	Final Outturn (B)	Difference (C=A-B)
Line 1	Permanent expansion & Bulge	115,545	222,476	106,931
Line 2	KS4 Pupils in Alternative Provision/Alternative Schools & Croydon Town School	733,368	909,329	175,961
Line 3	**Total**	**848,913**	**1,131,805**	**282,892**

3.4 Reporting the underspend – In order to be able to utilise any growth fund underspend in future years (e.g. in 2026/27) it will be treated as fully spent for

DSG outturn reporting purposes. We have therefore treated this underspend as spent when reporting DSG outturn for 2026/27.

4 Initial outlook on 2026/27 Growth Fund

4.1 At its meeting on 10th March 2025, the Schools Forum decided not to use the growth fund to support gaps in schools' formula funding. Therefore, the entire growth fund will be available to fund other priorities including permanent expansion and bulge in 2026/27.

4.2 The growth fund can be used to fund the following compulsory items (criteria extracted from the schools' budget operational guide).

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

4.3 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

4.4 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

4.5 **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.

4.6 **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 (less than 2FE) and secondary schools (less than 4FE).

5. 2026/27 Growth Fund Allocation

5.1 Croydon's 2026/27 growth fund allocation is £790,178. This represents a 35.2% reduction from 2025/26 allocation. Table 3 below showed the trend in Croydon's growth fund allocation over many years.

Table 3 – Croydon's Growth Allocation over 5 years

	Year	Allocation (£)	Reduction (£)	Reduction (%)
Line 1	2022/23	2,378,000		
Line 2	2023/24	2,064,000	314,000	13.2%
Line 3	2024/25	1,718,000	346,000	16.8%
Line 4	2025/26	1,220,051	497,949	29.0%
Line 5	2026/27	790,178	429,873	35.2%

5.2 At its meeting in March 2026, the Schools Forum considered some options for utilisation of 2026/27 Growth allocation and voted for option A which utilises £158,455 of underspend from last year. The table supporting Option A is hereby reproduced below (as table 4) to aid further discussion.

Table 4 – 2026/27 Initial Schools Forum Growth Fund approval in March 2026

	2026/27 Growth Fund Budget	**£**
		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	Environment/Equipment or AP Taskforce	158,455
Line 7	KS4 Pupils in Alternative Provision/therapies & Alternative Schools	640,178
Line 8	**Total**	**948,633**

5.3 From 5.1 (and table 1) above, the underspend has reduced by £36,892 which reduces the total funds available from £948,633 to £911,741. Therefore, the decision made in March need to be revisited. In undertaking this revision however, it is important to note the following:

a) The expansion payments to Smitham and Archbishop Tenison have ended in August 2025. Therefore, the last financial year of payment is 2025/26. However, it is likely the schools affected may contest this. If this is accepted, the only outstanding payment will be £5k to Gresham for a bulge that started

in September 2023 which will reduce commitment on this line by £217,475. The budget saving will however be only £145,000 (i.e. £150,000 less £5,000).

b) Whether the £158k earmarked for AP taskforce should continue.
c) There is no announcement regarding the continuation of the DfE AP Specialist taskforce beyond 2025. In the absence of this, the continuation of the match funding (of £55k) has ceased.
d) The Schools Forum decided to support funding KS4 AP and Croydon Town School. At the time, the pot from which these services will be funded were unclear. Therefore, they have been funded from the growth fund. With the reduction in the growth fund (over the years) however, a permanent and sustainable means of funding these services need to be agreed. Without this, the services maybe discontinued from 2027/28.

5.4 Based on the foregoing, and the outcome of further discussions to be had with the two schools mentioned in paragraphs 5.3(a) above, the school forum is requested to agree (in 2026/27 financial year) that the LA follow these steps:

a) Agree the end of growth funding for Smitham and Archbishop Tenison which will save £217,475 (in 2025/26 prices) commitment but only £145k in the budget approved for 2026/27.
b) Cease match funding for DfE AP Specialist Taskforce. This costs £55k in 2025/26 but there is no budget approved for it this year.
c) If the forum is still desirous of supporting the services, request that KS4 AP services and Croydon Town School resubmit proposal for possible support and sustainable funding from the Schools Forum to take effect from April 2027.
d) Any other initiative the Schools Forum may want to explore/support/cease.

5.5 Once the outcomes of the above tasks are known and confirmed, the forum will receive a revised growth fund budget report including forecast outturn.

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