ALLOCATION OF THE UK SHARED PROSPERITY FUND FOR 2025-26
A short explanation and assessment

On 13 December the UK government published the local allocation of the £900m, announced in the Budget, for the UK Shared Prosperity Fund in 2025-26. The release includes allocations for each lead authority in England, Scotland and Wales and an explanation of the allocation method.

Overall reduction

The first thing that all authorities will notice is that the UKSPF funding they will receive for 2025-26 is less than for the present financial year (2024-25). This is because the UKSPF budget of £2.6bn for the three years through to 2024-25 ramped up through time as spending on EU-funded programmes wound down. In 2024-25, with EU spending fully out of the picture, the UKSPF budget is £1.5bn. The £900m for the forthcoming financial year is a £600m (40%) reduction.

Regardless of whether an authority has done well or badly out of the tweaks to the allocation formula they will therefore still face a financial hit.

National allocations

The UK government has divided up the funding for 2025-26 between the four nations of the UK on the basis of the previous allocation of UKSPF funding:

Scotland	8.4%
Wales	23.3%
Northern Ireland	5.1%
England	63.3%

This previous division reflected the split of EU funding to the UK regions in 2014-20. Wales, in particular, can breathe a sigh of relief. Under EU funding Wales did very well because of its low GVA per head and this continues to be the case with the UKSPF. If UKSPF monies had been allocated via the Barnett formula, Wales would have received far less.

Revisions to the allocation formula

- In England, the government has introduced an adjustment that skews funding towards Mayoral Combined Authorities (MCAs). According to the government this results in a 22% top-up on what they would otherwise have received.

- In England, Scotland and Wales there has been a further adjustment to prioritise areas with the highest levels of deprivation (defined as the worst 20% of LSOAs/datazones).

- There's also a cap of £35m applied to total losses for any local allocation.

Other revisions

- There are no longer separate allocations for the Multiply programme, which funded adult numeracy schemes, though authorities can continue to fund these if they choose to do so.

- Where Combined Authorities are now in place in England, or will be by 2025, they are identified as the 'lead authority' and there are no separate quantified allocations for constituent authorities.

- In Wales, the allocations are now to four sub-regions with no underpinning figures for individual authorities. In Scotland, Glasgow City Region receives a similar block allocation.

- There are specific figures for capital and revenue spending – right down to the very last pound – though the capital allocation is described as a 'minimum amount'.

What's not changed is the list of things on which the UKSPF can be spent, even though there is a lot of window-dressing in the documentation about the new government's mission statements.

Local authorities will be pleased too that lead authorities will not be required to submit a revised investment plan for 2025-26.

Assessment

Overall, the shift in the distribution in UKSPF funding is modest: older industrial areas covered by MCAs have gained a little in their share. London's share has remained more of less unchanged. There's been a slight reduction in the share going to other places in England. It remains the overall cut in funding that will be noticed most. And quite what some shire districts will be able to do with the princely sum of £327,146 (the lowest allocation, going to each of more than 40 authorities) is far from clear.

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