

## LOCAL GROWTH FUNDING

Note on meeting with Treasury and MHCLG officials

### **Has there been a cut in local growth funding?**

Treasury officials confirm that the Spending Review included a cut in local growth funding – the Alliance Secretariat's estimate is that the reduction is around £2bn a year. The Treasury won't confirm the exact scale of the cut, not least because the budget for the new local growth fund for mayoral city regions is yet to be agreed (see below). The Treasury emphasises that money under other budget lines (e.g. infrastructure) is now going to the regions but much of this spending isn't necessarily new – it's often projects that have previously been announced but are now confirmed.

### **So where's the money gone?**

Treasury officials do not dissent from the Secretariat's assessment that, in England, money has been moved from local growth funding to the Local Government financial settlement. (The Secretariat's note on this was circulated to Alliance representatives a couple of weeks ago). The Treasury does however stress that many budget lines were set simultaneously in the Spending Review, so it's all rather messy.

Treasury acknowledges that the more generous settlement for English authorities will probably mean less spending on economic development and regeneration because of the pressing claims of mainstream services. They also flag up that the local government funding formula is being revised in ways that should favour less prosperous areas in the North and Midlands.

In Scotland and Wales, the shift away from local growth funding feeds money through to the devolved administrations as higher 'Barnett consequentials'.

### **How much is the new local growth fund in England going to be worth?**

This isn't specified in the Spending Review. What Treasury and MHCLG say is that the budget is still to be determined. MHCLG is still weighing up exactly how much it can commit alongside other competing claims on its budget (or, perhaps, how much is left over after spending on everything else has been worked out).

In Scotland and Wales, the existing UKSPF funding, rolled forward for a further three years, is intended to pay for the local growth fund and the spending on neighbourhoods announced in the Spending Review. If a similar arrangement applies in England, UKSPF monies will be able to do little more than cover the planned spending on neighbourhoods. Despite these calculations – which are not contested – Treasury and MHCLG insist there will still be a meaningful local growth fund.

## **Exactly who will be eligible for the new local growth fund in England?**

The Spending Review says selected mayoral city regions in the North and Midlands. But what about the places that don't yet have mayors but are on track to have one in a few years' time? It's not clear that Treasury and MHCLG have yet thought this one through so there might be wriggle-room if pressure is brought to bear. That term 'city regions' also suggests that faith in trickle-down remains strong.

## **Who's going to manage the new local growth funds?**

Treasury and MHCLG are set on allocating the money to mayors but the open question is what strings might be attached. It would be surprising if the funding prospectus didn't make reference to the involvement of local partners – constituent local authorities in particular – but how strong this guidance might be is unclear.

Treasury and MHCLG are aware that simply handing over the money to the devolved governments in Scotland and Wales is unpopular with local authorities and not liked by MPs either. They acknowledge that a compromise involving the devolved governments will have to be found, perhaps building on existing administrative arrangements.

## **When will all this be sorted?**

Probably in the autumn. Officials recognise that on the ground there is a lead time in getting new funding up-and-running for April next year.

## **What about the new spending on neighbourhoods?**

Whilst on the one hand Treasury and MHCLG place emphasis on devolution, on the other hand officials in MHCLG presently seem set on an old-fashioned top-down approach in which Whitehall decides exactly which neighbourhoods should receive support and how those neighbourhoods should be defined (size, population, deprivation). The by-passing of local authorities needs to be challenged. Also, officials don't seem to haven't thought through how quite large sums might all be effectively spent in quite small areas.

## **And what about the new Growth Mission Fund?**

This is a small fund (£240m over four years) for capital spending, announced in the Spending Review. Treasury confirms that it won't simply be carved up by formula to individual authorities because capital projects are often lumpy and expensive. But quite how this new fund might work still remains unclear.

***National Secretariat***

***Industrial Communities Alliance***

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