# THE SPENDING REVIEW PLANS FOR LOCAL GROWTH FUNDING
An assessment

**The new architecture**

The UK government's Spending Review, published on 11 June, establishes four funds kicking in from April 2026.

A NEW LOCAL GROWTH FUND

- For "specific mayoral city regions in the North and Midlands".
- Nothing therefore for many parts of England, including for example Lancashire and Staffordshire (both without Mayors) or Cornwall (previously well-funded by EU and UKSPF).
- Total funding not presently specified but will include a 10-year capital settlement.
- No details at present on priorities or management.

INVESTMENT IN DEPRIVED COMMUNITIES

- Up to 350 deprived communities across the UK to be targeted.
- Includes the 75 towns already identified for funding from the *Plan for Neighbourhoods* (formerly the *Long-Term Plan for Towns*).
- That leaves up to 275 additional communities, of which 25 named places have been selected as 'trailblazers'.
- £20m over ten years for each of the 75 towns and trailblazers points to total spending in 350 places of £700m a year.
- Trailblazers appear to be electoral wards or Middle Super Output Areas with a population of 5-7,000. This points to a total population coverage of 1.5-2.0 million in the 275 additional communities.
- Trailblazers are predominantly in cites, and the very worst places on the Indices of Deprivation

A GROWTH MISSION FUND

- A small fund intended to directly support local economic growth
- Capital spending worth £240m over four years (£60m a year)
- Reference to ‘project selection’ suggests competitive bidding rather than allocation by formula (which is probably not unreasonable given the small scale of the fund).

A NEW RECYCLABLE MAYORAL GROWTH FUND

- To be included in the integrated settlement for mayors in the North and Midlands
- The *Industrial Strategy*, published on 23 June, announced that the fund will be worth £500m
- The *Industrial Strategy* says “working with local authorities, mayors will be able to use this funding to break down access-to-finance barriers and create new opportunities for businesses to grow by providing patient capital for projects such as major city-centre developments and strategic industrial sites”.

Specifically for **Scotland, Wales and Northern Ireland**, for the three financial years beginning in April 2026 the Spending Review says:

- Funding for these schemes (i.e. the new local growth fund and the investment in deprived communities) “will be at the same overall level in cash terms as under the UK Shared Prosperity Fund in 2025-26”.
- In practice that means[1]:
  - £230m for Scotland (c.£75m a year)
  - £630m for Wales (c.£210m a year)
  - £135m for Northern Ireland (c.£45m a year)
- That’s a total of just less than £1,000m over three years, or c.£330m a year for the devolved nations.

[1] Based on 2025-26 UKSPF allocations from MHCLG.

**How big a reduction in funding?**

It seems clear that there has been a cut in funding.  But just how much?

In the four financial years up to March 2026 the total funding from the UK government's six main 'levelling up' programmes[2], plus EU funding to the regions running on to 2023, was £13.8bn in total[3] or just over £3.4bn a year.

The Spending Review does not provide an equivalent figure but let's consider a plausible scenario.  Let's assume that, as in the devolved nations, the annual funding in England for the new local growth fund and for deprived communities is the same as UKSPF funding in 2025-26.  (If it's more the devolved nations will be facing a cut in their share).

Across the UK as a whole the UKSPF in 2025-26 is worth £900m.  For the three financial years from April 2026, total UK funding would therefore be:

| | |
|---|---|
| Local growth fund and deprived communities | £2,700m |
| Growth Mission Fund | £   180m |
| Recyclable mayoral growth fund | £   500m |
| | ------------ |
| ***All local growth funding*** | ***£3,380m*** |
| *per annum* | *£1,130m* |

Of the possible total of £2,700m over three years for the local growth fund and deprived communities, the Spending Review commitment to maintain 2025-26 funding in cash terms earmarks £1,000m for the devolved nations.  That would leave £1,700m available in England.

If 280 of the 350 deprived communities (80%)[4] were to be in England, at £2m a year each this would involve an annual total of £560m.  Over three years this would work out at £1,680m – more or less the whole of the available funding for England.

There are major implications here:

EITHER The government is set to cut the overall UK budget for local growth funding by two-thirds in cash terms (from £3.4bn a year to c.£1.1bn a year) and nearer three-quarters after allowing for inflation.

OR The budget for a substantial new local growth fund in England is still to be determined.

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[2] Levelling Up Fund, UK Shared Prosperity Fund, Towns Fund, Future High Streets Fund, Levelling Up Partnerships, Community Renewal Fund.
[3] HM Government data plus ICA estimate of EU run-on funding.  The figure excludes Barnett consequentials of England-only funding and also excludes funding committed to the Long-Term Plan for Towns (now Plan for Neighbourhoods) but mostly to be spent after March 2026.
[4] 20 of the 25 trailblazer communities are in England.

**What remains in play?**

1. If the logic above is correct, a budget for the new local growth fund in England remains to be determined. This requires urgent and effective lobbying.

2. The activities eligible for support from the new local growth fund are also still to be defined.

3. The allocation of the new local growth fund between the various mayoral authorities will need to be sorted but will be less challenging than a formula covering all parts of the UK.

4. The management arrangements within mayoral authorities will need to be resolved. Where do local authorities fit in?

5. The role of local authorities in Scotland and Wales remains unclear. The Spending Review says "the Offices of the Nations will work with MHCLG to implement the new funding". An appendix adds "working in partnership with" the Scottish and Welsh Governments.

6. The selection of up to 250 additional communities to be supported is still to be determined.

7. The details of the Growth Mission Fund, including procedures for accessing the monies, need to be worked out.

8. Further details of the recyclable mayoral growth fund, including its allocation, are still missing.

As things currently stand, the government is set to let the levelling up funds established by the previous administration expire and is proposing replacements for the UKSPF that are worth less in real terms than in 2025-26 and substantially less than the EU funds the UKSPF replaced.

In the absence of a substantial budget for the new local growth fund, in England the reduction in funding will fall predominantly on the less prosperous areas that were previously the principal beneficiaries of levelling up and EU / UKSPF funding.

Scotland and Wales lose out because they will no longer receive levelling up funds and because UKSPF monies have been frozen in cash terms at a reduced level.

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