LOCAL GROWTH FUNDING: an updated overview

How big a cut?

It's become clear that the Spending Review cut local growth funding by **around £2bn a year**, or rather more than half. This is being achieved by allowing most of the initiatives introduced by the previous government (Towns Fund, Levelling Up Fund, High Streets Fund etc.) to lapse and by reducing the funding for the surviving initiatives that are being rebranded.

Where's the money gone?

The money has been **retained within MHCLG**. There's no evidence in other departmental budgets that it's been diverted into infrastructure or industrial strategy. Treasury officials don't dissent from this assessment.

In England, the money is being used to boost the **Local Government Financial Settlement**. A new formula looks set to divert much of the extra cash to parts of the North and Midlands but the 'winners' and 'losers' from the shift from local growth funding won't be the same authorities and, given the pressures on services such as adult social care, the money won't be spent on the same things.

In Scotland and Wales, the extra funding for English local authorities results, via the Barnett formula, in extra funding for the **devolved governments**.

What about the funding for Pride in Place?

This is not new money. The Spending Review says that in Scotland and Wales the funding for neighbourhoods under the Pride of Place initiative will come from the former budget for the UK Shared Prosperity Fund, which is to be frozen in cash terms. There's no reason to suppose that a broadly similar arrangement won't apply in England.

£1.5bn of the Pride in Place spending (on 75 Phase 1 neighbourhoods to be spent over 10 years) is a commitment carried over from the previous government's Long-Term Plan for Towns.

How much does that leave for other things?

The UK Shared Prosperity Fund, worth £1.5bn a year in 2024-25, was intended to replace the once substantial EU funding to the regions. In the 2024 Autumn Budget the UKSPF budget for 2025-26 was cut by 40% and beyond March next year it will have to fund the

Pride in Place initiative as well. If the same financial arrangements apply in England as in Scotland and Wales, it's possible to work out what's presently left over:

- £240m a year for England
- £36m a year for Scotland
- £182m a year for Wales

For all three nations this is a **massive cut** – 75%, 72% and 52% for England, Scotland and Wales respectively, compared to the UKSPF budget for 2024-25.

Who's managing the remaining money?

In Wales, there's been a tussle between local authorities and the Welsh Government. This appears to have been resolved by the UK Government in favour of the **Welsh Government** with a role for Corporate Joint Committees at the sub-regional level.

In Scotland, the UK Government's **Scotland Office** appears to be taking the lead.

In England, the money is earmarked for local growth funds for "mayoral city regions in the North and Midlands". Whether that means **Mayors** will run the show, or there is a requirement for local authority involvement in decision making, remains to be determined.

What are the consequences for jobs and services?

The UKSPF presently funds a wide range of activities in the less prosperous parts of the country – infrastructure, business support, training, environmental improvement, employability initiatives etc. These services are in the firing line. So too are **several thousand jobs** in local authorities and many further jobs in Third Sector organisations involved in UKSPF service delivery.

So what do we need?

- Efforts to **avert the worst consequences** of the wind-down of UKSPF-funded activities.

- More than just UKSPF leftover monies for the promised **new local growth funds** in England, whose budget is still to be determined.

- Funding management, including in setting up the neighbourhood initiatives, that properly involves **local authorities**.

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