ENGLAND'S NEW LOCAL GROWTH FUND
An assessment

City regions targeted by the new Local Growth Fund announced in the Budget will no doubt be pleased, but other parts of England receive nothing. Compared to the UK Shared Prosperity Fund, the funding has been reduced and most of the target areas too will receive less.

How much money?

The Budget on 26 November announced a new Local Growth Fund for eleven mayoral city regions in England. This funding is to all intents the successor to the UK Shared Prosperity Fund (UKSPF), which itself was the successor to EU funding to the regions. June's Spending Review had already allocated comparable funding for Scotland, Wales and Northern Ireland.

The new Local Growth Fund in England is worth £902m over four years, beginning in April 2026. £675m is allocated for the first three financial years (2026-29); the remaining £227m is earmarked exclusively for capital spending in 2029-30.

How does this compare with the UKSPF?

- In 2024-25 the annual UKSPF budget for England was **£950m** – roughly the same in real terms as the EU funding it replaced.

- In 2025-26, following a 40% cut in the 2024 Autumn Budget, the annual UKSPF budget for England was **£570m**.

- For 2026-29[1], the annual average budget for England's new Local Growth Fund is **£225m**.

Compared to the UKSPF in 2024-25, the new Local Growth Fund therefore represents a 76% cut in funding.

Compared to the UKSPF in 2025-26 (the present financial year) the new Local Growth Fund represents a 60% cut in funding.

In real terms (i.e. after allowing for inflation) the cut in funding will be rather larger.

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[1] The fourth year of the new Local Growth Fund (2029-30) is excluded from this comparison because in a later Spending Round the present exclusively capital spending might be topped up by additional revenue spending (which the Treasury presently allocates only three years ahead).

How much for each city region?

Eleven mayoral city regions in the North and Midlands have been identified for funding. The funding has then been allocated in proportion to population.

	Allocation	Average annual funding for 2026-29 compared to UKSPF in 2025-26
East Midlands	£107m	+ 5%
Greater Lincolnshire	£ 52m	- 34%
Greater Manchester	£142m	- 18%
Hull and East Yorkshire	£ 30m	- 18%
Liverpool City Region	£ 76m	- 26%
North East	£ 97m	- 55%
South Yorkshire	£ 68m	- 24%
Tees Valley	£ 34m	- 59%
West Midlands	£143m	- 23%
West Yorkshire	£115m	- 20%
York and North Yorkshire	£ 40m	+15%

Source: ICA calculation based on MHCLG data

The percentage change in funding to each city region varies because UKSPF funding followed EU funding in prioritising areas with lower GDP per head. Allocation of the new Local Growth Fund in proportion to population has therefore disadvantaged the poorest areas. The North East and Tees Valley, in particular, have reason to be aggrieved.

What about the rest of England?

There is no Local Growth Funding for the rest of England. The UKSPF funding going to places beyond the eleven city regions is therefore not being replaced. Areas in the North and Midlands in the process of establishing mayoral strategic authorities are amongst those excluded. The areas losing funding include London (£63m UKSPF funding in 2025-26), Cornwall (£47m) and Lancashire (£22m). In the North and Midlands there is also no money for Staffordshire, Cumbria or Cheshire.

And the capital/revenue split?

The proportion of UKSPF funding in 2025-26 allocated for capital spending varied by authority between 15 and 30%. In the new Local Growth Fund, the proportion of capital spending rises over time:

2026-27	25%
2027-28	36%
2028-29	58%
2029-30	100%

Allocating capital spending for four years is better than three because of the difficulty in getting capital projects off the ground and completed. Nevertheless, this four-year capital allocation falls well short of what was promised in the Spending Review, which said the government would establish:

> *"a new local growth fund, including a 10-year capital settlement from 2026-27 to 2035-36 for specific mayoral city regions in the North and Midlands…"*

The consequences for jobs and services

The government says the new Local Growth fund is intended to fund:

- Infrastructure investment
- Business support
- Skills development

This is an agenda broadly the same as the UKSPF and the EU funding it replaced. That being the case, the 60% reduction in annual funding between the UKSPF in 2025-26 and the Local Growth Fund from April 2026 onwards can be expected to lead to a reduction in these activities.

This runs contrary to the government's objective of promoting jobs and growth and is bad news for regional development, bearing in mind that most of the mayoral city regions in the North and Midlands are still facing a cut.

This will have knock-on consequences for jobs, especially among local authority staff engaged in delivering or administering UKSPF-funded projects and services. It's difficult to put an accurate number on this but figures from Wales suggest that every £1m in UKSPF funding supports around seven local authority jobs plus further jobs in Third Sector organisations delivering UKSPF-funded services[2]. Assuming the same ratio holds in England, the present £570m UKSPF funding supports around 4,000 jobs in English local authorities. With a 60% cut in prospect, around 2,400 of these jobs might now be at immediate risk.

National Secretariat
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[2] ICA estimates based on data for Bridgend, Caerphilly, and Neath Port Talbot.