Industrial Communities **Alliance**
The all-party association campaigning on behalf of local authorities in the industrial areas of England, Scotland and Wales
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Rt. Hon. Douglas Alexander MP
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cc. Hon. Kirsty McNeill MP, Parliamentary Under-Secretary (Scotland Office)

By email – scotaffcom@parliament.uk

26th November 2025

Dear Douglas,

Allocation of Local Growth Fund – and meeting request

I Chair the Industrial Communities Alliance Scotland – part of the GB-wide all-party association of local authorities in the older industrial parts of the country. In Scotland, our membership includes three of the four largest councils in Scotland – Glasgow, North Lanarkshire and Fife – as well as Dumfries & Galloway, South and East Ayrshire and Mid-Lothian Councils.

Recent announcements regarding the new Local Growth Fund allocation were discussed at the meeting of Alliance Scotland member authorities last week and a number of serious concerns were raised.

1. **A further cut in overall funding**

The new Local Growth Fund replaces the UK Shared Prosperity Fund. The Spending Review set a follow-on budget line for 2026-29 in the devolved nations at the same level in cash terms as the UKSPF in 2025-26. This is a reduction in real terms (after allowing for inflation).

The new budget line is also required to fund the UK government’s Pride in Place neighbourhoods initiatives. That leaves £108m over three years for the new Local Growth Fund in Scotland – **a cut of 53% (in cash terms) on top of the 40% cut to the UKSPF already imposed in 2025-26.**

2. **Focus on capital spending**

UKSPF expenditure is presently weighted heavily in favour of revenue spending, funding services such as business support, training and employability. All services that are fundamental to creating and sustaining jobs and local economic growth.

Local authorities understand that the proposed split for the new Local Growth Fund will be “mainly capital”. Coming on top of the reductions above, a shift to predominantly capital spending **threatens to take a sledgehammer to the services presently supported by UKSPF revenue spending.**

3. **Unworkable timescales**

Meaningful capital projects simply cannot be delivered in a three-year Spending Round. This is one of the hard-won lessons of the deeply flawed ‘Levelling Up’ initiatives of the last government. The Treasury has been moving away from short-term capital spending in English mayoral authorities so **why should this anachronistic failed approach be applied to Scotland?**

Furthermore, with UKSPF scheduled to cease at the end of the present financial year, consultation on redundancies will have to begin at the start of December, with redundancy notices issued no later than 7 January – the week before the Scottish Budget is due.

To avoid unnecessary job losses and the winding up of projects, imminent clarity is needed. Local authorities cannot afford to wait until the new year for announcements regarding local growth revenue spending.

What is the consequence?

The Pride in Place initiative, while welcome in areas that are set to receive funding, supports only around 4% of the Scottish population. Drawing Pride in Place funding and the Local Growth Fund from the same pot, has a significant impact on services for the rest of Scotland, including many very deprived areas:

- The destruction of most of the business support, training and employability services that have hitherto been supported by the UKSPF (and before that by European funding).

- The loss of hundreds of jobs across local authorities in Scotland and more in the third sector among staff employed to deliver those services.

For example, through the UKSPF, Glasgow City Council have commissioned several skills and employability initiatives, and the significant reduction in funding is equivalent to a loss 109 FTE working in People and Skills, providing employability support to 2,000 service users each year. Smaller authorities, such as South Ayrshire, where 15FTE staff directly funded by UKSPF, will also be significantly affected.

Is there a way out of this crisis?

There is a way to mitigate the worst consequences of this reduction in funding.

The key is to move away from the split in favour of capital over revenue spending. Instead, giving local authorities flexibility to decide how funding is split, would make more money available to support the vital services and jobs that currently depend on the UKSPF. At the same time, it would head-off the difficulty of trying to deliver capital projects on such a short timescale.

The capital spending needn't be shelved – it can be pushed further away in time into the following spending round, making it far easier to deliver – which would be in line with the Treasury's new approach in England.

Local authorities need to be more than delivery vehicles for initiatives developed by Westminster or Holyrood. Going forward, local authorities and their representative bodies (such as the ICA) need to be fully engaged before arrangements are finalised in order to mitigate detrimental impacts of these decisions; optimise funding streams for the benefit of communities; and ensure best value for money.

I would therefore request the opportunity to meet with you and your officials to discuss the best way forward.

Yours sincerely,

Cllr. Altany Craik
Chair, Industrial Communities Alliance Scotland