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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Miatta Fahnbulleh MP
Minister for Communities
Ministry of Housing, Communities and Local Government

By email to: ministerial.correspondence@communities.gov.uk

5 December 2025

Dear Miatta,

Local Growth Funds: concerns

You'll be aware from previous correspondence that the Industrial Communities Alliance represents local authorities in some of the most disadvantaged parts of Britain. Unsurprisingly, we have a strong interest in the new Local Growth Funds.

I'd like to draw your attention to significant problems that are becoming apparent, not just in England but also in Scotland and Wales. I know your department plays a role in the funding for all three nations.

The reduction in funding

To all intents, the new Local Growth Funds replace the UK Shared Prosperity Fund. Indeed, the list of priorities – infrastructure investment, business support and skills development – is more-or-less identical. It's therefore concerning that there has been a substantial cut in funding. Compared to the UKSPF in 2025-26, the annual funding for 2026-29 represents a 60% reduction in England, a 53% reduction in Scotland and a13% reduction in Wales. Compared to the larger UKSPF funding in 2024-25, the reductions are around three-quarters in England and Scotland and half in Wales.

A shift away from the least prosperous places

England's new Local Growth Fund has been allocated to mayoral city regions in the North and Midlands on the basis of population, whereas the formula used to allocate the UKSPF (and the preceding EU funding) skewed funding to areas with a low GDP per head. The consequence of the new approach is that the annual funding to Tees Valley is being cut by 59% and to the North East by 55%, whereas York & North Yorkshire sees a 15% increase.

The omission of other areas

A number of important areas of need in England miss out entirely because of the exclusive focus on areas where a mayoral strategic authority is already in place. Cumbria, Lancashire and Staffordshire are among the losers.

An overly tight timescale for capital spending

The Spending Review promised a new local growth fund "including a 10-year capital settlement from 2026-27 to 2035-36". This is something we welcomed. One of the lessons of the badly designed programmes introduced by the previous government is that short timeframes for capital spending don't work. It takes time to secure permissions, to issue contracts and to deliver on the ground. It's therefore profoundly disappointing that the new Local Growth Fund only allocates capital through to 2029-30.

An inappropriate capital/revenue split

Our authorities in Scotland and Wales are hearing that a 70/30 split between capital and revenue is planned. In England, the share earmarked for capital spending rises through time, reaching 100% in 2029-30. The problem here is that the majority of UKSPF funding presently supports revenue spending, notably on business support, training and employability programmes. With a high proportion of capital spending now in prospect, these important services are now under threat.

Jobs at risk

The combination of reduced funding and the proposed shift to capital spending places large numbers of jobs at risk. Our estimate, based on a selection of authorities, is that in England alone around 4,000 local authority jobs are presently supported by UKSPF funding, in which case the 60% reduction in funding from April 2026 puts around 2,400 at immediate risk. In addition, large numbers of Third Sector jobs involved in the delivery of UKSPF-funded services and are now at risk.

Taken as a whole, these developments are bad news for regional and local economic development and run contrary to the government's aspiration to promote growth and jobs. We recognise of course that these are difficult times for public finances and that for the moment the overall budget lines have been set. However, it's vitally important that the details of the new funds are set in a way that minimises the damage to services and jobs and maximises the benefits.

I'd therefore like to propose that your department looks again at the capital/revenue split. A higher proportion of revenue spending would help maintain existing services and reduce the job losses that are now looming. Pushing more of the capital spending further away in time, including into the next spending round, would also facilitate delivery and head off a rush to spend on second-rate projects just because they can be delivered quickly. A longer timescale for capital spending would be in line with the government's intention expressed in the Spending Review.

I think you may receive similar representations on the capital/revenue split from other sources. I know for example, from statements in the Senedd, that these concerns are shared by the Welsh Government.

Indeed, there is a good case for abandoning a capital/revenue split entirely and giving local partners the flexibility to determine the right balance in their area. All the Local Growth Fund expenditure, whether capital or revenue, is in reality an investment in the future of our areas and for accounting purposes should be regarded as such.

I'd be grateful for your response to the points I'm raising. I'd also be pleased to meet to explore the issues further if that would be helpful.

I'm copying this letter to the Chief Secretary to the Treasury, James Murray MP, given that some of the issues may spill over into his area of responsibility.

Yours sincerely,

Cllr Keith Cunliffe
National Chair