



## 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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James Murray MP  
Chief Secretary to the Treasury  
HM Treasury

By email to: [ceu.enquiries@hmtreasury.gov.uk](mailto:ceu.enquiries@hmtreasury.gov.uk)

6 February 2026

Dear James,

### Local Growth Funds

I would like to raise concerns about the new Local Growth Funds for England, Scotland and Wales, and specifically issues that I suspect can only be resolved by HM Treasury.

I chair the Industrial Communities Alliance, the all-party association representing local authorities in the older industrial areas of England, Scotland and Wales. Our authorities cover many of the most disadvantaged parts of the country, badly hit by job losses over decades. As you might expect, we have a strong interest in all aspects of regeneration including the new Local Growth Funds due to come into operation in April.

As you will be aware, the new Funds focus on infrastructure, business support and skills development. These are the activities presently supported by the UK Shared Prosperity Fund (UKSPF) and before that by EU funding to the regions. These priorities align with the government's aim to promote growth and jobs, and they are strongly supported by our member authorities.

Our concerns are two-fold.

First, the UK Government is imposing **an unreasonable capital/revenue split**. At present around 80 per cent of UKSPF funding goes on revenue-funded projects. In Scotland and Wales, the UK Government's plan is to reduce this to just 30 per cent from April onwards, the rest going on capital projects. In England, the share going to capital spending also ramps up, though less abruptly.

The combination of a reduced overall budget for the Local Growth Funds (compared to the UKSPF) and the shift to capital spending is poised to take a sledgehammer to the revenue-funded services and jobs presently supported by the UKSPF. We estimate that in England alone 4,000 local authority jobs are directly supported by UKSPF monies, and probably at least as many in Third Sector organisations delivering UKSPF-funded services.

Additionally, the very tight timescale for capital spending – three years in Scotland and Wales, four in England – falls well short of the commitment in the Spending Review to establish “a new local growth fund, including 10-year capital settlements from 2026-27 to 2035-36”. We had thought the Treasury had learnt the lesson, so clearly demonstrated by Johnson-era levelling up initiatives, that it is unrealistic to expect meaningful capital projects to be delivered on short timescales.

Our other concern is **the reduction in funding**. UKSPF monies have been diverted to the Pride in Place initiative, lessening the monies available for the new Local Growth Funds, and in the devolved nations the money has explicitly been frozen in cash terms, meaning a real-terms cut.

In England, the Local Government Financial Settlement will not plug this gap because of the urgent claims of statutory services. The devolution of funding to combined authorities is not ‘new money’ and recent announcements on transport infrastructure spending, though welcome, are largely a reaffirmation of existing planned projects.

The net effect is that, on current plans, we anticipate a significant overall reduction in local and regional economic development activity in our areas.

We recognise that at the present time budgets have been set, so revisiting the financial quantum is an issue for the future.

However, in the immediate short-term much of the damage that is currently in train could be avoided by relaxing the proposed capital/revenue split. You may already have heard this argument from the Welsh and the Northern Irish Governments. It is one that the local authorities in our areas strongly support.

Indeed, it would make a great deal of sense to treat all local growth spending, whether capital or revenue, as an ‘investment’ in the future of our areas.

I look forward to hearing from you.

Yours,

A handwritten signature in black ink, reading "Keith Cunliffe". The signature is written in a cursive, flowing style.

Cllr Keith Cunliffe  
National Chair