

# DELIVERY OF LOCAL GROWTH FUNDING

Concerns regarding the administration of funds in Scotland and Wales

## BACKGROUND

The UK government is in the process of reforming local growth funding. A key pillar of this in the last spending round was the UK Shared Prosperity Fund (UKSPF) – the replacement for EU funding – which was strongly skewed to the least prosperous parts of the country, including parts of Scotland and Wales.

The government in Westminster has indicated a desire for the devolved administrations in Scotland and Wales to play a greater role in the delivery of local growth funding going forward. This is welcomed in principle by Scottish and Welsh member authorities of the Industrial Communities Alliance (ICA), which cover many of the most disadvantaged areas targeted by the UKSPF and ‘levelling up’ funding more generally. The devolved administrations were entirely bypassed during the last spending round, when UKSPF funding was allocated directly to local authorities.

Involving the devolved administrations makes sense because they are important players in their local economies, often with distinctive structures and initiatives of their own. However, such a move must not come at the cost of the involvement and expertise of local authorities.

## CONCERNS IN SCOTLAND AND WALES

ICA member authorities have raised a number of concerns regarding the involvement of the Scottish and Welsh Governments:

- Additional delays
- Bureaucracy and competitive bidding by the back door
- Top-slicing of funding
- Loss of focus on local need
- Question marks over devolved government capacity
- Undermining local government cooperation

These concerns are felt especially strongly in Wales, where local areas have for some years been major recipients of EU and now UKSPF funding. In Scotland smaller sums of money are involved but the same concerns are present.

### ***Additional delays***

Prior to the UKSPF, the arrangements for control of EU funding to the devolved nations were centralised and bureaucratic. Receiving funds directly from the UK government has allowed local authorities to react more quickly. There is concern that post-2026 funding decisions and funds being channelled via the devolved governments will add a layer of management, causing delay and uncertainty for projects.

The three-year horizon on the first round of UKSPF funding made delivery of transformational projects a significant challenge. Any additional delays stemming from devolved government intervention would make delivering projects extremely difficult. In Wales, especially, there is a resounding desire for a route to be found in which involving the Welsh Government does not lead to delays.

### ***Bureaucracy and competitive bidding by the back door***

Over the last spending period, local authorities have adapted to a new delivery architecture. In South East Wales, for example, authorities have put in place a UKSPF Lead Team headed by Rhondda Cynon Taf. This approach is now fit for purpose in dealing efficiently and effectively with budgets covering three to five years and has been getting excellent results.

Local authorities have stressed that additional administration and reporting expectations placed upon them by devolved governments would reduce this effectiveness without necessarily providing greater value for money. Furthermore, although competitive bidding to Westminster appears to be dead in the water (a move very much welcomed by ICA authorities) there are fears that funding channelled via the devolved governments might be subject to additional criteria and even competitive bidding between local authority partners.

### ***Top-slicing of funding***

In addition to potential delays and administrative burdens, there are concerns that the devolved governments may wish to reserve a portion of funding for their own projects. The reduction of the UKSPF from £1.5bn in 2024/25 to £900m in 2025/26 is already set to cause substantial damage to service delivery, especially in Wales where this represents multi-million-pound cuts in spending. Any further reduction resulting from top-slicing funding would cause even more harm to local growth activities.

### ***Loss of focus on local needs***

At present, local authorities are much more engaged in the programmes they deliver than used to be the case with EU funding, which in Wales for instance was centrally administered by the Welsh European Funding Office (WEFO). Local authorities are now involved at all key decision points and elected members are effectively informed about local activities and investments.

In Wales, there is broad agreement that the UKSPF has been working well. This is due in no small part to the fact funds were allocated to local authority level, enabling initiatives to be specifically targeted to meet local needs.

### ***Question marks over devolved government capacity***

With the dissolution of the bodies that administered EU funding, questions have been raised regarding whether the devolved governments would have the capacity to administer local growth funds that succeed the UKSPF. A substantial number of the people and skills have been lost, and in the current financial situation it is unclear whether resources are available to recruit replacements. It would not be easy to 'get the old band back together'.

### ***Undermining local government cooperation***

Over the last three years, local authorities in Scotland and Wales have cooperated to deliver regional-level programmes. Perhaps because all the authorities are unitaries, there is a more collegiate relationship than perhaps exists in parts of England, where lower-tier authorities can be reluctant to release funds up to an upper tier, or where combined authorities may hog the available resources.

The Corporate Joint Committees (CJCs) in Wales and the City Regions in Scotland are viewed as partnerships of equals that are now working well together. There exists a willingness to pool resources to deliver projects at a regional level where appropriate and ICA member authorities would not want this cooperation to be disrupted.

## **CONCLUSION**

These concerns have been discussed in depth at Scottish and Welsh meetings of the Industrial Communities Alliance. Member authorities recognise the need to reform funding architecture. However, they would urge policy makers in Westminster and the devolved administrations to be alert to the concerns outlined.

As local authorities will ultimately bear responsibility for delivering many local growth programmes, it is important that they are not simply presented with a solution agreed between the UK and devolved governments. Instead, authorities wish to be full participants throughout any decision-making process so as to ensure value for money and effective delivery of local growth programmes.

***Industrial Communities Alliance  
February 2024***