LOCAL GROWTH FUNDING
Major flaws in the current proposals for Wales

1. A further cut in overall funding

The new Local Growth Fund is intended to replace 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) and the new budget line is also required to fund the UK government's Pride in Place neighbourhood initiatives. That leaves £547m over three years for the new Local Growth Fund in Wales – **a cut of 13% (in cash terms) on top of the 40% cut to the UKSPF already imposed in 2025-26**.

2. Top-slicing by the Welsh Government

All the UKSPF monies are presently routed through local authorities. The consultation issued by the Welsh Government proposes that in future a proportion of the (now smaller) Local Growth Fund will be held back to fund national schemes. **This further reduces the funding available to local authorities and the activities they currently support via the UKSPF**.

3. A 70/30 split in terms of capital and revenue spending

UKSPF expenditure is presently weighted heavily in favour of revenue spending, funding services such as business support, training and employability. Local authorities understand that the proposed split for the new Local Growth Fund is 70/30 in favour of capital spending. Coming on top of the reductions arising from the cut in the overall funding and from the proposed top-slicing, **this split threatens to take a sledgehammer to the revenue-funded services presently supported by the UKSPF**.

4. An unworkable timescale for capital spending

Meaningful capital projects simply cannot be delivered in a three-year timescale through to the end of the forthcoming Spending Round. This is one of the hard-won lessons of the deeply flawed 'levelling up' initiatives introduced by the previous Westminster government. It takes time to secure permissions and then to work through competitive bidding to issue contracts, let alone to deliver on-the-ground. The Treasury has been moving away from short-term capital spending in its dealings with English mayoral authorities so **why is this anachronistic failed approach being applied to Wales?**

The consequences of the flawed proposals

If the Local Growth Fund goes ahead in Wales as currently planned it will have dire consequences:

- The destruction of most of the business support, training and employability services that have hitherto been supported by the UKSPF

- The loss of hundreds of jobs across local authorities among staff employed to deliver these services

At a meeting on 14 November, Bridgend CBC reported that 66 jobs in the authority are currently funded by the UKSPF. Neath Port Talbot CBC put the figure in its authority at around 100. Caerphilly CBC put its figure at around 80. These authorities are far from alone.

Because UKSPF funding is currently scheduled to run out at the end of the present financial year, consultation on redundancies would have to begin at the start of December, with redundancy notices issued no later than 7 January.

Is there a way out of this crisis?

Yes. However, it has to be recognised that in the present circumstances simply asking for ‘more money’ won’t work. The solution lies in what the money is spent on.

The key is to **move away from the 70/30 split in favour of capital spending**. A very different split – say 80/20 in favour of revenue spending – 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.

This would involve **re-profiling capital spending**, not cutting it altogether. A significant proportion 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.

Alongside this, **top-slicing needs to minimised** to maintain as much funding as possible within the reduced overall budget to support current services and jobs.

Industrial Communities **Alliance**

The Industrial Communities Alliance is the all-party association of local authorities in the industrial areas of England, Scotland and Wales