



**Glasgow City Region Cabinet**

**Report by: Kevin Rush, Director of Regional Economic Growth**

**Contact: Mike McNally**  
[michael.mcnally@glasgow.gov.uk](mailto:michael.mcnally@glasgow.gov.uk)

### **New Local Growth Fund Update**

#### **Purpose of Report:**

The report provides an update on the new Local Growth Fund (LGF) budget announcement, initial programme parameters and proposed Revenue and Capital allocation methodologies for the Glasgow City Region and individual Member Authorities.

#### **Recommendations:**

The City Region Cabinet is asked to:

- a) Note the content of the report
- b) Approve the allocation methodology, as noted in Section 4

## 1 Purpose of the Report

1.1 The report provides an update on the new Local Growth Fund (LGF) budget announcement, initial programme parameters and proposed Revenue and Capital allocation methodologies for the Glasgow City Region and individual Member Authorities.

## 2 Background

2.1 At the UKG Spending Review, 11 June 25, the UKG made a commitment to 'regional growth and devolution' and advised funding in Scotland, Wales and Northern Ireland would receive the same overall level in cash terms for 2026/2027 to 2028/2029 as it is for UKSPF 2025/2026.

2.2 UKG confirmed that from 2026/2027 UKG will provide targeted, long-term funding to support local growth across the UK, completing the transition from the UKSPF. For the next three years, this funding across the four new programmes will be at the same overall level in cash terms as under the UKSPF in the current year. For Scotland this is approx. £76m p.a., and approx. £238m over the SR period (up to FY 2028/2029).

2.3 There are four funding streams that make up the Local Growth Fund:

- Pride in Place Programme (PIPP) Phase 2
- Pride in Place Impact Fund (PIPIF)
- New Local Growth Fund (LGF)
- Growth Mission Fund

2.4 The PIPP, PIPIF and the Growth Mission Fund were all confirmed on, or before, the UKG Autumn Budget Statement (26 November 2025), with the new Local Growth Fund awaiting finalisation. Within the Glasgow City Region allocations under the first three interventions are noted in Table 1:

Intervention	2026/27	2027/28	2028/29
Pride in Place	£3,786,000	£11,413,000	£14,711,00
PIP Impact Fund	£3,000,000	N/A	N/A
Growth Mission Fund	£5,000,000	£5,000,000	£5,000,000
<b>Total</b>	<b>£11,786,000</b>	<b>£16,413,000</b>	<b>£19,711,000</b>

Table 1; Local Growth Fund Total Interventions

2.5 UKG announced the new LGF allocations on Thursday 8 January 2026.

2.6 Table 2 provides a summary of both the Capital and Revenue allocations for Scotland and Glasgow City Region (GCR):

	Revenue Funding			Capital Funding			Total Funding		
	2026/27	2027/28	2028/29	2026/27	2027/28	2028/29	2026/27	2027/28	2028/29
<b>Scotland</b>	£15,800,000	£15,500,000	£11,000,000	£36,300,000	£33,900,000	£27,400,000	£52,100,000	£49,400,000	£38,400,000
<b>GCR</b>	£6,900,000	£6,700,000	£4,800,000	£15,800,000	£14,800,000	£11,900,000	£22,700,000	£21,500,000	£16,700,000

Table 2. Scottish and GCR NLGF three-year allocations

2.7 In a further policy shift from UKSPF to the new LGF, allocations have now been determined at a Regional Economic Partnership (REP) level, rather than individual Local Authority.

2.8 GCR will receive 43.5% of the overall Scottish new LGF allocation over the three years of the funding period. However, it should also be noted that three Scottish regions: Highland, North-East Scotland and South of Scotland will not receive any LGF allocation. Table 3 provides a breakdown of the full Scottish LGF allocation:

Region Economic Partnership (REP)	Total (3 Yr) NLGF Allocation
Ayrshire	£11.8m
Edinburgh & SE	£37.8m
Forth Valley	£9.8m
GCR	£60.9m
Tay Cities	£19.5m
<b>Total</b>	<b>£140m</b>

Table 3. REP NLGF three-year allocations

2.9 UKG have determined the LGF allocation methodology based on the regions of Scotland that have the lowest Real Disposable Household Income (RDHI) per capita. UKG have also indicated the allocation methodology is guided by a set of core principles:

- *Strategic Objectives: The Local Growth Fund supports the UK Government's Growth Mission to improve living standards for working people by investing in the regions that contain the areas with the lowest Real Disposable Household Income (RDHI) per capita. It will provide strategic flexible funding for investment to drive economic growth, with details on investment themes and interventions to be set out in due course.*
- *Geographic levels and institutions: Funding is delivered through the highest level of local governance to enable strategic decision-making across interconnected ecosystems of firms, institutions, supply chains, and labour markets. Regional Economic Partnerships (REPs) are collaborations between local government, the private sector, education and skills providers, enterprise and skills agencies and the third sector to deliver economic prosperity across Scotland's regions. REPs are used to reflect functional economic areas (FEAs) with sufficient scale to support agglomeration benefits.*
- *Targeting: Targeting 5 REPs which contain the areas with the lowest living standards (RDHI per capita) is essential to achieving the intensity of funding required for the intended policy objective of improving living standards for working people within the constraint of the overall funding envelope. RDHI per capita varies more significantly between local authorities than REPs and so is most suited to identifying the places most in need of investment to improve living standards.*

2.10 Each of the 32 Scottish Local Authorities are ranked according to RDHI per capita, averaged over the latest 3 years of available data (2021, 2022, 2023). RDHI per capita is calculated by applying final consumption expenditure deflators to Gross Disposable Household Income per capita.

2.11 Each Local Authority is matched to their corresponding REP(s) and the first 5 unique REPs for the Local Authorities with the lowest RDHI per capita are categorised as eligible.

2.12 This funding is allocated across the 5 eligible REPs in proportion to their population. The [latest mid-2024 population estimates](#) for each Local Authority is downloaded from NRS and aggregated to give a total for the 5 REPs. Each REP's percentage of

the total is then calculated and the funding for each year allocated in proportion to the calculated percentage.

### 3 New Local Growth Fund – Policy Intent

- 3.1 On announcing the new LGF, UKG stated the programme will “fund regional projects which will drive economic growth. That might mean projects like infrastructure investment, business support, or skills development - projects which will make a real difference in terms of skilled jobs and people’s prosperity”.
- 3.2 As noted in section 2,7, funding has been allocated at regional level, via Regional Economic Partnerships (REPs), to enable strategic decision-making and maximum growth impact. Allocations have been allocated across the five eligible REPs in proportion to their population.
- 3.3 While the Scottish LGF guidance is still awaited UKG have indicated it will follow a similar framework to the English guidance. The high-level logic model for Local Growth Fund, noted in Figure 1, provides the parameters for the programme;

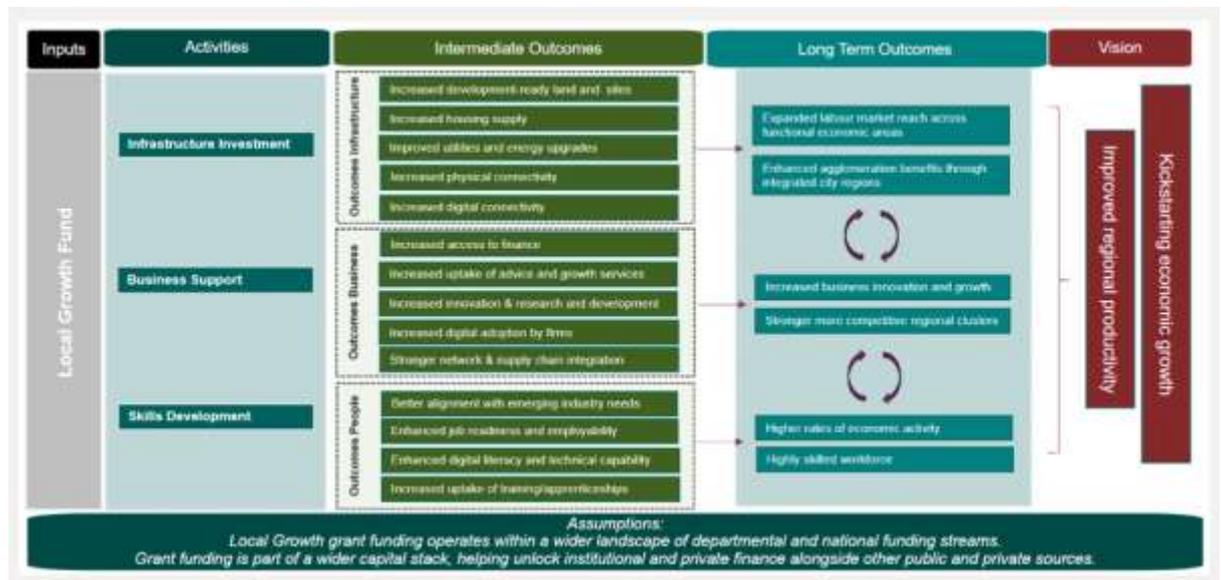


Figure 1: LGF Logic Model

- 3.4 UKG have also made clear the new LGF is not a successor programme to UK Shared Prosperity Fund (UKSPF) and as a result EU Structural Funds, but a completely new policy intervention.

### 4 Transition from UKSPF to LGF – Revenue and Capital

- 4.1 As noted in Section 3, UKG have made clear the new LGF has a different policy focus from previous UKG funding and that ‘core revenue’ economic development activity should not be directly funded by UKG. However, following significant pressure from GCR and local authorities, they have indicated that given the reliance on UKSPF to support Local Authority funded activity, a ‘transition’ year would be considered, to provide some continuity of budget. This transition year allows an effective plus one year, with each Member Authority receiving an allocation of the 26/27 revenue budget, to allow some continuity of provision.

4.2 It should be noted that, even with individual allocations to Member Authorities, this is a very significant reduction in revenue funding for the city region’s authorities.

4.3 While the full LGF guidance is awaited, UKG have indicated this won’t be available until March 2026, UKG have confirmed that REPs are required to develop a ‘Credible Plan’ outlining proposed delivery over the 3-year funding period. This Credible Plan process will follow a similar approach taken for the original UKSPF Investment Plan in 2022 and agreed by Cabinet.

Following ongoing engagement with UKG, they have clarified *‘the feedback from REPs that LA-level management of RDEL in year 1 would be helpful to support a regional transition on RDEL in year 2 and year 3. While we are unable to confirm the final approach until March, we anticipate that year 1 RDEL flexibility is likely and so would be comfortable if you indicatively planned on that basis.’*

*‘We would encourage you to plan that the entire LGF funding allocation will be paid to the Lead Local Authority for the REP this summer. The REP will need to decide (via its usual governance mechanisms) on its approach to allocating funding/delegating RDEL funding to individual LAs for year 1, and set this out in the Investment Plan.’*

4.4 Given this guidance from UKG, it is proposed that the UKSPF +1 year (2025/26) allocation methodology is used to allocate the Revenue budget for 2026/27, to support this transition year. This approach will then enable individual MAs to plan for Revenue funding in 2026/27, helping to support established Business Support and Skills (Employability) interventions. It was confirmed to the Chief Executives’ Group that this allocation methodology is only for Revenue funding in 2026/27 and a new methodology would be developed for the Revenue allocation in the subsequent two years of the programme.

4.5 Table 4 below provides a summary of the proposed Revenue allocation to individual MAs for 2026/27;

	<b>2026/27</b>	<b>Proportion</b>
E. Dunbartonshire	£269,100	3.90%
E. Renfrewshire	£255,300	3.70%
Glasgow City	£2,773,800	40.20%
Inverclyde	£365,700	5.30%
N. Lanarkshire	£1,414,500	20.50%
Renfrewshire	£483,000	7%
S. Lanarkshire	£938,400	13.60%
W. Dunbartonshire	£400,200	5.80%
Total	£6,900,000	100%

Table 4 2026/27 Proposed Allocation, based on 2025/26 methodology

4.6 For the Capital allocation, UKG have emphasised the requirement for regional activity at scale and of impact, particularly where the intermediate outcomes are considered:

- Increased development-ready land and sites
- Increased housing supply
- Improved utilities and energy upgrades
- Increased physical connectivity

- Increased digital connectivity

UKG has confirmed in writing to the GCR PMO that *'The entire LGF CDEL funding allocation will need to be focussed on delivering regional outcomes'* and we await further clarity on what this will mean in practice.

- 4.7 With this guidance, it is proposed that the GCR PMO work with the EDG to develop an approach, for regional projects of scales, possibly enhancing the City Deal, Enabling Commercial Space programme, Green Business Grants and other place-based interventions. With the finalised Credible Plan being agreed by the Chief Executives' Group and Cabinet in advance of submission to UKG.

## **5 Next Steps**

- 5.1 With the approval of the allocation methodology outlined in Section 4 the GCR PMO will work with MA Lead Officers to develop the detail of the GCR LGF Credible Plan and with the EDG to develop an approach for the LGF Capital allocation.

## **6 Recommendation**

- 6.1 The City Region Cabinet is asked to:
- a) Note the content of the report
  - b) Approve the allocation methodology, as noted in Section 4