

Local Growth Fund

February 2026



The Welsh Parliament is the democratically elected body that represents the interests of Wales and its people. Commonly known as the Senedd, it makes laws for Wales, agrees Welsh taxes and holds the Welsh Government to account.

An electronic copy of this document can be found on the Senedd website:
www.senedd.wales/SeneddEconomy

Copies of this document can also be obtained in accessible formats including Braille, large print, audio or hard copy from:

Economy, Trade and Rural Affairs Committee
Welsh Parliament
Cardiff Bay
CF99 1SN

Tel: **0300 200 6565**

Email: **SeneddEconomy@senedd.wales**

X: **[@SeneddEconomy](https://twitter.com/SeneddEconomy)**

© **Senedd Commission Copyright 2026**

The text of this document may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not used in a misleading or derogatory context. The material must be acknowledged as copyright of the Senedd Commission and the title of the document specified.

Local Growth Fund

February 2026



About the Committee

The Committee was established on 23 June 2021. Its remit can be found at:
www.senedd.wales/SeneddEconomy

Current Committee membership:



**Committee Chair:
Andrew RT Davies MS**
Welsh Conservatives



Hannah Blythyn MS
Welsh Labour



Alun Davies MS
Welsh Labour



Luke Fletcher MS
Plaid Cymru



Samuel Kurtz MS
Welsh Conservatives



Jenny Rathbone MS
Welsh Labour

The following Member attended as a substitute during this inquiry.



Tom Giffard MS
Welsh Conservatives

Contents

Chair’s foreword	5
Recommendations and Conclusions	7
1. Background	9
Funding	11
Delivery arrangements	12
The Committee’s work on the fund.....	12
Glossary.....	13
2. The role of the UK Government	14
Our view	15
3. Challenges and opportunities from the Local Growth Fund....	17
Capital and revenue split.....	17
Delivering impactful capital projects in a short timeframe.....	20
Delivering on the fund’s ambitions.....	22
Our view	22
4. Delivering the Fund.....	25
Levels of delivery.....	25
A risk of two programmes	28
The role of CJsCs	28
Our view	30
5. Targeting funding to maximise impact	32
Rural challenges.....	32
Distribution of funds.....	33
Our view	35

Annex 1 : List of oral evidence sessions 36
Annex 2: List of additional written evidence..... 37

Chair's foreword

When we were gathering evidence for this inquiry we heard that Wales was about to hit the “anniversary from hell”. That is to say, for around 100 years we have been experiencing relative economic decline. That economic decline is at the root of so many other challenges we face as a nation, addressing it needs to be the number one priority of the next Welsh Government.

While the Local Growth Fund (LGF) is not going to turn around our economy on its own, particularly as it is so much smaller than the funds it replaces, the LGF needs to be a key tool to promote economic development. However, the Committee has some serious concerns about the Fund's structures and the plan for delivery. This report makes seven recommendations which, if acted upon, will help to correct those problems and support the Fund to play a vital role in supporting economic and social development in some of our most vulnerable communities.

We are concerned about the UK Government's potential role in the LGF. While we hope the two Governments will work well together and that cooperation will bear economic fruit, economic development is a devolved matter. As such, the Welsh Government should be primarily accountable to the Senedd not the UK Government for its performance in delivering the Fund.

We are unhappy with the capital-heavy nature of the Fund. We heard capital projects will be difficult to deliver in the three-year timeframe, and there is a real risk to the jobs of people who are currently employed via revenue funding from the Shared Prosperity Fund. We are seriously concerned about the potential for considerable job losses, as well as the loss of workers' skills and experience.

We believe the LGF must be targeted to where the money will create the most development. There is often a tendency to spend public money where it will create the most economic impact, but that is typically where the market is already providing jobs, growth and relative prosperity. I have sympathy with that approach. However, given the intended purpose of this Fund, it needs to be targeted where it will create the best development outcomes. That is to say where the market is failing and where it can generate meaningful and sustainable economic growth, but also social and community growth.

Finally, we are deeply concerned about the ability of Corporate Joint Committees (CJCs) to deliver the regional element of the Fund. In previous work the Committee has undertaken on City and Regional Growth Deals, we have been

unimpressed with certain CJsCs' delivery of those programmes. While I don't want to tar all CJsCs with the same brush, it is vital the LGF does not fall to the same fate as the worst performing Growth Deals.

I would like to thank everyone who took the time to give evidence to this inquiry. I hope the Welsh Government takes the recommendations in this report, drawn from that evidence, onboard and the LGF can play a role in making sure this is the last anniversary from hell we will have to mark.

Andrew RT Davies MS

Chair

Recommendations and Conclusions

Recommendation 1. The Welsh and UK governments should use the Memorandum of Understanding they are currently developing in relation to the LGF to clarify the role of the UK Government in reviewing annual progress in relation to the Fund, and that this will not affect the Welsh Government’s decision-making role. The Memorandum of Understanding should also outline that primary accountability for delivery of the Fund is to the Senedd..... Page 16

Recommendation 2. The Welsh Government should continue pressing the UK Government to amend the split between capital and revenue in favour of increased revenue spending at the start of the LGF, in order to deliver a better transition. Page 23

Recommendation 3. Given that the UK Government does not currently intend to move on the capital-revenue split of the funding, the Welsh Government should set out the specific steps it is taking to work with local authorities to minimise job losses, resulting from the move from the SPF to the LGF and to retain economic development expertise, skills and institutional memory..... Page 24

Recommendation 4. The Welsh Government should work with partners to take on the creative thinking challenge around what the funding could be spent on and ensure good capital investments in equipment, premises and sites can be made. However, overall goal of LGF spending must be to drive social and economic growth via sustainable economic development..... Page 24

Recommendation 5. The Welsh Government should develop a suite of outcome-focussed targets for the Fund, based on clear, measurable Key Performance Indicators. It should also develop a robust framework for measuring progress. Page 24

Recommendation 6. The Committee has serious concerns about CJC’s ability to deliver the LGF. This is due to our previous work uncovering major shortcomings in some CJC’s delivery of other economic development programmes. The Welsh Government must strongly consider any alternative models to using CJC’s for regional delivery that are suggested in the public consultation. As the CJC’s are yet to prove their ability to deliver economic programmes in a way that tackles economic deprivation, if the Welsh Government does use them as the delivery vehicle for regional elements of the fund, CJC’s will need additional supervision and direction to ensure that they develop approaches that focus on developing

areas of deprivation, not focussing on ‘easy wins’. As part of this, the Welsh Government must ensure their performance can be monitored effectively through regularly assessing their progress against tangible, measurable outcomes. Page 30

Recommendation 7. When developing its approach to funding allocations, the Welsh Government must ensure funding is directed to where need is most acute, and should give a clear indication to those delivering funds that this is expected of them. The Welsh Index of Multiple Deprivation should play a key role in the methodology for allocating funding at a regional level, as should ensuring that allocations support rural areas of deprivation. The Index should also be used to help track progress and outcomes of LGF investments. Page 35

Conclusion 1. We are disappointed with the large reduction in funding received by Wales though the LGF compared to the previous economic development schemes as this means there will be less money to invest in, and support, our most vulnerable communities. Page 11

1. Background

Professor Kevin Morgan told the Committee we are “about to approach what I’d call the anniversary from hell, which is a century of relative economic decline”. He went on to explain that, to rectify this, Wales needs “some serious firepower” in the form of “a big vision” for development, not just economic growth.¹

1. The Local Growth Fund (LGF) is a new economic development fund created by the UK Government. It is the latest iteration of a replacement for EU development funding and will operate across the UK.² Wales will receive £547 million from the Fund over this and the next two financial years. Whilst Members acknowledge this funding will not alone solve the ‘century of decline’, the Committee believes it needs to play a key role in setting and delivering that ‘big vision’ and bringing development and economic growth to areas which need it most.

2. The LGF is the successor to the Shared Prosperity Fund (SPF) – although the Welsh Government is keen to maintain that it should not be seen as a continuation of the SPF. Instead, the Cabinet Secretary for Economy, Energy and Planning (the Cabinet Secretary) told the Committee it is “a fund that is there to drive forward the delivery of the industrial strategy and wider economic development.”³

3. The UK Government has set out three broad themes for the Fund:

- Support for Business;
- Skills and employment support for growth; and
- Enabling the growth of local infrastructure.⁴

¹ Economy, Trade and Rural Affairs Committee 18/12/25 Paragraph 9

² Whilst the fund will run across the UK, there are different arrangements for delivery across each nation.

³ Economy, Trade and Rural Affairs Committee 29/01/26 Paragraph 348

⁴ Welsh Government, [Proposals for an approach to the UK Local Growth Fund in Wales](#)

4. The Welsh Government’s main objective for the LGF is to “support productivity growth and tackle issues leading to economic inequalities across Wales”. It has proposed a number of strategic objectives for the three broad themes, but its consultation notes that:

“Even with a narrower set of objectives, the need for prioritisation and coordination of available funding will mean not all activity will happen everywhere. Each region will have different local and regional needs and opportunities, and each will need to prioritise to maximise cumulative impacts.”⁵

5. The Welsh Government will play a much larger role in decision making and administration for the LGF than they did with the SPF. The Welsh Government’s consultation document states:

“Powers and decision-making over this post EU funding have been returned to the Welsh Government so we can decide with our Welsh partners how it will be spent in Wales. Alongside joint initiatives like the City and Growth Deals, Freeports and Investment Zones, this is the UK and Welsh Government working together to unlock growth and deliver for Wales.”⁶

6. In November 2025 the Welsh Government opened a six week consultation on proposals for the new Local Growth Fund. They stated this was to ensure that they are ready to implement this fund from April 2026.

7. The UK Government has also announced a Pride in Place fund, which will provide £280 million funding to 14 communities across Wales. The UK Government claim this will enable “Local people to make decisions on how funding will transform high streets, save treasured local facilities and build pride in their local area”⁷.

8. However, the UK Government has directed local authorities to choose only one area to receive this money rather than allowing them to determine how to maximise the impact of this investment. The Committee believes the way the UK

⁵ Welsh Government consultation: [Proposals for an approach to the UK Local Growth Fund in Wales](#)

⁶ Welsh Government, [Proposals for an approach to the UK Local Growth Fund in Wales](#)

⁷ Gov.uk [£214m new funding for Welsh communities to improve neighbourhoods and restore pride](#)

Government is working directly with Local Authorities, cutting out the Welsh Government, has echoes of the approach taken with the Shared Prosperity Fund. The Committee is concerned that the funding allocated to the programme has been top-sliced from overall spending on local growth, and believes this should have been included in the LGF.

Funding

- 9.** The UK Government is providing £547 million to Wales for the LGF between 2026-27 and 2028-29, which works out at around £182 million per year. This is less than was received under both the SPF and EU Structural Funds.
- 10.** The Welsh Government had called for Wales to receive the higher of either 22.5 per cent of the total UK allocation for the Fund, or £343 million per year updated for inflation through the LGF.⁸ This is the annual level of funding required to maintain or exceed funding received through EU Structural Funds once inflation is taken into account.
- 11.** The Industrial Communities Alliance (“ICA”), who represent local authorities in industrial areas across Great Britain, calculates the annual funding Wales will receive through the LGF has been reduced by almost half in comparison to the level of funding Wales received through the SPF in 2024-25.⁹
- 12.** In 2023 this Committee held an inquiry into Post-EU regional development funding. Amongst other things, it reviewed the dispute occurring at the time between the UK and Welsh Governments as to whether the UK Government had met its manifesto commitment to match at least the funding Wales received through the European Social Fund and the European Regional Development Funds.¹⁰ Although the Committee acknowledges that pledge was made by the previous UK Government and there were disagreements as to if it was met, Members are disappointed that commitment has not been kept for the LGF.

Conclusion 1. We are disappointed with the large reduction in funding received by Wales through the LGF compared to the previous economic development schemes as this means there will be less money to invest in, and support, our most vulnerable communities.

⁸ [www.gov.wales: Regional Investment in Wales Steering Group meeting, 10 April 2025: minutes](https://www.gov.wales/Regional-Investment-in-Wales-Steering-Group-meeting-10-April-2025-minutes)

⁹ Industrial Communities Alliance, [A briefing note: The UK Government's new neighbourhood initiatives](#), October 2025

¹⁰ Economy, Trade and Rural Affairs Committee, [Post-EU Regional Development Funding report](#)

Delivery arrangements

13. The Welsh Government will have overall responsibility for managing the LGF in Wales, and will be accountable to the UK Government and Senedd for its performance in managing the Fund. Funding will be released each year by the UK Government, subject to an annual review process. This will be a change in approach from the current arrangements under the SPF, where the UK Government has worked directly with local authorities, bypassing the Welsh Government.¹¹

14. The Welsh Government intends the majority of the LGF to be planned, prioritised and managed at the regional level, although the balance between national, regional and local funding has not yet been decided. It proposes to support the four Corporate Joint Committees (CJCs) to lead this work, following a transition period where it expects to use existing SPF delivery structures. Funding would be released following a CJC developing a ten-year vision and a three-year delivery plan, which will need to be agreed with the Welsh Government.¹²

15. The Welsh Government anticipates it will need to use existing SPF structures for the first year of the LGF, and says “Our priority will be to retain capacity and capability in areas which support the objectives of the Local Growth Fund whilst regional plans are developed”. It will work with partners to agree areas where existing interventions “add value, don’t duplicate existing or planned provision, and fit with our Local Growth Fund Investment Plan”, and will look at how this capacity can be retained.¹³

The Committee’s work on the fund

16. The Committee decided to hold a short inquiry into the LGF. The terms of reference were:

- The Welsh Government’s proposed funding and delivery arrangements for the Local Growth Fund from April 2026.
- The extent to which the Welsh Government’s proposals for the Local Growth Fund are likely to achieve its objective of supporting productivity growth and tackling issues leading to economic inequalities.

¹¹ Welsh Government, [Proposals for an approach to the UK Local Growth Fund in Wales](#)

¹² Welsh Government, [Proposals for an approach to the UK Local Growth Fund in Wales](#)

¹³ Welsh Government, [Proposals for an approach to the UK Local Growth Fund in Wales](#)

- Whether any elements of the Welsh Government’s proposals for the Local Growth Fund should be changed, including which elements these might be, and why.
- The key lessons that can be learned from previous regional development funding arrangements such as EU Structural Funds and the Shared Prosperity Fund. The extent to which the Welsh Government’s proposals apply these lessons.

17. Given the time remaining in this Senedd term, and the tight timeframe Welsh Government decided on for to design the funds, the Committee held a one day evidence gathering session with stakeholders on 18 December 2025. Members heard from academics, local authorities and business. The Committee then took evidence from the Cabinet Secretary on 29 January 2026.

18. The Committee would like to thank everyone who gave evidence to this inquiry.

Glossary

Acronym	Meaning
LGF	Local Growth Fund
SPF	Shared Prosperity Fund - introduced by the previous UK Government this was main replacement for the EU Regional Development Fund.
CJC	Corporate Joint Committee - There are four CJCs in Wales. They were established in 2021 and hold similar powers to Local Authorities. They have a role in regional planning, co-ordination and delivery of transport, land use planning, economic development and energy and are made up of the leaders of the councils and any national park authorities within their regions.

2. The role of the UK Government

19. The Welsh Government will have overall responsibility for managing the LGF in Wales but the UK Government will also play a role in determining the direction of the Fund. The Welsh Government will report to the Senedd on its performance in managing the Fund, and will report to the UK Government through an annual review process.¹⁴ As economic development is a devolved matter, the Committee is concerned about the amount of control the UK Government will have over the LGF.

20. Councillor Rob Stewart told the Committee he felt lessons had been learnt from the SPF and:

“having an ability to align our programmes with what Welsh Government are doing at a national level and what UK Government are doing on a national level will be of benefit to all.”¹⁵

21. The ICA noted that the Scottish Government had “stepped to one side with the local growth fund in Scotland, and has basically told the Scotland Office in Westminster that they can deal directly with the local authorities because the Scottish Government wants nothing to do with the scheme”. However, they also pointed out that the quantum of funding for the scheme was much lower in Scotland than Wales.¹⁶

22. The Cabinet Secretary set out the anticipated relationship between the UK and Welsh Government as:

“In terms of agreeing the returning of decision making, Welsh Government is the accounting officer for the £547 million fund, but the relationship that we have is broadly similar to the structural funds era. So, what it does mean is that there will be a very light-touch relationship, as compared to Europe, with the UK Government. The intention is to have an annual review with the UK Government, where we would share progress information on how the fund is delivered in

¹⁴ Welsh Government, [Proposals for an approach to the UK Local Growth Fund in Wales](#)

¹⁵ Economy, Trade and Rural Affairs Committee Paragraph 18/12/25 Paragraph 195

¹⁶ Economy, Trade and Rural Affairs Committee Paragraph 18/12/25 Paragraph 118

Wales, again similar to the EU way of working, but also much more light touch and flexible.”¹⁷

23. She went on to explain:

“we’re at the point at the moment of discussing a Memorandum of Understanding with the UK Government, and that will formalise arrangements to ensure that our expectations are aligned. But they are standard practice, where we are using UK Government wider programmes, so free ports, for example, investment zones. So, this is a wider UK Government programme, technically, even though we are having the funding returned to us as accounting officers, and the power to develop the schemes and the investment plans.”¹⁸

Our view

We welcome that decision-making powers have been returned to the Welsh Government in relation to the LGF. We appreciate that the UK Government is providing the funding for the LGF, and that a joined-up strategic approach where governments work together can have benefits.

However, we are also mindful that economic development is a devolved area. As the Welsh Government will need to get sign off from the UK Government through the annual review process prior to the release of funds, we are concerned the UK Government is seeking to exert an unacceptable level of control over the Fund. We would like assurance that the relationship between the two governments will be “light touch and flexible” in the way the Cabinet Secretary suggested, and not impact on the agreement that the Welsh Government has the decision-making role for the fund’s operation in Wales.

We believe the Welsh Government should be accountable to Members of the next Senedd and our successor Committee in relation to the Fund, not to the UK Government. We understand the Welsh and UK governments are developing a Memorandum of Understanding in relation to the Fund, and would like this to provide clarity on arrangements, and address our concerns.

¹⁷ Economy, Trade and Rural Affairs Committee Paragraph 29/01/26 Paragraph 337

¹⁸ Economy, Trade and Rural Affairs Committee Paragraph 29/01/26 Paragraph 343

Recommendation 1. The Welsh and UK governments should use the Memorandum of Understanding they are currently developing in relation to the LGF to clarify the role of the UK Government in reviewing annual progress in relation to the Fund, and that this will not affect the Welsh Government's decision-making role. The Memorandum of Understanding should also outline that primary accountability for delivery of the Fund is to the Senedd.

3. Challenges and opportunities from the Local Growth Fund

Capital and revenue split

24. One of the UK Government’s requirements of the LGF in Wales is that 70 per cent of funding should be capital spend with the remaining 30 per cent being revenue. This marks a departure from the SPF, where the majority of funding had been revenue.¹⁹

25. The move from mostly revenue to capital funding has been criticised by a number of organisations. The ICA told the Committee:

“[the] split between capital and revenue spend, which is expected now for the next three years, is entirely impractical to put into place. It’s been revised in favour of capital spend, in the three-year period, as opposed to revenue spend. The arrangement that was in place for the Shared Prosperity Fund, and has been operating and everybody’s got used to that, was roughly 70 per cent revenue spending, 30 per cent capital spending. That has been completely turned around the other way and there are tremendous consequences to that.”

26. In a policy paper the ICA warned the change will have “dire consequences” including:

- *“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”²⁰*

27. The ICA later provided further evidence reiterating their concerns about the capital/revenue split.²¹

¹⁹ Gov.uk [UK Shared Prosperity Fund: prospectus](#)

²⁰ [Local Growth Funding: Major flaws in the current proposals for Wales](#)

²¹ Additional evidence: Industrial Communities Alliance

28. Professor Kevin Morgan told the Committee that the switch from revenue to capital risks losing expertise from local authorities:

“They [local authorities] began to rebuild capacity under the Shared Prosperity Fund ... because it was weighted towards revenue and it enabled them to hire people with skill sets to begin to deliver these policies. But now, I fear, with the reversal of the 70:30 split, these people are already being served with redundancy notices. And that’s one of the tragedies in Wales. We’ve been doing this for 100 years, but we don’t seem to have learned the lessons and built up expertise and learned from previous programmes. And if we lose these people now, we’re losing all that learning capacity, so there’s no institutional memory left.”²²

29. Councillor Rob Stewart warned:

“One of the challenges with the split that’s been proposed in terms of revenue/capital is that we’ve got, across Wales, over 2,000 people employed on programmes that are supported through the current SPF programme, through the revenue that’s provided. And obviously, as that gets converted to capital, unless there are some flexibilities within that, which I know ourselves and Welsh Government have asked UK Government to permit, then there could be some significant impacts.”

“it came as a surprise to all of us to see some greater flexibility in England than we’ve seen in Wales and the other devolved nations. So, that is something that we’re pushing for parity on, because they do underpin employability programmes, programmes that help people into work and help us to bring forward people with skills into the workforce.”²³

30. The UK Government’s 2025 Budget included a policy statement for the LGF in England with different arrangements for revenue and capital. The LGF in

²² Economy, Trade and Rural Affairs Committee Paragraph 18/12/25 Paragraph 48

²³ Economy, Trade and Rural Affairs Committee, Paragraph 18/12/25 138

England will transition from around 75 per cent revenue and 25 per cent capital in 2026-27 to around 40 per cent revenue and 60 per cent capital in 2028-29.²⁴

31. The UK Government has also set out details of its plans for funding the LGF in Scotland, where it will work directly with Regional Economic Partnerships to deliver the fund rather than with the Scottish Government. The funding split for Scotland are similar to what has been proposed for Wales²⁵.

32. The Cabinet Secretary told the Committee she would have preferred a split more akin to the SPF:

“We would have preferred to have seen something more akin to the previous Shared Prosperity Fund, which was more revenue heavy, in that space. So, we’ve looked at things that we would learn from the past and tried to be mindful of that as we’ve developed the new programme we’ve consulted on as we go forward.”²⁶

33. The Cabinet Secretary said she had been discussing the split with the UK Government, with an aim of rebalancing the Fund, however there had not been “any positive progress” in those discussions:²⁷

“We continue to make that case for a higher proportion of revenue. But those discussions aren’t positive, shall we say. UK Government tells us that the capital focus is very much in line with its industrial strategy. They say it’s being applied UK-wide, not just for Wales. And it goes without saying that the capital-heavy fund is going to be more problematic and more challenging.”

“On the capital/revenue split, it is the same as Scotland and Northern Ireland, but the situation in England is more complex. So, what the UK Government would say is that there’s an allocation given directly to some mayoral strategic authorities and a £500 million capital-only recyclable investment fund involving regional allocations. And taken together, they would mean that England’s MSAs also have roughly a

²⁴ Gov.uk [Local Growth Fund \(England\): policy statement](#)

²⁵ Gov.uk [Local Growth Fund \(Scotland\): Place selection and allocation methodology note](#)

²⁶ Economy, Trade and Rural Affairs Committee Paragraph 29/01/26 Paragraph 320

²⁷ Economy, Trade and Rural Affairs Committee Paragraph 29/01/26 Paragraphs 346

70 per cent/30 per cent capital/revenue split. So, that's the UK Government's explanation."

"They also say very clearly that, actually, this is not a continuation of the Shared Prosperity Fund and it shouldn't be seen as such. Instead, it is a fund that is there to drive forward the delivery of the industrial strategy and wider economic development. So, we've tried to make the case strongly. I know our colleagues in local government are trying to do the same. But it doesn't appear to me that we're going to have any success, unfortunately."²⁸

Delivering impactful capital projects in a short timeframe

34. The Committee heard evidence from a number of witnesses about the potential challenges associated with a three-year fund mainly comprised of capital funding, which were described by Professor Kevin Morgan as “comical, quite frankly, given the aims and objectives”.²⁹ The ICA told the Committee that:

"It's great for local growth if you can get those capital projects in place, because those are the long-term investments that you want underpinning. However, you cannot expect local authorities or anybody else—the private sector, whoever—to put in place capital projects in the timescales that are required without considerable investment in capacity and the time to be able to do that."³⁰

35. The ICA and Professor Kevin Morgan both felt that one area of opportunity in terms of capital spending was on property and site investments, where there are a number of ‘shovel-ready’ projects. Professor Morgan said that:

"if we wanted to make a real, tangible impact in this short period of time, my emphasis would be on having a real blitz on sites and premises. Because, if you think about sites and premises, they're well let, showing that the demand is there, but they cannot be delivered, as Meirion said earlier on, through simply recyclable finance, which

²⁸ Economy, Trade and Rural Affairs Committee Paragraph 29/01/26 Paragraphs 346-348

²⁹ Economy, Trade and Rural Affairs Committee 18/12/25 Paragraph 59

³⁰ Economy, Trade and Rural Affairs Committee 18/12/25 Paragraph 42

we call 'evergreen funding'—we're not giving grants, we're doing loans so that we recycle the money".³¹

36. Professor Paul Boyle warned that it would be a challenge to get capital projects up and running in time:

"if we look to various programmes, city deals and others, with the best will in the world, to get capital projects up and running in a short time is very, very challenging. So, we are very conscious, from our sector, that trying to solve the problems that we have here with a fund that is so focused on capital investment is going to be difficult; we're going to have to come up with imaginative ways to do that."³²

37. He went on to outline ways in which his sector could deliver capital projects under a shorter timeline:

"When we start thinking about capital, you're supposed to think about not only buildings and that type of capital, but there are also equipment-related opportunities, and certainly in universities we can spend that sort of money rather quickly, compared to building new facilities. So, there are ways to use capital. We can think of ways to introduce new programmes that we believe will attract and drive skills growth, but it's going to require some really careful thinking."³³

38. The Cabinet Secretary highlighted some of the opportunities a capital-heavy fund would offer:

"one of the things that we can do with capital is invest it in research, development and innovation, for example. Those things, I think, can make a difference in productivity. Similarly, investment in businesses and supporting businesses can make differences in terms of productivity there as well."³⁴

³¹ Economy, Trade and Rural Affairs Committee 18/12/25 Paragraph 59

³² Economy, Trade and Rural Affairs Committee Paragraph 18/12/25 Paragraph 53

³³ Economy, Trade and Rural Affairs Committee Paragraph 18/12/25 Paragraph 54

³⁴ Economy, Trade and Rural Affairs Committee Paragraph 29/01/26 Paragraph 306

Delivering on the fund's ambitions

39. The Welsh Government's consultation sets out its approach to evaluating the impact of the LGF:

"We expect to agree a core suite of standardised requirements which will apply at all levels of planning and delivery to ensure comparability across both Wales and the whole of the UK. This will also enable us to show how interventions at every level are contributing to our collective goals.

We need to be proportionate in the data we collect and ensure it is limited to that which is essential to evidence progress towards our outcomes and to only collect what we need. The most important criteria will be delivering against a desired outcome, and we need to guard against rigid output targets driving perverse behaviour".³⁵

40. The Committee asked the Cabinet Secretary about her intention to set clear and measurable objectives. Her official said that:

"we'll be publishing the consultation findings in February, and the direction of travel, and there will then need to be a discussion with the UK Government on the investment plan before that's finally agreed. The intent would be to have outcomes and outcome indicators as part of that. I think what might need to follow after that is the more detailed monitoring and evaluation framework. Unfortunately, the pace at which we're having to try to do everything means we can't necessarily have everything ready on day one, but I think that's the sequencing we're working to. So, there is an intention to have a clear set of outcomes that we're working towards."³⁶

Our view

We are disappointed that the UK Government has not accommodated the Welsh Government's request for revenue to make up a greater share of the Fund, at least initially. We are unconvinced by the explanation the UK

³⁵ Welsh Government, [Proposals for an approach to the UK Local Growth Fund in Wales](#)

³⁶ Economy, Trade and Rural Affairs Committee Paragraph 29/01/26 Paragraph 334

Government gave to the Cabinet Secretary, which brings a separate, England-only, recyclable capital investment fund for mayoral strategic authorities into the equation. This does not seem to be a like-for-like comparison, and we are concerned it is being used by the UK Government as a justification for giving Wales and Scotland a worse deal than the parts of England that the LGF and Mayoral Revolving Growth Fund will support. We support calls to initially rebalance the split in the Fund in favour of revenue. However, we are aware it is probably too late at this point to influence this decision.

We are deeply concerned about the potential loss of jobs and experience that are likely to take place as a result of the move from the SPF to the LGF. We are also very mindful of Professor Morgan's warning that we also stand to lose the expertise, skills and institutional memory of people working on the SPF who may be made redundant due to the cut in revenue funding.

Now that it is clear that the UK Government does not intend to address the revenue-capital split of the funding, the Welsh Government must set out the specific steps it will take to work with local authorities to minimise job losses and retain those skills, expertise, and institutional memory.

We also heard well-evidenced concerns about the challenges of delivering impactful capital projects within the three-year timeframe of the Fund. However, we believe it is important to focus on opportunities, and were pleased to hear about potential areas where the Fund can have a positive impact. We were interested in Professor Boyle's view that universities would be well placed to buy equipment and that while the Fund creates some difficulty there may be some imaginative solutions out there.

We were interested to hear about the potential opportunities for funding investment in sites and premises in areas where the market does not deliver. As discussed above, it is important the LGF is used to deliver sustainable social and community growth as well as increasing GDP and productivity so we would encourage those delivering the Fund to look closely at these options

To track progress towards delivering on the Fund's ambitions, a suite of outcome-focussed targets based on clear, measurable Key Performance Indicators will be essential, and the Welsh Government should develop these along with a robust framework for measuring progress against them.

Recommendation 2. The Welsh Government should continue pressing the UK Government to amend the split between capital and revenue in favour of

increased revenue spending at the start of the LGF, in order to deliver a better transition.

Recommendation 3. Given that the UK Government does not currently intend to move on the capital-revenue split of the funding, the Welsh Government should set out the specific steps it is taking to work with local authorities to minimise job losses, resulting from the move from the SPF to the LGF and to retain economic development expertise, skills and institutional memory.

Recommendation 4. The Welsh Government should work with partners to take on the creative thinking challenge around what the funding could be spent on and ensure good capital investments in equipment, premises and sites can be made. However, overall goal of LGF spending must be to drive social and economic growth via sustainable economic development.

Recommendation 5. The Welsh Government should develop a suite of outcome-focussed targets for the Fund, based on clear, measurable Key Performance Indicators. It should also develop a robust framework for measuring progress.

4. Delivering the Fund

41. The Welsh Government has proposed that the LGF has Wales-wide, regional and local elements. It intends to work with partners to identify a number of ‘national interventions’, and will assess the business cases submitted by these, which will be planned and delivered by “the most appropriate organisation”. This may include the voluntary, further education and higher education sectors. The Welsh Government consultation asks for views on which types of project require a Wales-wide approach.³⁷

Levels of delivery

42. The Welsh Government has proposed that, following the transition period, the four Corporate Joint Committees (CJCs) will lead the regional work. Funding would be released following a CJC developing a ten-year vision and a three-year delivery plan, which will need to be agreed with the Welsh Government.³⁸

43. Professor Kevin Morgan highlighted the lack of capacity to deliver impactful economic development initiatives across different levels of government:

“I would say we’ve got capacity shortcomings at each of those levels. Let’s remember: all delivery at the end of the day—all delivery—is local, whether it’s been sanctioned by the national, by the UK, by the national in Wales, or indeed by the region, the new regions, as it were. It’s all locally delivered and the people who are delivering it have been denuded of capacity for the past 15 years, through austerity budgeting and whatever, and much of that capacity has been hollowed out.”³⁹

44. Members heard a range of views on the different roles that national, regional and local projects should play in the management and delivery of the fund. Local authorities wanted to see greater priority given to local delivery. Councillor Jake Berriman, Leader of Powys County Council, did not observe “sufficient evidence of

³⁷Welsh Government consultation: [Proposals for an approach to the UK Local Growth Fund in Wales](#)

³⁸Welsh Government consultation: [Proposals for an approach to the UK Local Growth Fund in Wales](#)

³⁹ Economy, Trade and Rural Affairs Committee 18/12/25 Paragraph 48

the bottom-up approach”. He told Members that needed strengthening with local authorities having the lead in their areas:

“They are the democratically elected representative bodies for their areas, and obviously, each of those have their own economic development plans, their local development plans et cetera. And they’re very clear about what those needs are. They knit them together at a regional level, and that’s absolutely fine. But that’s the way that that should operate, where we add value at each level.”⁴⁰

45. The ICA raised concerns about the Welsh Government “top-slicing” funding. They felt this funding would be used for national programmes that were important, like Business Wales, but they warned this top-slicing would “take away money from the projects on the ground” and:

“if a Local Growth Fund is to have any meaning at all, then it should be really focused on the local rather than the national.”⁴¹

46. The ICA supported local delivery but highlighted the co-ordinating role of CJsCs:

“The Shared Prosperity Fund in Wales was actually managed by the local authorities themselves. Although the funding came directly to individual authorities, they set up by their own choice collaborative arrangements, mostly at the regional level, at the CJC level, to ensure that they minimised duplication, enhanced collaborative delivery and got the monitoring and reporting in a way that was fit for purpose.”⁴²

47. They remarked that the previous EU funding system, which included projects reporting into the Welsh European Funding Office (WEFO)⁴³ was “overly bureaucratic”.⁴⁴ They told Members:

⁴⁰ Economy, Trade and Rural Affairs Committee 18/12/25 Paragraph 176

⁴¹ Economy, Trade and Rural Affairs Committee 18/12/25 Paragraph 67

⁴² Economy, Trade and Rural Affairs Committee 18/12/25 Paragraph 109

⁴³ A Welsh Government department who also worked closely with the European Commission to administer EU funding.

⁴⁴ Economy, Trade and Rural Affairs Committee 18/12/25 Paragraph 109

“The delivery and management of the Local Growth Fund should at least be devolved down to the CJsCs and they should decide how projects are handled at the individual local authority level. If you don’t do that with the CJsCs, why bother having the CJsCs in the first place?”⁴⁵

48. FSB Cymru supported regional delivery but also felt a national tier was appropriate, as was moving to new arrangements to deliver better outcomes:

“This is about moving things to a much more regional basis than they were with SPF, and we think that that’s the right direction of travel. It’s also about having national programmes within that, and again we think that that’s the right direction of travel.”⁴⁶

49. The FSB described the economic geography of Wales as “a bit of a mess” due to the different roles played by the Welsh and UK governments, local authorities, CJsCs, and others.⁴⁷ They also highlighted the importance of CJsCs involving the private sector in discussions around regional delivery.⁴⁸

50. Professor Boyle also supported the multi-level approach, citing the semiconductor industry as an example where this would be important:

“on the one hand, we have to drive local, regional economic growth, but some of the ways of doing that are actually national in delivery... I use the example of semiconductors—this has a massive local economic impact in south Wales, along the whole of the south Wales corridor, and in many of the other industries that support semiconductors, but it’s actually an internationally, or even globally, important industry and cluster. So, I think there are things that can really drive local growth at the same time as being of national or even international importance. And getting our strengths lined up is really, really important.”⁴⁹

51. He questioned CJsCs’ preparedness for delivering the Fund:

⁴⁵ Economy, Trade and Rural Affairs Committee 18/12/25 Paragraph 110

⁴⁶ Economy, Trade and Rural Affairs Committee 18/12/25 Paragraph 305

⁴⁷ Economy, Trade and Rural Affairs Committee, 18/12/2025, Paragraph 270

⁴⁸ Economy, Trade and Rural Affairs Committee, 18/12/2025, Paragraph 311

⁴⁹ Economy, Trade and Rural Affairs Committee 18/12/25 Paragraph 72

“There’s a lot of emphasis on regional research, innovation and skills, which I personally think is a good thing, but we’ve got to make sure that the CJCs are well informed about the opportunities that exist to actually make a difference in those areas. It’s not necessarily what CJCs were set up to do, so they’re going to really need to bring in people who really do understand that and can help them shape programmes that will make a difference going forward.”⁵⁰

A risk of two programmes

52. As the proposal stands, the current SPF delivery model will continue for the first year of the Fund and then CJCs will take over in year two. Cadwyn Clwyd cautioned:

“it’s vital that we don’t end up with two mini programmes, so we lose the benefits of that seamless three-year programming period. I think that’s been highlighted as well in terms of how SPF has been delivered, especially the last 12 months, where there’s been a very concise and short delivery window.”⁵¹

The role of CJCs

53. The Cabinet Secretary told the Committee the Welsh Government had chosen CJCs because:

“[CJCs] were really well placed, because the purposes directly align with the Local Growth Fund model. Strategic economic development, regional transport planning and land use planning are going to be core levers that will be required to underpin regional growth and will be crucial to the success of the Local Growth Fund. You mentioned not reinventing the wheel; that is actually why we’ve decided to propose that CJCs would be the correct delivery model.”⁵²

54. The UK and Welsh governments already fund four City and Regional Growth Deals which were established to drive economic growth and create jobs. In total,

⁵⁰ Economy, Trade and Rural Affairs Committee 18/12/25 Paragraph 37

⁵¹ Economy, Trade and Rural Affairs Committee 18/12/25 Paragraph 345

⁵² Economy, Trade and Rural Affairs Committee 29/01/26 Paragraph 366

the UK Government has committed to invest £791 million in the four deals over 10 to 15 years and the Welsh Government has committed to invest over £795 million over 15 to 20 years⁵³ With the exception of Growing Mid-Wales, the other three growth deals are delivered by their respective Corporate Joint Committees.

55. Last year the Committee undertook a ‘health check’ on progress by each of the deals. Following this the Committee wrote to both the Welsh and UK Government raising several serious concerns about delivery by the Deals. Whilst it should be noted that individual Deals have achieved different levels of success, issues raised included astonishingly low numbers of job creation and a lack of private sector investment. Ambition North Wales told the Committee that they had only created 35 jobs.⁵⁴ Their target is to create 4,000 new jobs.⁵⁵

56. When pushed by the Committee on the performance of CJsCs, the Cabinet Secretary acknowledged “there are different views amongst local government about CJsCs and the use of CJsCs for the Local Growth Fund. However, this is what we have proposed”⁵⁶.

“[CJsCs] have regional growth and regional transport plans. Each of those will have embedded monitoring and evaluation frameworks. You will have strategic development plans also being developed at the CJC level. In that sense, you have the tools and you’ve got a structure in which delivery can take place. But I absolutely recognise there are different views amongst local government and amongst colleagues on this particular point as well.”⁵⁷

57. Members also raised concerns about a lack of engagement from CJsCs with private sector stakeholders. One of the Cabinet Secretary’s officials told the Committee “that has come through in the consultation in terms of the need to strengthen that through the CJC model, and I think having the transition year provides that time to make sure those conditions and arrangements can be built in”⁵⁸.

⁵³ Gov.wales [Memorandum of understanding: the use of UK government funding for city and regional growth deals](#)

⁵⁴ Letter from the Chair to the Welsh Government and Wales Office ‘[Welsh City and Regional Growth Deals](#)’ dated 17 September 2025

⁵⁵ Ambitionnorth.wales - [the Growth Deal](#)

⁵⁶ Economy, Trade and Rural Affairs Committee Paragraph 29/01/26 Paragraph 370

⁵⁷ Economy, Trade and Rural Affairs Committee Paragraph 29/01/26 Paragraph 374

⁵⁸ Economy, Trade and Rural Affairs Committee Paragraph 29/01/26 Paragraph 378

Our view

We are pleased to see Wales wide, regional and local delivery, and Welsh Government strategic oversight of the Fund. This approach meets several recommendations from our 'Post-EU Regional Development Funding' report.⁵⁹

We have sympathy with the argument that we should not reinvent the wheel with regards to managing the regional aspect of the LGF. We believe it is important not to create additional bureaucracy which will use up vital front line resources. However, we have deep concerns about the ability of CJsCs to deliver the regional elements of the LGF.

Following our 2025 health check, we wrote to the Welsh Government with serious concerns about the performance of some Welsh Growth Deals. Three of the four deals are being run by CJsCs, and whilst performance varies it is imperative the LGF does not suffer the same fate as a poor performing deal. We are also concerned about the performance of some of the deals in directing investment towards more economically deprived areas within their region.

The Welsh Government should therefore strongly consider alternative approaches to delivering the LGF at a regional level before finalising its investment plan for the fund. If it does decide to go ahead with using the CJsCs as the vehicle for regional delivery, the Welsh Government needs to ensure that it can effectively and robustly hold CJsCs to account for their performance. It should do this by developing clear and ambitious objectives, and monitor progress towards achieving these through regularly assessing performance against focussed Key Performance Indicators.

We are pleased the Welsh Government is looking at concerns around how the CJsCs engage with the private sector raised in the consultation responses. It is imperative this is improved if the CJsCs are to deliver the Fund.

Recommendation 6. The Committee has serious concerns about CJsCs' ability to deliver the LGF. This is due to our previous work uncovering major shortcomings in some CJsCs' delivery of other economic development programmes. The Welsh Government must strongly consider any alternative models to using CJsCs for regional delivery that are suggested in the public consultation. As the CJsCs are yet to prove their ability to deliver economic programmes in a way that tackles

⁵⁹ Economy, Trade and Rural Affairs Committee, [Post-EU Regional Development Funding report](#)

economic deprivation, if the Welsh Government does use them as the delivery vehicle for regional elements of the fund, CJsCs will need additional supervision and direction to ensure that they develop approaches that focus on developing areas of deprivation, not focussing on 'easy wins'. As part of this, the Welsh Government must ensure their performance can be monitored effectively through regularly assessing their progress against tangible, measurable outcomes.

5. Targeting funding to maximise impact

58. Members heard concerns about making sure funding is allocated to support the areas that need it most. Professor Kevin Morgan highlighted:

“one of the developmental mysteries of development in Wales. Why is it ... that the northern Valleys initiative budget can't be spent? In one of the poorest areas ... in western Europe, you have a budget committed to regenerating the northern Valleys, and it can't be spent.”⁶⁰

59. Meirion Thomas also highlighted the need to think differently about investments into the northern Valleys:

“If we only look for financial return, then we're never going to get investment into the northern Valleys. We have to completely turn our assumptions around our return-on-investment calculations into an economic development return on investment, because, when the public sector puts money into property sites in the south Wales Valleys, the private sector may well make the first level of return out of it in financial return, because they build the property and they let it, they get tenants in et cetera. But the public purse makes a much larger return on investment if companies come in, fill those factories, employ people out of the local workforce, provide them with skills, provide them with certainty, allow them to pay their mortgages in their communities, allow them to go to the local shops et cetera. So, you get a much greater economic development return. Unfortunately, though, it doesn't easily appear on a balance sheet.”⁶¹

Rural challenges

60. Councillor Jake Berriman told Members a tailored approach is required to meet local needs, particularly in rural areas. He told Members “we have to take the needs of our individual areas, and they are quite distinct and different right across Wales”. He went on to say:

⁶⁰ Economy, Trade and Rural Affairs Committee Paragraph 18/12/25 Paragraph 25

⁶¹ Economy, Trade and Rural Affairs Committee Paragraph 18/12/25 Paragraph 51

“European Structural Funds were directed at impoverished parts of Wales previously that were deeply rural areas, and, as such, what we would argue is that we need to respond to the needs of our poor regions quite differently and distinctly.”

“We’ve got to be cautious about using single drivers there, but, of course, we have the shared aspirations to do this, both within our regions and across regions, and we might welcome too the distinction between national, regional, local and, of course, for us in Powys in particular, cross-border.”⁶²

Distribution of funds

61. FSB Cymru told Members that they did not have the “perfect answer” for how you divide funding between regions; but, “if productivity is the driving measure that we’re talking about, that has to be one of the key things” decisions are based on.⁶³ Energy Box agreed and added:

“If you’re going to apply funds, apply it where you can get the best return economically: economically means the jobs; it means the output. Just sort of looking across Wales and saying, ‘Well, we’ve got this much money, we’re just going to divide it by the number of authorities’: complete and utter waste of time. Identify where the money would be best used, and then put it there and put it for a purpose.”⁶⁴

62. Cadwyn Clwyd cautioned there was a need to strike a balance between getting the best return and tackling inequality:

“There are some areas that lag behind in terms of development and so forth. So, we need to make sure that we’re fair with communities across Wales and that we remember the equalities agenda. I think the point I made at the beginning of the session regarding rural poverty in the context of access to services emphasises that; where

⁶² Economy, Trade and Rural Affairs Committee Paragraph 18/12/25 Paragraph 154

⁶³ Economy, Trade and Rural Affairs Committee Paragraph 18/12/25 Paragraph 326

⁶⁴ Economy, Trade and Rural Affairs Committee Paragraph 18/12/25 Paragraph 328

there's a need for balance between the best returns and also ensuring that we tackle inequalities in the programme.”⁶⁵

63. The Cabinet Secretary told the Committee: “we’ve had to layer on Wales’s socioeconomic situation as well, to try and make sure that what we’re doing actually allows things to be targeted where the investment is needed.”⁶⁶ She also explained:

“we’re currently considering the methodology for funding from years 2 to 3 onwards, and this is subject to Cabinet discussion. So just to give you a flavour, but to reassure you that the Welsh Index of Multiple Deprivation is an important factor in terms of the kind of things that we would want to be looking at for potential methodologies. But I probably shouldn’t go further than that today because decisions are yet to be made.”⁶⁷

64. She also highlighted that the consultation has a focus on “productivity and economic inactivity”. She suggested this “should give that level of reassurance that that is a top priority for this funding: to support people into employment and into good employment.”⁶⁸

65. One of the Cabinet Secretary’s officials added:

“We are also looking at modelling around productivity variations, and you’ll see that mid Wales and parts of west Wales, in particular, are much further behind on productivity levels. We’re also looking at indicators around sparsity, rurality as also a proxy for lack of agglomeration and a lack of density. So, those are the kinds of things that are being modelled, and Ministers will have a series of options to consider on that basis.”⁶⁹

⁶⁵ Economy, Trade and Rural Affairs Committee Paragraph 18/12/25 Paragraph 334

⁶⁶ Economy, Trade and Rural Affairs Committee Paragraph 29/01/26 Paragraph 320

⁶⁷ Economy, Trade and Rural Affairs Committee Paragraph 29/01/26 Paragraph 324

⁶⁸ Economy, Trade and Rural Affairs Committee Paragraph 29/01/26 Paragraph 326

⁶⁹ Economy, Trade and Rural Affairs Committee Paragraph 29/01/26 Paragraph 374

Our view

We agree with Cadwyn Clwyd there is a need for balance between the best returns and tackling inequalities in the programme. Funding from the LGF must be targeted where it is needed most to help create a stronger economy, rather than focussing on areas where the market is already delivering jobs, growth and relative prosperity. The Welsh Government should give clear direction and supervision to those involved in delivering the regional and local elements of LGF to ensure funds are targeted in that way. The LGF should be spent where funds are most needed, and will deliver not just an increase in GDP but also social and community wellbeing.

We believe that, when determining the methodology for allocating funds in years two and three, the Welsh Government should ensure that the Welsh Index of Multiple Deprivation plays a key role in determining allocations to areas. However, we are also sympathetic to the needs of rural areas, which often have specific challenges associated with access to services, barriers to employment, and productivity. These will also need to be considered in allocating funds.

Recommendation 7. When developing its approach to funding allocations, the Welsh Government must ensure funding is directed to where need is most acute, and should give a clear indication to those delivering funds that this is expected of them. The Welsh Index of Multiple Deprivation should play a key role in the methodology for allocating funding at a regional level, as should ensuring that allocations support rural areas of deprivation. The Index should also be used to help track progress and outcomes of LGF investments.

Annex 1: List of oral evidence sessions

The following witnesses provided oral evidence to the Committee on the dates noted below. Transcripts of all oral evidence sessions can be viewed on the [Committee's website](#).

Date	Name and Organisation
<p>18 December 2025</p>	<p>Meirion Thomas, Wales Director, Industrial Communities Alliance</p> <p>Professor Kevin Morgan, Professor of Governance and Development - School of Geography and Planning, Cardiff University</p> <p>Professor Paul Boyle, Vice-Chancellor (Swansea University), Universities Wales</p> <p>Councillor Jake Berriman, Leader of Powys County Council, and Chair of the Mid Wales Corporate Joint Committee</p> <p>Councillor Rob Stewart, Leader of Swansea Council, and Chair of the South West Wales Corporate Joint Committee</p> <p>Brian Hughes, Founder, Energy Box</p> <p>Joshua Miles, Head of Wales, FSB Wales (Federation of Small Businesses)</p> <p>Lowri Owain, Manager, Cadwyn Clwyd</p>
<p>29 January 2026</p>	<p>Rebecca Evans MS, Cabinet Secretary for Economy, Energy and Planning, Welsh Government</p> <p>Liz Lalley, Director - Economic Strategy and Green Growth, Welsh Government</p> <p>Thomas Smithson, Deputy Director - Economic Strategy and Regulation, Welsh Government</p>

Annex 2: List of additional written evidence

The following organisation provided additional written evidence to the [Committee](#). All written evidence can be viewed on the [Committee's website](#).

Title	Date
Industrial Communities Alliance	9 February 2026