

The Future of Growth Funding

Purpose of report

For direction.

Summary

This report summarises proposals in relation to work regarding the future of growth funding and recommends that report is taken to the LGA Executive for approval.

Is this report confidential? Yes No

Recommendation/s

Members are asked to consider and review the questions identified at paragraph 9.

Action/s

Based on this feedback and comments from the City Regions Board, a paper will be taken to the Executive Advisory Board for formal sign off.

Contact officer: Philip Clifford
Position: Senior Adviser
Phone no: 07909 898327
Email: philip.clifford@local.gov.uk

The Future of Growth Funding

Background

1. At the final board meeting of the last political cycle, members of the People and Places Board agreed to the preparation of a report for the LGA Executive proposing to consider the future of growth funding.
2. Since then, further evidence regarding the complexity of growth funding has emerged in correspondence between [the Department for Levelling Up Housing and Communities](#) and the [Levelling Up, Housing and Communities Committee](#), indicating both wider interest in this subject and the scale of the task at hand.
3. Notably, the levelling up agenda has also been impacted by the resignation of the previous Prime Minister and the deteriorating economy poses significant additional challenges for people, businesses, and public finances.
4. On 3 September 2022, DEFRA announced the [Rural England Prosperity Fund](#) worth £110 million as an addendum to the UK Shared Prosperity Fund. It is a replacement for the European Agricultural Fund for Rural Development, which previously funded the LEADER programme.
5. The fund has been [allocated](#) to UKSPF lead authorities who qualify for the fund based upon a [specific methodology](#) identifying a baseline of rural coverage. Lead authorities are tasked to develop an addendum to their UKSPF local investment plan focusing on rural interventions, which will need to be submitted by the end of November 2022 and will run from 2023/24-2024/25.
6. It is positive that the particular needs of rural areas have been addressed. However, this late addition to the UKSPF will place further demand on the sector's capacity as they will have to quickly develop, with the support of local partners, an additional section of their local investment plans. We are concerned that this demonstrates a lack of a joined-up approach from government, recreating policy silos rather than ensuring a consideration of rural issues built in across Whitehall. We are seeking engagement with government to provide the sector with an opportunity to feedback any issues from this initial roll out.
7. With councils facing additional cost pressures of £2.4 billion in 2022/23 since they started to set their budgets in Autumn last year there is an immediate focus on ensuring vital local services can keep pace with rising inflation and increased demand from residents. [Recent press reports](#) have also suggested that allocations made under the various levelling up funding programmes are now likely to fall short, with a survey by the District Councils Network finding that 40 per cent of respondents would have to delay projects because of high inflation.

8. In the longer term, the only way to successfully navigate these headwinds is to boost productivity and strengthen growth across the country. The LGA believes that the best way to achieve this goal is to cut Whitehall bureaucracy and allow communities to take control through place leadership and devolution.
9. Given this context, it is proposed that this work proceed on basis that a case will likely have to be made where the relative efficiency of local investment is at least as important as the scale of the resource required to meet local needs. In recognition of the need for technical accuracy and independent credibility it is recommended that external support is sought to help complete this work.

Issues

10. In September 2020, the LGA [published research](#) which revealed that local government received at least 448 unique grants from central government between 2015/16 to 2018/19. This creates [huge silos of central bureaucracy in Whitehall](#) and creates [significant costs for councils](#) that are forced to use scarce resource to bid for much needed money.
11. The Government's Levelling Up White Paper recognised this issue and proposed to set out a plan for streamlining the funding landscape this year. It remains to be seen whether the new Government will continue with this proposal, either way it would seem prudent for councils to develop a clearer understanding of the issues at stake and the potential opportunities for reform.
12. To do this, it is proposed that the People and Places Board works jointly with the City Regions Board to commission a piece of technical analysis that considers the following clusters of questions:
 - 12.1. What is the total quantum of 'growth funding' currently available, how much of this is under the control of local authorities, how do current levels of funding compare to allocations under previous spending cycles, how much of this money is allocated as a grant, rather than a loan or other financial instrument?
 - 12.2. What are the strengths and weaknesses of the methodologies currently used to allocate resources from the centre to local projects, do competitively allocated pots engender better quality outcomes, how does capacity at the centre to review and approve expenditure impact on project delivery?
 - 12.3. How do other countries allocate investment to support growth at the local and subnational level, are there any lessons applicable to England within the context of the Government's levelling up agenda and the opportunities presented by devolution to better align resources with local outcomes and leadership?

- 12.4. What are the opportunities to better connect funding in support of greater growth with the proceeds and consequences of that growth?

Implications for Wales

13. Growth funding is largely a devolved matter; however the Local Government Association works closely with colleagues in Welsh local authorities and the Welsh Local Government Association to share best practice and expertise on UK Growth Funding programmes such as the UK Shared Prosperity Fund.

Financial Implications

14. Any financial implications arising from this work will be met from the boards core policy budget.

Next steps

15. Members are asked to consider and review the questions identified at paragraph 9. Based on this feedback and comments from the City Regions Members, a paper will be taken to the Executive Advisory Board for formal sign off.