South East Wales Corporate Joint Committee

Cyd-bwyllgor corfforaethol De-Dwyrain Cymru

Report for:	COMMENT
Contains Confidential or Exempt Information	NO

For Consideration By	South East Wales Corporate Joint Committee
Report Title	Local Growth Fund
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Affected Council Areas	All South East Wales local authority areas
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Report Summary

The purpose of this report is to:

- Provide an update on the Year 1 management and delivery arrangements for the Local Growth Fund in Wales and to highlight the key risks and mitigations of the current arrangements.
- Outline the approach undertaken in the Cardiff Capital Region to develop a regional Local Growth Fund delivery plan for 2026/27.
- Consider the requirements for the development and management of a 10-year Regional Growth Plan and the move to a Corporate Joint Committee (CJC) led model for Years 2 and 3 (2027-29) of the Local Growth Fund programme.

Recommendations

1. South East Wales Corporate Joint Committee is asked to:

I. Note the approach adopted by Rhondda Cynon Taf County Borough Council (RCTCBC) for the Local Growth Fund (LGF) transitional year (2026/27);
II. Approve the approach to the development of an overarching Regional Growth Plan, including timelines for submission to Welsh Government as set out in paragraphs 23-41 below;
III. Approve in principle the proposal for RCTCBC to continue administering the fund in Years 2 & 3;
IV. Delegate authority to the Strategic Director of Policy, Impact & Partnerships to (a) continue to develop the **Interim Delivery Plan & Regional Growth Plan** described in paragraphs 30-41 below and (b) implement the next steps described in paragraphs 48-51 below; and,
V. Note the risks and mitigation for the ongoing delivery of LGF in the transitional year and future years, and recommend that the CJC Chairs establish regular engagement with Welsh Government on the programme.

Background & Context

2. The UK Local Growth Fund (LGF) in Wales is a three-year, £547 million regional investment programme. Launched in April 2026, the fund's primary objective is to boost productivity and reduce economic inequality across Welsh communities.

3. The LGF replaces the UK Shared Prosperity Fund (UKSPF) but unlike its predecessor, responsibility for the LGF has been devolved to the Welsh Government (WG).

4. On 7 November 2026, WG announced a six-week public consultation on proposals for the new Fund, seeking views on the objectives, delivery approaches and the transition from the UKSPF.

5. Following the consultation launch, Welsh Government engaged with the four regional UKSPF lead authorities in Wales to discuss transition planning and delivery during 2026/27.

6. The consultation included a proposal for a 12-month transition period for 2026/27, during which time the existing UKSPF delivery architecture would continue to be used with continuation of the lead authority role currently undertaken by Rhondda Cynon Taf Council on behalf of the SEWCJC.

7. There is an expectation that during year 1 the region will prepare for new governance arrangements in readiness for years 2 and 3 (2027-29) of the programme, when aspects of decision-making and accountability will be delegated from the Welsh Government to the Corporate Joint Committee (CJC) in each region.

Local Growth Fund in Wales

8. It has been made clear that Local Growth Fund is not a continuation of the UKSPF. It has a stronger focus on the UK Government growth mission and Welsh Government priorities to support productivity growth and tackle economic inequalities.

9. The focus for LGF investment in Wales is to support productive and competitive businesses, increase skills and employment and improve regional infrastructure, delivered as follows:

Priority 1: More Productive And Competitive Businesses

- Creation and growth of high-potential start-ups, spinouts, and social enterprises – including from under-represented groups.
- Increasing capital investment in high growth potential businesses to support productivity growth.
- Increase levels of investment in RD&I capacity, exploitation and diffusion in businesses and research organisations.

Priority 2: Increasing Skills And Supporting People Into Work

- Reduce levels of economic inactivity, notably among young people, disabled people, women and people from ethnic minority backgrounds.
- Enhance workforce skills through flexible, demand-led education and training aligned with needs of high-growth and regionally important sectors.

Priority 3: Improving Regional Infrastructure

- Unlock investment in strategic sites and premises
- Capital investment aligned to Regional Transport Plans
- Capital investment aligned to regional energy plans / strategies

10. Funding allocations are being made available from the UK Government for the three years of the current UK Spending Review from 2026/2027 to 2028/2029. However, any subsequent funding will be subject to future UK Spending Reviews.

11. Unlike UKSPF, the LGF is heavily weighted towards capital spending with the funding allocation split 70% capital and 30% revenue.

12. To access the Fund, WG set out delivery and management arrangements for the three-year programme period in a National Investment Plan[1] agreed with the UK Government and published on 23 March 2026.

[1] https://www.gov.wales/sites/default/files/publications/2026-03/local-growth-fund-investment-plan.pdf

Delivery of LGF: Transition Year, 2026/27

13. The LGF allocation for the region for the period 1 April 2026 to 31 March 2027 is **£82.395M**, with a funding mix of 70% capital to 30% revenue.

14. In the absence of predetermined local allocations from WG, the principles applied to allocating the 2025/26 UKSPF allocations have been used for the purpose of planning for delivery in 2026/27 across the region. Management and administration costs of up to 4% of the LGF allocation can also be used to support both local management costs and the costs incurred by RCTCBC in its lead local authority role.

15. To access the regional allocation, a one-year Transition Plan must be developed and prepared by RCTCBC in collaboration with each local authority. The first iteration of the plan was submitted to WG on 25 February 2026.

16. Following meetings with WG, the WLGA and the other regional lead authorities there were a number of iterations of the plan submitted, resulting in the issue of Grant Award Letters on 7 April. The original feedback was restated within the award letters as funding conditions/milestones to be addressed by 31 May 2026.

17. RCTCBC accepted the award letter on behalf of the region on 7 May following further engagement with senior WG officials resulting in a shared understanding of the requirements for a final iteration of the transition plan.

18. WG have sought assurance of the alignment of projects with regional, Welsh Government and UK Government policies and strategies, to ensure they target a narrower set of regional priorities and objectives, filling gaps in provision and avoiding duplication.

19. RCTCBC has worked with each authority in the region to undertake a rigorous review of every project proposal against its alignment with the National Investment Plan for Wales and relevant national, regional and local policies, with further consideration given to the targeting of specific groups/ sectors; how provision will meet need/demand; strategic/regional significance; and, how it complements existing activity.

20. This review has resulted in the refinement of local plans and allowed the lead authority to respond to the funding conditions by the deadline of 31 May, providing WG with greater assurance of targeting and alignment of activity during Year 1 of the programme.

21. It is understood that the Welsh Government Internal LGF Board will consider the updated regional plans in late June 2026 and final approval of the plan is anticipated by mid-July 2026.

22. The indicative profile for the 2026/27 regional plan is currently as detailed below:

Investment Priority	Local Growth Funding		
	Capital	Revenue	Total
	£m	£m	£m
More productive and competitive businesses	£8.776	£4.138	**£12.914**
Increasing skills and supporting people into work	£0.200	£16.915	**£17.115**
Improving regional infrastructure	£46.676	£2.628	**£49.304**
Fund Administration	£2.028	£1.034	**£3.062**
Total	**£57.680**	**£24.715**	**£82.395**

Regional Delivery of LGF, Years 2 & 3 (2027-29)

23. From FY 2027-28, Corporate Joint Committees (CJCs) will function as regional planning leads for LGF, with responsibility for the prioritisation, selection and management of LGF-funded activity at a regional level. SEWCJC will play the lead role for South East Wales, taking over from Rhondda Cynon Taf CBC.

24. Each CJC is required to prepare a Regional Growth Plan for approval by WG. The Plan will provide an overarching strategic framework for coordinating all CJC and wider regional activities, aligning existing and future investment, as well as statutory CJC powers, to support the delivery of a long-term, ten-year vision for the economy.

25. Whilst the requirement to produce a Regional Growth Plan arises from LGF, the Plan itself is not limited to LGF. The Plan is expected to take a whole-system view of the investment eco-system in South East Wales, considering LGF-funded interventions alongside other investment programmes and wider financing to avoid duplication, address gaps and ensure value add.

26. Final guidance is yet to be released; however, indicative expectations include:

- A diagnostic of the South East Wales economy, identifying strengths,
- opportunities and challenges, including priority sectors, areas with productivity catch-up potential, and spatial inequalities.
- A long-term, 10-year vision for the economy;

- Demonstrate alignment with other SEWCJC programmes (e.g., City Deal, Investment Zone, etc.);
- Demonstrate alignment with statutory CJC powers;
- Translate national LGF priorities into regionally tailored investment portfolios;
- Evidence cross-cutting themes; and,
- Evidence strong partnership working.

27. SEWCJC must provide assurance to WG in two key respects: first, confirming robust assurance and delivery arrangements for LGF specifically; and second, submitting a Regional Growth Plan that is sufficiently strategic and cross-programmatic, coordinating all SEWCJC activities to deliver a long-term, ten-year vision for South East Wales.

28. Guidance to date has confirmed WG position that a formula-based local allocation model will not be agreed. The indicative WG timeline for developing the Regional Growth Plan has a proposed submission date of November 2026.

29. This timeframe is shorter than for comparable Local Growth Plans developed by Mayoral Strategic Authorities (MSAs) in England, which have typically taken more than 12 months to develop.

Approach: Interim Delivery Plan & Regional Growth Plan

30. In response to the schedule, SEWCJC proposes a revised and extended timetable. This includes the production of an Interim Delivery Plan by late November 2026, alongside the parallel development of the final Regional Growth Plan for submission to WG in March 2027.

31. This will allow SEWCJC to work with RCTCBC, regional local authorities and partners ahead of the full transition of the LGF to SEWCJC in FY 2027–28.

32. The table overleaf outlines the revised timetable proposed by SEWCJC for submissions to WG, compared against the original WG schedule. This approach allows the final Regional Growth Plan to reflect the findings and recommendations of the *CCR @ 10 Review*, which is expected to be published in full in October / November 2026.

Description of the Target	SEWCJC Proposed Deadline	Description
Progress report on planning to develop a Regional Growth Plan and support transition to CJC	**30/07/2026**	Written update report on planning to date to deliver an interim Regional Growth Plan, the final Regional Growth Plan and preparations for transition. A description of completed works, work planned, key milestones, and engagement activity.
Interim Delivery Plan	**30/11/2026**	Interim Delivery Plan demonstrating readiness to deliver the Local Growth Fund, and plans to utilise the funding over the funding period. Includes delivery plan for Years 2 & 3 of LGF.
Draft Regional Growth Plan	**29/01/2027**	Draft Regional Growth Plan with 10-year vision, core themes, objectives etc, and next steps for finalising Regional Growth Plan.
Final Regional Growth Plan	**22/03/2027**	**Final Regional Growth Plan**

33. It should be noted that, if approved by SEWCJC, the above timeline will be formally submitted to WG. In the case that this creates issues in either approving the programme of work or releasing funding for Q1 2027/28 in good time, officers will work with WG officials on a solution.

Interim Delivery Plan (November 2026)

34. To ensure that there is a sufficiently robust framework for LGF portfolios and projects, SEWCJC will work with RCTCBC and South East Wales local authorities to produce an Interim Delivery Plan by 30 November 2026. This will:

- Reaffirm SEWCJC's Economic Well-being Statement as the basis for the region's 10-year vision;
- Provide an initial diagnostic, summarising understanding of regional economy;
- Map existing policies and programmes within the overarching vision;
- Set out indicative strategic priorities based on emerging evidence;
- Establish the delivery architecture for LGF, including governance roles and responsibilities;
- Align LGF indicators with existing SEWCJC performance frameworks, and;
- Outline next steps towards the final Regional Growth Plan.

35. The Interim Delivery Plan has three functions: providing indicative strategic priorities for reviewing the LGF portfolio within a four-month window (November 2026-March 2027); demonstrate readiness to WG and; extend the window for finalising a Regional Growth Plan.

36. This Interim Delivery Plan will demonstrate readiness for delivery, including:

- Collaboration arrangements between SEWCJC and RCT CBC as the Lead Local Authority, clearly defining the role and responsibilities of each organisation during the transition year (April 2026 - March 2027) and from April 2027 onwards.
- Framework for the robust assessment of LGF projects proposed to be delivered during the transition year (April 2026 - March 2027) and from April 2027 onwards, ensuring alignment with the LGF priorities and SEWCJC Regional Growth Plan.
- Confirmed governance process detailing key aspects of the LGF management, including decision-making, stakeholder management, reporting and monitoring, financial (grant payment) management, risk management, information and data sharing, etc.
- Indicative LGF programme timeline, including key milestones, deadlines and dependencies.
- Resource plan, detailing the human resources (people, skills, roles), digital/technical resources (systems, software, licenses) and external resources (contractors, consultants, suppliers) required to manage the LGF during the transition year and from April 2027 onwards.
- Financial plan, detailing utilisation of the £200,000 grant awarded to SEWCJC by Welsh Government to develop the Regional Growth Plan and build capacity to oversee the LGF from April 2027.

Regional Growth Plan (March 2027)

37. The Regional Growth Plan will be developed in parallel to the Interim Delivery Plan, expanding the framework for finalisation in March 2027. It will include:

- A confirmed 10-year economic vision;
- Finalised strategic priorities;
- A full economic diagnostic, identifying sectoral strengths, opportunities, and challenges;
- Detailed analysis of investment gaps and additionality;
- Full alignment across regional strategies and funding streams, and;
- A clearly articulated portfolio approach to LGF investment.

38. Structured engagement with key stakeholders will inform the content of the final Regional Growth Plan. A Stakeholder Engagement Plan will be developed in July 2026, with a view to regional and national engagement commencing in September 2026.

39. SEWCJC will seek advice on statutory public consultation requirements around the Regional Growth Plan when definitive guidance on content is published by WG.

40. As agreed with WG, RCTCBC will continue to provide oversight of LGF in the transitional year. Likewise, SEWCJC will work with RCTCBC to utilise existing structure in the production of the Interim Delivery Plan, which will be brought to SEWCJC for approval.

41. In Years 2 & 3 the proposal is that RCTCBC will continue to administer the fund, working with SEWCJC on the investment plan. This will see a continuation of the functions that have been executed during the transition period, and include functions accounting, administration, monitoring & evaluation. A delivery model will be recommended to the CJC as part of the Interim Delivery Plan.

Key Risks & Challenges

42. The shift from the broader UKSPF framework to the regional focus of LGF has made it difficult to demonstrate fit for some planned projects resulting in gaps in local delivery plans and delays in mobilising activity.

43. The updated transition plan will be approved by mid-July, which allied to the suite of guidance and programme information from WG, will allow RCTCBC, as the lead authority, to finalise the drafting of legal agreements covering 2026-27 for each local authority. Given this timing, there may be some delivery pressures in the second half of 2026/27.

44. The capital-intensive nature of LGF and parallel development of the future years' programme may increase the risk of underspend at the end of the 2026-7 financial year. The current position is to reprofile the programme across future years. Approval would need to be sought from WG for reprofiling of the programme.

45. The region faces the challenge of the move to a new delivery model from April 2027. However, there has been strong alignment between SEWCJC and RCTCBC, working with WG, on mitigating the noted risks and issues wherever possible.

46. By utilising existing mechanisms and best practice developed over previous years, the transition to a regional model can be de-risked in so far as possible. Likewise, there are examples of regional plans and programmes that have been developed collaboratively across the local authority network by effectively engaging with officers and subject matter experts.

Next Steps

47. RCTCBC and SEWCJC will brief local authorities on the proposed approach and arrangements for the transitional and future years.

48. RCTCBC & SEWCJC will continue to work and meet regularly with WG on transition and future years delivery.

49. RCTCBC & SEWCJC will continue to work with regional local authorities on delivery of LGF, and will engage with WG and UKG to ensure that the region can mitigate the risks as noted and maximise the impact of LGF for local authorities.

50. Officers will engage the SEWCJC Regional Growth Board to advise on the development of the Regional Growth Plan.

Comments of the Section 151 Officer

51. Coordination of these arrangements, particularly during transition, will be a critical part of effective financial management for SEWCJC and is set out in the main body of the report.

Comments of the Monitoring Officer

52. As described in the Report, this is a significant change to previous government funding arrangements and responsibilities that is being implemented quickly. Appropriate provision for delegation and reporting will be needed to enable the SEWCJC response to the Welsh Government's LGF requirements.

Equality, Diversity, and Inclusion

53. The Local Growth Fund (LGF) includes an explicit focus on reducing economic inequality and supporting participation by groups that experience disadvantage, including young people, disabled people, women and people from ethnic minority backgrounds.

54. The development of the Regional Growth Plan will include consideration of equality impacts to ensure investment priorities support inclusive economic growth across all communities in South East Wales.

55. Any future programmes, projects and investment decisions brought forward through the LGF will be subject to appropriate Equality Impact Assessment requirements and relevant statutory duties.

Sustainability and Climate Considerations

56. The LGF investment framework includes support for regional infrastructure investment, including projects aligned with regional energy plans and strategies.

57. The Regional Growth Plan will consider opportunities to support sustainable economic development, improve resource efficiency and contribute to regional decarbonisation objectives where appropriate.

58. Sustainability and climate considerations will form part of the appraisal and prioritisation of future LGF investments to ensure long-term environmental, economic and social value is achieved.

Welsh Language Implications

59. There are no direct Welsh language implications arising from the recommendations contained within this report.

60. The development of the Regional Growth Plan and associated LGF governance arrangements will reflect the requirements of the Welsh Language Standards and relevant Welsh Government guidance.

61. Future LGF-funded projects will be expected to consider opportunities to support and promote the Welsh language, where relevant and proportionate to the nature of the intervention.

Well-being of Future Generations

62. The proposals support the CJC's Economic Well-being duties by establishing a strategic framework for long-term economic growth, productivity improvement and the reduction of regional inequalities.

63. The Regional Growth Plan will adopt a long-term, ten-year perspective and seek to align investment activity across partners, funding streams and statutory functions to maximise collective impact.

64. The collaborative approach between SEWCJC, RCTCBC, local authorities, Welsh Government and regional stakeholders reflects the Well-being of Future Generations principles of long-term thinking, integration, collaboration and involvement.

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