

**ITEM No ...4.....**

**REPORT TO:** CITY GROWTH AND INFRASTRUCTURE COMMITTEE – 16 FEBRUARY 2026  
**REPORT ON:** UK GOVERNMENT LOCAL GROWTH FUND  
**REPORT BY:** EXECUTIVE DIRECTOR OF CITY DEVELOPMENT  
**REPORT NO:** 45-2026

**1 PURPOSE OF REPORT**

1.1 To provide an update on the UK Government's replacement for the UK Shared Prosperity Fund, the Local Growth Fund and the potential implications for Dundee City Council.

**2 RECOMMENDATION**

2.1 It is recommended that the Committee:

- a note the requirement for the fund to be delivered at a regional level, and the implications for services delivered in Dundee; and
- b delegate officers to engage with partners across the region to develop the investment plan required and report back to Committee.

**3 FINANCIAL IMPLICATIONS**

3.1 There are no financial implications for Dundee City Council.

**4 BACKGROUND**

4.1 The UK Government announced at the June 2025 Spending Review that the UK Shared Prosperity Fund would not continue beyond the 2025-26 transition year. In the November Budget, the Government confirmed its replacement - the Local Growth Fund - with details of the proposed delivery model for Scotland released on the 8 January. Scotland has been allocated £140 million over three years, including the allocation to the Tay Cities Region.

4.2 In 2025/2026, Dundee City Council received £1.9 million in revenue from the UK Shared Prosperity Fund (UKSPF). The replacement Local Growth revenue allocation for the Tay Cities region in 2026/2027 is £2.2 million. Across Tayside, the region secured £5.9 million of UKSPF revenue funding in 2025/2026.

4.3 The reduction in revenue support - and the shift from local to regional allocations – is likely to impact the services that have been funded by the UK Shared Prosperity Fund over the past four years. Several priority areas of activity across the city have been supported by UK Shared Prosperity Fund. These dependencies include up to £650,000 per annum to support Dundee City Council's Employability work and approximately £150,000 of spend per annum supporting the delivery of additional local services through Business Gateway Tayside.

4.4 The allocation of funding through the Local Growth Fund to the Tay Cities Region is £19.5 million over the next three years. While the total £7.2 million for 2026-27 is similar to the UKSPF allocation across the region in 2025-2026, it decreases by 26% in year 3. In addition, the focus has shifted from revenue support to capital and from a local to regional approach. This will have particular implications for the delivery of future revenue funded programmes and projects at local level. The allocation is:

<b>Tay Cities Region</b>	<b>2026 - 2027</b>	<b>2027 - 2028</b>	<b>2028 - 2029</b>	<b>TOTAL</b>
<b>Capital</b>	£5.0M	£4.7M	£3.8M	£13.5M

<b>Revenue</b>	£2.2M	£2.2M	£1.5M	£5.7M
<b>TOTAL</b>	£7.2M	£6.9M	£5.3M	£19.5M

Note: totals do not match due to rounding.

- 4.5 The UKSPF programme is due to end in March 2026. However, the UK Government has given local authorities a time-based extension until 30 September 2026 to enable key projects to be completed and to support the transition to the Local Growth Fund. The Local Growth Fund is due to start in April 2026. However, to date, the UK Government has not issued investment themes/priority spend areas. Once these are provided, a clearer picture of likely regional strategies will be developed.

## 5 CURRENT INFORMATION ON LOCAL GROWTH FUND

- 5.1 Further analysis of the Local Growth Fund indicates several implications for regional partners, particularly in relation to scale, targeting, delivery mechanism and timing. The challenges related to the replacement funding, both at a Scottish and local level include:

- a **Targeted rather than universal allocation:** under the UK Shared Prosperity Fund (UKSPF) every Scottish local authority received an allocation. The Local Growth Fund (LGF) has instead been allocated to only five of Scotland's eight regions. While the Tay Cities Region is included, nine local authorities fall within regions that will receive no Local Growth Funding.
- b **Reduction in overall funding:** in Year 3 (2024-2025) Scotland received £95.5 million through UKSPF, reducing to £75 million and in Year 4 (2025-26). Under the Local Growth Fund, Scotland will receive £52.2 million in Year 1 (2026-27), falling to £38.3 million by Year 3 (2028-29). Although some areas have secured additional funding through programmes such as Pride in Place or the Growth Investment Fund, these are geographically limited and less flexible. Overall, flexible regional funding in Scotland will fall by nearly 60% by 2028-29.
- c **Shift from local to regional allocation:** UKSPF was allocated directly to local authorities, enabling them to shape spending in line with local priorities. The Local Growth Fund will instead be allocated at the regional level, with delivery expected through Regional Economic Partnerships (REPs). As many REPs are still in early development and primarily driven by the imperative of delivering City and Growth Deal funding, this shift may lead to delays, governance challenges and reduced local autonomy over decision-making.
- d **Change in funding profile - capital v revenue:** UKSPF was predominantly revenue-based (about 70%). In contrast, the Local Growth Fund is structured around a 70% capital allocation. This shift may create challenges for services that rely heavily on revenue funding (eg skills development, employability and business support) previously supported under EU programmes and UKSPF. Local authorities may have limited capacity to deliver additional capital programmes due to revenue and staffing constraints.
- e **Compressed timescales:** there is currently little detailed guidance on how the Local Growth Fund will operate in Scotland, creating uncertainty for the continuity of existing successful initiatives, and the planning of new programmes beyond March 2026. The late announcement of the programme increases the risk of rushed decision-making and potential disruption to ongoing delivery of successful economic development initiatives.
- f **Impact on key programmes:** UKSPF has provided significant revenue support across People and Skills and Local Business Support. The move to Local Growth Funding risks undermining these programmes. Local examples potentially affected include:
  - Dundee's Discover Work employability programme;

- Business start-up support delivered through Business Gateway;
- SME skills development delivered by Dundee and Angus College; and
- Support for the visitor economy, including events and marketing.

## **6 NEXT STEPS**

- 6.1 Officers from City Development are working closely with regional colleagues and the Scotland Office, which is leading on Local Growth Funding in Scotland, to support the development of the new programme. This include responding to requests for information from the Scotland Office and regional partners, as well as participating in co-ordination meetings.
- 6.2 Finalising future plans will remain challenging until further details - such as the key investment themes - are confirmed. However, discussions are underway at regional level to shape tailored investment plans in advance of the final guidance. This work includes a workshop to review positive outcomes delivered through the UK Shared Prosperity Fund, assess current pipeline activity across partners, and identify potential capital projects and revenue programmes, including regional tourism, business support, and employability and skills initiatives.
- 6.3 The Scotland Office has indicated that the investment prospectus, which will outline the eligible areas for expenditure, will be published before the end of March 2026. As a result, decisions on future programmes are expected to be delayed until the first quarter of 2026/27.
- 6.4 The approach to management and governance of the fund at regional level will be considered by the Tay Cities Heads of Economic Development Group in consultation with the Scotland Office. Reports and recommendations will be taken to the relevant Council and/or Tay Cities Joint Committee as required. It is recognised that Dundee City Council Committee approval may be required, depending on the projects chosen for delivery.

## **7 POLICY IMPLICATIONS**

- 7.1 This report has been subject to the Pre-IIA Screening Tool and does not make any recommendations for change to strategy, policy, procedures, services or funding and so has not been subject to an Integrated Impact Assessment. An appropriate Senior Manager has reviewed and agreed with this assessment.

## **8 CONSULTATIONS**

- 8.1 The Council Leadership Team has been consulted in the preparation of this report.
- 8.2 The approach to future funding will require stakeholder engagement to be undertaken at a local and regional level. This will follow the process to be outlined in the awaited Investment Prospectus.

**9 BACKGROUND PAPERS**

9.1 None.

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