Local Growth Fund Investment Plan

National Investment Plan: Wales

1. Executive Summary

This Local Growth Fund Investment Plan (the Plan) has been developed with a range of partners across Wales and is informed by a suite of evidence, including international best practice from OECD projects in Wales, a Regional Investment for Wales Steering Group, a six-week public consultation supported by four regional events, evidence and recommendations from inquiries in the Senedd and Westminster, and evaluation evidence of the Shared Prosperity Fund.

The Plan sets out a strategic framework for investing in productivity growth across Wales, supporting sustainable economic development and improved living standards. The Fund is designed to target lagging areas with the greatest potential for productivity catch-up, helping businesses to grow, create better-paid jobs and strengthen regional economies.

These objectives are closely aligned to the UK Government's Plan for Change and growth mission, contributing to its strategic outcomes to increase both Real Household Disposable Income (RHDI) per head and Gross Domestic Product (GDP) per head. The Investment Plan also aligns closely with the Welsh Government's Economic Mission and the Wellbeing of Future Generations (Wales) Act, ensuring that investment decisions promote long-term, inclusive and sustainable outcomes.

Delivery will be structured around three Priorities and eight Objectives, providing a clear menu of investment options for the four regions of Wales. Each region will develop a tailored portfolio of interventions that reflects its specific opportunities and challenges, while contributing to shared national goals. Funding of £546,503,671 over three years will be provided by the UK Government and transferred annually to the Welsh Government.

A summary of how this funding will be allocated between priorities is set out below with a further breakdown in Annex E.

Year	RD&I and Business Competitiveness	Skills and Employment	Strategic Infrastructure	Admin	Total
2026-2027	£32,806,381	£27,400,459	£100,209,234	£7,420,983	**£167,837,057**
2027-2028	£62,451,213	£49,404,561	£73,306,200	£7,715,083	**£192,877,057**
2028-2029	£61,040,444	£45,133,366	£72,184,165	£7,431,582	**£185,789,557**
Total	**£156,298,038**	**£121,938,386**	**£245,699,599**	**£22,567,648**	**£546,503,671**

Allocations have also been set at a regional level using an allocation methodology informed by the consultation and directly aligned to the objectives of this Plan. These allocations are indicative, so may be subject to change as regional plans are drawn up and portfolios of investment developed. In particular, the indicative allocation for pan-Wales activity will be subject to development work done in partnership during the transition year to consider the business case for them.

Taken together, this Investment Plan provides a clear, evidence-led framework for deploying the Local Growth Fund in a way that supports long-term productivity growth, regional strengths and inclusive economic outcomes across Wales. By combining national priorities with regional flexibility, the Local Growth Fund will enable targeted investment that responds to local opportunities and challenges, maximises value for money, and contributes to a more resilient, sustainable and prosperous Welsh economy.

2. Economic Overview

A detailed socio-economic analysis has been prepared which provides an analysis of long-term trends highlighting the current strengths, challenges and opportunities of Wales' economy and labour market. This builds on the summary socio-economic analysis published to support the Welsh Government consultation on proposals.

Wales has seen significant progress in a range of areas since devolution, slowing and reversing historic gaps in unemployment and economic inactivity. Wales is a key destination for inward investment, attracting £4.6bn investment in 2024-2025 – a 23% increase year-on-year and the second highest growth in the UK.

Wales' economy is deeply integrated with the wider UK economy but faces structural weaknesses. Longstanding gaps in productivity and income persist relative to the UK average, and inequalities between and within regions remain. The shocks since 2008 – including the financial crisis, leaving the EU, and the pandemic – have dampened growth and investment, while demographic trends and labour market participation patterns in Wales also act as constraints.

Improving productivity is essential for improving living standards and developing a sustainable and growing economy which produces more with less, innovates, creates returns and rewards to workers and business owners through better wages and incomes. We want to help ensure the benefits of productivity growth are fairly shared with employees through our commitments to fair work and inclusion.
The focus on factors linked to improving productivity, including those likely to contribute to the variation between Wales and the rest of the UK, will include enhancing skills levels, more investment in research and innovation, higher capital investment and better connectivity. Addressing economic inactivity, including addressing health barriers, can reduce the negative impacts of smaller local labour pools, which slows economic and productivity growth, negatively impacts individual wellbeing, and increases pressures on public finances.

Key Sectors

The Welsh Government worked with the UK Government on the development of the UK Industrial Strategy to consider alignment of key sectors and growth opportunities in Wales. The four high growth sectors in Wales are identified as Advanced Manufacturing, Clean Energies, Digital and Technologies, and Creative; and two high growth potential sectors are Life Sciences and Financial Services. These key sectors closely align with key sector strengths and opportunities identified in the Welsh Government's *Economic Mission* and *Wales Innovates*, as well as sector-specific plans like the *A manufacturing future for Wales*.

These strengths are also recognised in joint investments between the Welsh Government and the UK Government, such as the Welsh Industrial Strategy Zones which focus on key clusters like clean energy in North-West Wales and South-West Wales, advanced manufacturing in North-East Wales, and compound semi-conductors in South-East Wales. Significant investment is being made in our strategic steel sector and the surrounding area in Port Talbot as well as new opportunities such as Floating Offshore Wind in the Celtic Sea. The agreement of two Artificial Intelligence (AI) Growth Zones in Wales, and commitments to Nuclear and defence, also points to opportunities for new and growing industries in Wales.

3. Strategic Outcomes and Alignment

The UK Government has set two key strategic funding outcomes for the Local Growth Fund across the UK: Increased Real Household Disposable Income (RHDI) per head; and Increased Gross Domestic Product (GDP) per head. These are milestones in the UK Government's Plan for Change, which are affected by a range of factors and need a whole government approach to address.

In order to affect these key indicators a wide range of devolved and reserved policy levers all need to act in concert, from fiscal, welfare and trade policy to education, health and planning policy. The Local Growth Fund cannot move the dial on these indicators on its own. Our socio-economic analysis and investment plan prioritise a small number of devolved levers for economic development which can help address the structural weaknesses in Wales's economy and labour market over the medium to long-term. To meaningfully see change in the UK strategic outcomes funding must be invested alongside other funds and aligned with other policies, complementing and adding value, avoiding duplication and addressing gaps. An approach of integrated planning and coordinated delivery across funds is central to the regional delivery model set out in this plan, and to the regional plans which will drive this.

Significant levels of UK Government funding are available to all parts of Wales on a competitive or commercial basis[1], but are generally focused on either lower risk investments with a clear commercial return or areas of UK-wide competitive strength. Without investment in those places and capabilities which do not meet these criteria there is a risk existing regional disparities widen, further exacerbating inequalities. Our aim for the Local Growth Fund in Wales is to look at where nascent capabilities and strengths can be developed in order to secure greater shares of these investments in Wales.

A number of UK Government programmes and investments in Wales also target areas of existing competitive advantage or demonstrating high growth. These are primarily place-based and include:

- *North Wales:* £160m Investment Zone investing in advanced manufacturing in Flintshire and Wrexham; Freeport in Anglesey focussed on clean energy, trade and AI; AI Growth Zone; Nuclear Small Modular Reactors; North Wales Growth Deal.

- *South-East Wales:* £160m to build on expertise in digital, tech and manufacturing from the compound semiconductor cluster in Cardiff and Newport; £20m

[1] For example, UKRI, Innovate UK, NWF, British Business Bank, Strategic Sites Accelerator, etc.

Innovation Partnership; AI growth zone designation; £10m further investment in the compound semi-conductor cluster; Cardiff Capital Region City Deal.

- *South-West and Mid Wales:* leasing round for Floating Offshore Wind (FLOW) in Celtic Sea; Freeport linked to clean energy; £80m port investment; £100m Tata transition funding; investment steel sector; City and Growth Deals.

These are some of the programmes with which we need to see the closest alignment for the LGF in Wales, emphasising the need for a regional approach. Building on international best practice and our work with the OECD, funding and policies in our regions needs to be much more effectively integrated. Planning for the LGF can help us achieve this by mapping and identifying gaps in the regional investment landscape, where capability can be built, and where strengths can be developed. To address economic inequalities, we expect to see a focus within regions on how to support growth in places with the greatest opportunity for productivity catchup within Wales, including areas which may struggle to attract competitive or high-growth oriented investment based on existing advantage rather than potential or need.

Directly linked to the UK Government's strategic outcomes our focus on driving productivity growth to benefit all parts of Wales is also intended to help address economic inequality. As a result of the socio-economic analysis findings and feedback from our consultation[2] we will prioritise investments which can help close the gaps for those places furthest behind, recognising this may involve investment across the region such as travel-to-work areas or associated connectivity. This means an emphasis on business-focussed research development and innovation, increasing capital investment in businesses, investing in enabling infrastructure to increase the productive capacity of regional and local economies, addressing demand-led skills gaps, and helping reduce levels of economic inactivity. A detailed theory of change, including an outcome framework, will form part of a monitoring and evaluation strategy to be published, but an early Logic Model is set out in Annex C, illustrating these links.

We have prioritised a suite of objectives in this national investment plan and regions will further prioritise within this menu. CJCs have statutory responsibilities for planning at a regional level via the Strategic Development Plans and Regional Transport Plans, alongside their general power to promote economic wellbeing providing shared sovereignty on decision making at a regional level. Investment Zones, Innovation Partnerships, and some City and Growth Deals are already being planned and delivery overseen by CJCs. Regional plans will be required to set out the long-term strengths, opportunities, and needs for each region. This reflects international best practice recommended by the OECD and is similar to the approach adopted by the UK Government for Local Growth Plans in England.

[2] Proposals for an approach to the UK Local Growth Fund in Wales | GOV.WALES

4. Proposed Investment

To meet our ambition to support productivity growth and tackle issues leading to economic inequalities across Wales, the key principles and cross-cutting themes referenced in Annex A will guide Local Growth Fund plans and investments. The priorities and objectives for the LGF in Wales were identified via the socio-economic analysis and refined following feedback from our consultation. They offer a menu of options from which regions will be asked to select, allowing for tailoring in different regions to reflect their specific strengths, opportunities and challenges.

Financial allocations have been agreed between the UK and Welsh Governments for each priority on a Wales-wide basis. The Welsh Government will ensure regional plans collectively deliver against this allocation and the linked outcomes, allowing for regional variation within these parameters.

Annex B sets out further detail on the rationale for each objective and includes indicative activities which might be funded in their pursuit. Indicative activities have been included as illustrative only and are not intended to be exhaustive or constrain activities which can directly contribute to the relevant objective and linked outcomes.

We also recognise investments may not neatly fit in one priority area or one objective area. Whilst these are necessary for classification and monitoring, this should not constrain flexibility in the design of interventions – projects may be assigned to the objective with the greatest fit, but do not need to be artificially split up. For example, an infrastructure project may have a component of demand-led skills. Revenue is allocated in primarily capital priorities to facilitate this and vice versa.

Priority 1: More productive and competitive businesses

- Objective 1.1: Creation and growth of high-potential start-ups, spinouts, and social enterprises – including from under-represented groups.

- Objective 1.2: Increasing capital investment in high growth potential businesses to support productivity growth

- Objective 1.3: 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

- Objective 2.1: Reduce levels of economic inactivity, notably among young people, disabled people, women and people from ethnic minority backgrounds

- Objective 2.2: 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

- Objective 3.1: Unlock investment in strategic sites and premises
- Objective 3.2: Capital investment aligned to Regional Transport Plans
- Objective 3.3: Capital investment aligned to regional energy plans / strategies

5. Funding Allocation Framework

This Investment Plan sets out the evidence base, strategic alignment, and delivery model for the LGF in Wales. Further details, such as a monitoring and evaluation framework will be published within guidance by the Welsh Government.

Funding allocations for capital (CDEL) and revenue (RDEL), worth a total of £546,503,671, are being made available from the UK Government for the three years of the current UK Spending Review from 2026-2027 to 2028-2029. Any subsequent funding will be subject to future UK Spending Reviews. These amounts provide a fixed envelope by financial year against which allocations have been made.

Thematic allocations

A summary of how this funding will be allocated[3] between priorities with a breakdown of the capital and revenue split is set out in Annex E.

Thematic allocations have been determined based on the funding mix (70% capital), emerging transition plans for 2026-2027, and evidence from the socio-economic analysis and consultation. This provides a clear approach to link allocations directly back to the strategic outcomes and alignment identified. Three key areas of investment to support productivity growth in Wales are linked to each priority (RD&I, skills and infrastructure).

The allocation and approach to coordinating overall investment at an all-Wales level against the priority areas allow for funding to complement and add value to other funding programmes as set out in the strategic outcomes and alignment section. Coordination will take place to ensure funding complements or addresses gaps in funding streams available across Wales from UK Government like UKRI, Innovate UK, National Wealth Fund, British Business Bank, and the Strategic Sites Accelerator, or from Welsh Government through the Development Bank for Wales, Business Wales, Medr, or others. At a regional level, plans will need demonstrate alignment with place-based investment programmes like City and Growth Deals, Investment Zones, Freeports, AI growth zones, and others.

[3] Figures may not add up due to rounding

Thematic allocations for 2026-2027 have been developed in partnership with local government to support an effective transition towards the allocations between 2027-2029, which are based on the following:

- *Priority 1:* 38% of capital in each financial year is allocated to support more productive and competitive businesses. This recognises RD&I investment counts as capital and acknowledges significant benefits in supporting and leveraging capital investment in high-growth businesses. 20% of revenue each year is also allocated to this priority to recognise capital investment is most effective when supported by revenue funding, including for expert advice and development of management skills.

- *Priority 2:* 60% of revenue in each financial year is allocated to increase skills and support people into work. This recognises their importance, especially of skills, to support the objectives for productivity growth and catchup in lagging areas. 10% of the capital in each financial year is also allocated.

- *Priority 3:* 48% of all capital in each financial year is allocated to improve regional infrastructure. Interventions in this priority are capital intensive and can have high costs. 16% of revenue funding each year is allocated to recognise capital investments will often require revenue support to bring them forward or support complementary investments in areas like skills.

- *Administrative costs:* 4% of the total each financial year is allocated to support core programme administrative costs.

Spatial allocations

The plan sets out a clear regional approach and the need for effective planning and coordination at a regional level. This should be complemented by cross-regional and pan-Wales investments and activities where they make sense to benefit from economies of scale, require specialist expertise, or avoid duplication.

Indicative spatial allocations are included in this plan at the regional level, using the established regional footprint overseen by Corporate Joint Committees. These are coterminous with the City and Growth Deal areas, and existing place-based economic investment programmes which operate within the same footprints. These geographies were determined in partnership between Welsh Government and local government to broadly represent functional economic areas. However, this should not prevent cooperation between regions, with places in England, and internationally.

We have adopted different methodologies for the regional allocations for the transition year in 2026–2027 and for future years. The need for urgency and predictability for planning purposes has led us to continue using the same proportion of funding for each region in 2026–2027 as was applied by the UK Government under the last year of the Shared Prosperity Fund (SPF). This approach provides planning certainty for regions, meets the call from local government partners, and means no region faces additional challenges during the transition year compared to others – to support a smooth and meaningful transition to the CJC-led model. Administration costs are capped at 4% of total allocations and are expected to include a mix of revenue and capital funding. The transition year reflects forecasts by local government and 2027-2029 will include 4% of each.

There is a need to build capacity and capability within CJCs, with a particular focus on strengthened partnership working and transparency. Given the requirement for CJCs to develop detailed regional plans (see section 6), and to align these with activity taking place during the transition year, £800,000 of revenue funding has been allocated to CJCs for 2026–2027 (£200,000 per CJC). All remaining funding in the overall Welsh allocation is then apportioned using the same regional shares as the 2025-2026 UK SPF. As a result, each region experiences the same proportionate change in available funding during the 2026-2027 transition year.

For 2027-2028 and 2028-2029 the allocation will be apportioned to CJCs based on the methodology set out in the technical annex (Annex D). The aim of the methodology is to reflect the strategic priorities and alignment being sought to target those areas in most need, reflecting differences in productivity, and additional barriers for places which lack agglomeration or are more peripheral.

Indicative regional allocations from 2027-2028 are based on the following model:

- 60% based on the Welsh Index of Multiple Deprivation (WIMD), which includes a range of indicators of economic inequality
- 30% based on levels of productivity to reflect productivity gaps
- 10% based on levels of sparsity or rurality reflecting areas which lack agglomeration and face additional barriers to investment

The indicative allocations are subject to the development and agreement of regional plans for the use of this funding. The impact on each region is expected to vary, but all regions should demonstrate leverage of additional private investment and addressing investment gaps. We expect regions to identify how interventions will support different needs across their region, including those areas facing the biggest challenges or lacking investment. A direct and measurable impact on productivity or UK Government strategic funding outcomes is not realistic, but there will be a golden thread through the Welsh Government priorities for productivity growth and catchup between areas in which a contribution can be attributed. These will be set out in a monitoring and evaluation framework and regional plans.

An indicative pan-Wales ringfence (with regional allocations) is included from 2027-2028 to support cross-regional interventions while providing clarity on regional benefit. This approach enables economies of scale, national coordination and reduced duplication. Approximately 20% (£25,000,000) of capital funding will be ringfenced in 2027–28 and 2028–29 (with no ringfence in 2026–27). This targets the greatest delivery challenge while retaining all revenue funding at regional level. These indicative allocations are subject to development of business cases in partnership, including regions and national bodies.

6. Delivery Model

Funding will be transferred to the Welsh Government by the UK Government via budget cover transfer arrangements. The Welsh Government will hold the Accounting Officer role for public spending in support of the LGF in Wales and will be responsible for the management and governance functions of the funding transferred by the UK Government, in line with the agreed Memorandum of Understanding (MoU) and this Plan.

The Welsh Government will provide national policy leadership for the LGF in Wales, including accountability for its design, delivery, monitoring, evaluation, audit and co-ordination. It will set and be responsible for programme standards, governance and assurances associated with the accountable bodies it chooses to allocate funding to help deliver the aims and objectives included in this Plan and will coordinate cross-government alignment.

The Welsh Government will provide further guidance as needed to delivery bodies with a focus on providing coherence across Wales and to support learning and best practice between regions, whilst retaining flexibility for regions to tailor delivery to suit their own circumstances. The Welsh Government is committed to an open and collaborative approach to support effective planning and delivery.

We do not expect to set requirements for specific project selection routes but will support regions to identify and allocate resources effectively and learn from each other. We will set clear requirements around partnership working and transparency to ensure all sectors have relevant input into design and delivery of programmes.

We will also facilitate discussions on opportunities for pan-Wales and cross-regional coordination and investment in key areas. This will include mapping of the current investment landscape, identification of gaps, and consideration of any potential role for the LGF in Wales. Initial work will focus on areas linked to capital investments in RD&I, investment funds for businesses, and bringing forward strategic sites. We will support coordination linked to pan-Wales initiatives funded outside of LGF for employability and skills, including apprenticeships and work on economic inactivity.

Delivery bodies

Temporary arrangements will initially be put in place to use the current SPF lead local authority model for each CJC region in 2026-2027 only. This will use existing capacity and capability, where governance and assurance processes are already in place to begin delivery immediately. Funding will be provided by Welsh Government via a grant offer letter to each lead local authority that sets out agreed milestones and conditions. This will be based on the lead local authority's submission of a transition plan for 2026-2027 for agreement by the Welsh Government. Each transition plan will need to demonstrate alignment with and contribution to this investment plan, as well as setting out early actions to support a transition to CJCs from 2027-2028. A review after six months (in October 2026) will assess progress of the transition year and preparations for the move to CJCs. The lead local authority by region is Gwynedd for the North Wales region, Ceredigion for Mid Wales, Swansea for South-West Wales, and Rhondda Cynon Taf for South-East Wales.

From 2027-2028, the Welsh Government will allocate and award funding via annual grant offer letters to each of the four CJCs. Each CJC will lead planning and portfolio selection at the regional level, working closely with their local authority members, business representative organisations, social partners, Higher and Further Education, funders and finance institutions, and others. We will set expectations for partnership working in the development of regional plans and supporting oversight and delivery. Regional plans will need to adhere to guidance the Welsh Government will publish. We expect these plans to set out analysis, provide a long-term (10 year) vision, and describe how existing funds and investors are already contributing to it. They will then need to set out how investment through the LGF is intended to address gaps and add value in delivering that vision, working as part of that wider investment landscape. This is broadly similar to the approach to Local Growth Plans in England and reflects international best practice from our projects with the OECD.

The Welsh Government's focus will be on the strategic coherence of regional plans and the progress against outcomes to deliver against them rather than the specific delivery model in each region. We do not intend to prescribe delivery approaches but will offer advice and support to regions to share best practice, ensure partnership and transparency, and support cross-regional working.

We expect to see programmes engaging a range of sectors and partners to support delivery, adapting approaches as necessary. For example, the third sector / social partners will have a key role to play in support for social enterprises, tackling economic inactivity, or community-based energy, but may need additional flexibilities such as payment in advance. The private sector may best access funding via investment vehicles or funds rather than seeking to directly deliver projects. Higher and further education will have expertise in aspects like skills or RD&I investments which can deliver regionally and be able to look pan-Wales and cross-regionally, including any sector-specific activity.

The Welsh Government will work closely with regional teams to provide shared pipelines and reporting across Wales. We will be open and transparent in decision-making and reporting, publish bilingual progress information on the Fund and meet accessibility standards. We will actively encourage cross-border working within Wales, across the UK, and Internationally.

7. Governance

Arrangements for delivery models are set out above and these will all ensure both Welsh Government and its delivery partners fulfil all legal duties applicable to them.

The Welsh Government will hold overall responsibility for the coordination and delivery of the Fund in Wales, including accountability for performance against objectives that contribute to UK-wide outcomes. It will report progress to the Senedd and engage with the UK Government through an annual review process, which will provide assurance on delivery, financial management and alignment with the priorities in this Plan.

Arrangements between the UK and Welsh Governments including roles and responsibilities will be set out in a MoU and published on the Welsh Government website. Within Wales, the Welsh Government has determined the governance structures required to support effective delivery and will work with regional partners and any Accountable Bodies as outlined in the earlier delivery section of this plan.

An Advisory Board of representative partners from across Wales will be established to provide advice on the strategic direction, delivery progress and lesson learned.

The Welsh Government will be responsible for managing in-year variations, including underspends and adjustments to allocations within flexibilities agreed with the UK Government. Any change outside of these flexibilities will require a formal change request to the UK Government, which will be made as soon as practical.

Our arrangements will ensure effective oversight while maintaining the flexibility needed to respond to emerging evidence, delivery risks and economic conditions. Our governance model has been developed to be proportionate, collaborative and responsive, supporting both robust oversight and the agility required to manage a dynamic investment programme operating across the four regions of Wales.

8. Branding and Publicity

The MoU will set out branding and publicity protocols between the UK and Welsh Governments. The Welsh Government will provide guidance for delivery partners and beneficiaries on the communications protocols for this Fund in Wales, to ensure transparency of the funding, the agreement with the UK Government, and compliance with accessibility and Welsh language standards.

9. Monitoring and Evaluation

In addition to the pan-Wales monitoring set out in section 7, the Welsh Government will develop and manage monitoring arrangements for Wales, including the Advisory Board of representative partners to monitor progress and advise on delivery.

We will publish a monitoring and evaluation framework which will combine the process, output, outcomes and impact of the Fund in Wales. Our approach may include surveys and qualitative research, as well as any place-based, thematic or project evaluations we require of accountable delivery bodies and beneficiaries.

Relevant UK Government core monitoring indicators are set out below and we will share information on these with the UK Government. We will supplement these with slightly amended and additional indicators aligned to the objectives in this Plan. Regional bodies will also be able to propose their own indicators as part of their transition and regional plans for agreement by the Welsh Government. We will create a network with regional bodies to review monitoring and evaluation issues so best practice is shared and evaluation activity co-ordinated effectively.

UK Government indicators of relevance to our priorities:

Priority 1: More productive and competitive businesses

- Number of enterprises receiving grants
- Number of enterprises receiving financial support other than grants
- Number of enterprises receiving non-financial support
- Number of potential entrepreneurs assisted to be enterprise ready
- Number of new enterprises created as a result of support
- Number of enterprises with improved productivity
- Number of enterprises engaged in new markers
- Number of new to market products
- Number of organisations engaged in knowledge transfer activity following support
- Number of vacant units filled

Priority 2: Increasing skills and supporting people into work

- Number of people receiving support to gain employment
- Number of people in employment, including self-employment, following support

Priority 3: Improving regional infrastructure

- Amount of commercial space completed/improved
- Amount of land unlocked for development
- Total length of new and/or improved cycle ways or foot paths
- Number of new and/or improved public transport routes

Proportionate and structured monitoring and evaluation arrangements for the Fund will support effective governance, accountability for public funding, proportionate oversight, timely assurance, and a clear line of sight between regional delivery and national objectives throughout the three-year delivery period. We will require each region to report on progress against an agreed set of metrics, and provide evidence of delivery, expenditure, outputs and emerging outcomes.

Funding payments to each region will take place quarterly and will be based on a proportionate monitoring approach that involves evidence of actual and forecast expenditure profiles, and progress against agreed regional plans.
In the transition year (2026-2027), a six-month review will take place in October and will need to demonstrate progress is being made towards the transition to the CJC model. From 2027-28, six-month reviews will take place to include an assessment by the Welsh Government of the process, output and early-stage impact indicators, and lessons learned. This will help determine if any iterative adjustments to funding allocations, guidance and support is needed.

Pan-Wales evaluations will be designed in partnership with each region to facilitate comparability across Wales, as well as options for alignment and additionality with other funds and investment programmes.

The Welsh Government will liaise with the UK Government and LGF leads in Scotland and Northern Ireland to explore opportunities for collaboration and learning lessons on monitoring and evaluation approaches.

10. Risk Management

In addition to a Senior Responsible Officer (SRO) being in place, an internal project board of senior policy and delivery officials will meet regularly throughout the programme cycle to advise on and oversee the Fund. The Welsh Government has also developed a risk register and RAIDD log to inform the design and strategic planning of this Fund. These are live documents and will be reviewed regularly by the SRO and internal project board.

The Welsh Government will require risk registers and related assessments to form part of the planning and monitoring approaches undertaken by regional bodies. This will help ensure measures are put in place to effectively identify and mitigate risks, and to support contingency planning.

11. Annexes

A. Guiding Principles and Cross-cutting themes
B. Investment Priorities and Objectives
C. Early Logic Model
D. Place selection and allocation methodology
E. Financial tables

Annex A: Guiding Principles and Cross-cutting themes

Guiding principles for the Local Growth Fund in Wales
a) Focus on delivering outcomes to support long-term changes. Investments should contribute to regional and national priorities and demonstrate clear impact.
b) Support and empower regions through the CJCs to prioritise portfolios of investments based on regional and local opportunities and needs. We expect CJCs to leverage wider investment with this funding and to work closely with local authorities and the wider partnership.
c) Integrate with and add value to other UK and Welsh Government programmes to avoid duplication and increase impact and value for money.
d) Provide enough flexibility to respond to new and emerging evidence and needs, whilst delivering on the UK and Welsh Governments' shared ambitions.
e) Plan strategically on a multi-annual basis to provide a greater focus on longer term outcomes as opposed to spending money quickly.
f) Integrate equality, sustainable development and the Welsh language in all investments.
g) Encourage collaborative working across borders, within Wales, and across the UK and internationally where we have shared needs or opportunities.
h) Ensure CJCs, local authorities and key partners have the right capability and capacity to design and deliver the LGF, including for transition arrangements and investing in long-term capacity.
i) Deliver on our commitment to openness, fairness and transparency of investments by publishing information and data on delivery regularly.
Cross-cutting themes
Equality - Support inclusive growth by reducing barriers to participation in economic activity and promoting fair access to skills, employment and business support across Wales.
Climate - Support Wales's transition to a low-carbon, climate-resilient economy while unlocking sustainable economic opportunities.
Well-being - Support long-term, sustainable prosperity and wider social, economic and environmental well-being.

Annex B: Investment Priorities and Objectives

Priority 1: More productive and competitive businesses

Objective		Rationale	Indicative activities
1.1	Creation and growth of high-potential start-ups, spinouts, and social enterprises — including from under-represented groups	New businesses in high-potential areas, such as our key sectors, can bring dynamism and innovation to local economies and supply chains, supporting productivity growth and more efficient allocation of resources. Spinouts, such as those from university and industry, often build on existing intellectual property and new uses for existing technology, further enhancing productivity and growth. More productive businesses are those which grow and access new markets and expertise, such as exporting, product and process development, and expansion. But they can face barriers in doing so, from access to capital to expert advice. Social enterprises offer alternative and innovative business models to support sustainable growth. Under-represented groups can face additional barriers to starting and growing businesses representing a lost opportunity for innovation and productivity gains. Support can help unlock innovation and entrepreneurship across all regions	• Targeted investment alongside expert advice to create new businesses in high-growth sectors. • Investment alongside advice to support barriers to business growth in key sectors and at growth tipping points (e.g. expanding, exporting, innovating). • Tailored approaches to address specific barriers or opportunities for social enterprises. • Tailored approaches to address additional barriers faced by under-represented groups. • Co-working spaces, business incubators, innovation hubs – combining premises with advice and access to finance.
1.2	Increasing capital investment in high growth potential businesses to support productivity growth	Investment in productive capital is important for long-term productivity growth, both in the wider economy and by individual businesses. Wales and the UK have comparatively low levels of investment in capital across both the public and private sector compared to other developed economies. Private capital investment retreated to London	• Capital regional investment vehicles (grant, loan, equity, mezzanine) for high-growth potential sectors and supply chains.

		and the South-East and businesses put on hold investment given uncertainties created by the financial crisis, Brexit and the pandemic. Businesses increasing investment in capital (including technology, machinery, facilities, and research) can improve firm productivity, which in turn can support wage growth and new activity. Significant productivity growth will need major private investment by businesses, but there may be opportunities to pump-prime some activity or help address viability gaps for high growth potential businesses which will benefit most.	• Sector-specific or cluster-specific investment vehicles (grant, loan, equity, mezzanine) to leverage new private capital investment.
1.3	Increase levels of investment in RD&I capacity, exploitation and diffusion in businesses and research organisations	Levels of investment in research, development and innovation (RD&I) are associated with productivity levels. Higher productivity firms often have higher levels of investment in these areas and develop a culture of innovation and technology adoption and adaptation. However, Wales has lower levels of business expenditure on RD&I activity and lower levels of innovation active businesses than other parts of the UK. All firms can benefit from the wider adoption of existing innovations, including technology. AI adoption offers the potential for future productivity gains. Across the UK there are significant opportunities if we can more effectively exploit and diffuse new and existing technologies across businesses, clusters, sectors, and research organisations. Access to the majority of UK and international public RD&I funding is competitive. Wales does not yet have the capacity or capability to access this funding at scale, with significant opportunities if gaps can be bridged in areas of genuine strength or competitive advantage.	• Improving collaboration between research organisations and industry, including meeting demand for RD&I from growth sectors and clusters. • Supporting the diffusion of existing innovation and adoption of technology which can improve productivity. • Commercialisation and exploitation of new technology close to market, for example where there are viability gaps. • Increase capacity and capability to access competitive research funding linked to high growth potential sectors and regional economic priorities.

Priority 2: Increasing skills and supporting people into work

Objective		Rationale	Indicative activities
2.1	Reduce levels of economic inactivity, notably among young people, disabled people, women and people from ethnic minority backgrounds	The overall productive capacity of Wales is constrained by the available labour force, in particular given an older population with more health barriers than other parts of the UK. Supporting those people to participate in the labour market increases the pool of skills and expertise available to businesses. A more diverse workforce can also support productivity by bring new ideas and perspectives into businesses, creating new opportunities and markets. The focus will be on young people, disabled people, women, and people from ethnic minority communities, recognising the structural and socio-economic disadvantages that disproportionately affect these groups. Economic inactivity can be place-specific and those affected can also face accessibility barriers. At the same time skills requirements are not meeting demand from businesses in different places. Marrying these could offer a route to employment which matches demand.	• Targeted employability support working alongside other programmes to address gaps in specific places. • Tailored pathways into work, built upon closer collaboration with employers to create accessible, sustainable job opportunities which meet demand. • Meeting specific gaps in places alongside other employability support (e.g. third sector engagement to create a pathway for individuals into mainstream programmes) • Tailored activity for barriers affecting key target groups.
2.2	Enhance workforce skills through flexible, demand-led training aligned with the needs of high-growth and regionally important sectors	Alongside infrastructure and RD&I, skills investment is one of the most important factors associated with productivity growth. Higher level skills are associated with higher productivity. Whilst there have been improvements, Wales has skills gaps at this level. This is particularly important where there are skills gaps in the demand from high growth-potential sectors and clusters which can constrain their growth in Wales, including productivity growth.	• Flexible, demand-led training aligned to demand from high-growth and regionally important sectors. • Addressing regional skills gaps or tailored to take advantage of regional economic opportunities (e.g. energy).

		These issues are also recognised across the UK as each of the key sectors in the UK Industrial Strategy will have an associated skills strategy. Regional skills partnerships in Wales offer further intelligence. There can be issues matching supply with demand, recognising skills providers need time to develop courses, but Wales has particular strengths to build upon in tailoring of part-time and adult education. Stronger technical and digital capability, improved progression pathways, and filling regional skills gaps can underpin long-term productivity growth and competitiveness of the Welsh economy.	• Apprenticeships or other qualifications linked to identified gaps or demand. • Modular training or skills investments where meeting specific demand. • Enabling skills to support productivity, including digital skills.

Priority 3: Improving regional infrastructure

Objective		Rationale	Indicative activities
3.1	Unlock investment in strategic sites and premises important for the region	Capital investment in infrastructure is one of the most important interventions to support productivity growth, in particular where the private sector is unable or unwilling to invest. Strategic sites, such as business premises, culture, tourism or heritage assets can create a locus for regional investment. Supporting emerging clusters can gain agglomeration benefits for an entire region, not just the specific area in which the infrastructure is built. A range of commercial investment vehicles are already available in Wales and across the UK, but in many places across Wales there remains a viability gap in securing this investment despite local demand. This is particularly acute outside of densely populated city areas and can limit the growth potential of areas which cannot generate the same levels of commercial return. Investment in tourism, heritage and culture assets or in public infrastructure can also support wider growth in a region where they attract visitors and improve the attractiveness of an area as a location for	• Site remediation and investment to make strategic sites more attractive to commercial investors. • Investment funds targeting co-investment with the private sector or other funders to help address viability gaps. • Direct investment in creation, expansion or modernisation of tourism, culture or heritage assets which can support regional growth. • Targeted investment in public infrastructure or facilities where linked to regional growth objectives and priorities.

		businesses and labour, in turn supporting agglomeration and clustering and wider business investment. This can be particularly important for creating the right conditions for the Welsh language to thrive.	• Investment in site readiness to support clusters, such as improving accessibility or digital connectivity. • Digital connectivity within a region or place where addressing key gaps.
3.2	Capital investment aligned to Regional Transport Plans	Transport is a key enabling infrastructure which has particular relevance in Wales for supporting productivity growth. Wales is less densely populated than other parts of the UK, with fewer agglomerations or large cities which can support clustering, labour markets and supply chains key to driving productivity. Those parts of Wales which tend to lag the rest of Wales and the UK in productivity also tend to be less well connected. Improving connectivity can support people to access education and employment opportunities, as well as improving access for businesses to skills and markets, in turn supporting growth. Investment can improve connectivity within and between clusters, key sites, labour markets, communities, enhance access to employment and services, and strengthen the overall efficiency of regional transport systems. This may be of particular relevance for rural, coastal and post-industrial areas or to support connectivity for the Welsh language. Regional Transport Plans have been developed by each CJC, prioritising transport investments in each region to 2030. This provides a sound evidence base to draw on where specific transport investments are prioritised to support regional growth.	• Local transport projects important for regional growth. • Connectivity to public transport networks and accessibility of public transport, including frequency. • Active travel solutions and intermodal connectivity, in particular to education and employment sites. • Addressing specific bottlenecks in road, rail or active travel networks to reduce travel times.
3.3	Capital investment aligned to	Different regions in Wales have identified specific opportunities for investment in renewable energy and energy efficiency. These have been	• Address barriers to renewable and low-carbon energy generation

	regional energy plans / strategies	captured in regional energy plans or strategies which identify priorities for investment. Clean energy and the circular economy are already strengths in Wales which align with key sectors in both Welsh and UK Government policy. There are growth opportunities, including at the local and regional levels. Measures to improve energy efficiency can lower costs for people and businesses, increasing disposable income or lowering business costs. Similarly, locally owned renewable energy can lower costs and create returns for investment in the communities. The evidence-based and prioritisation within Local Area Energy Plans and the regional energy strategies provides a sound basis to identify and target funding where it can have a clear economic impact by lowering costs, innovating, or stimulating new business activity. Those plans and strategies also ensure coherence with wider decarbonisation ambitions and economic opportunities associated with the net zero transition.	where there are economic benefits retained in the region • Address barriers to locally owned and community energy delivering against regional priorities. • Support to increase energy efficiency and use of heat, particularly for industry • Piloting or demonstration of new technology, including for smart and flexible systems • Decarbonisation linked to improving efficiency and supporting economic opportunities, including for business, transport or adopting new technology

Annex C: Wales Local Growth Fund - Early Logic Model

Aim of the Local Growth Fund is to support productivity growth and tackle issues leading to economic inequalities across Wales.

Inputs

Local Growth Fund Capital and Revenue

Guidance

Partnerships

National co-ordination

Regional, accountable delivery via CJCs

Data and evidence of what works

Activities

Targeted financial and non-financial support offered to businesses and social enterprises

Activities directed at RD&I commercialisation and diffusion

Provision of training and support to help people gain employment

Funding made available for the development of key strategic sites and premises

Investment made available to regional transport and energy schemes

Outputs

Businesses supported and accessing finance

Entrepreneurs encouraged/supported to form new businesses

RD&I commercialisation and diffusion

Improved qualification provision / skills required to access employment

Development of strategic sites and premises

Renewable and low carbon energy projects financially supported

Public transport and active travel schemes financially supported

Outcomes

Increased business growth and productivity

Job creation

High-potential start-ups, spin outs and social enterprises formed

RD&I and knowledge exchange facilitated

Improved labour market participation

Highly skilled workforce that better meets skill needs

Improved enabling infrastructure, reducing viability gaps and unlocking investment and agglomeration

Greater utilisation of public transport and active travel options

Assumptions

Local Growth Fund is part of wider landscape of capital and revenue investments aligned to national, regional and local sustainable and inclusive growth

Annex D: Local Growth Fund in Wales: Place selection and allocation methodology

This methodology note sets out the process used to determine regional allocations for the Local Growth Fund across Wales for the years 2027-28 and 2028-29. It includes the core principles that have guided the approach, outlines the process for selecting places, and the resultant regional allocation amounts.

Core principles

The Local Growth Fund allocation methodology that has been adopted has been guided by the following set of core principles.

Objectives:

- The objectives of the Local Growth Fund in Wales are to support productivity growth in areas with catchup potential and to tackle economic inequality in areas of deprivation. It will provide funding to help address long-standing productivity gaps across Welsh regions and enable businesses to scale, innovate and compete effectively.
- The Local Growth Fund aims to help reduce disparities between and within regions, and support sustainable inclusive growth that benefits both urban and rural areas, recognising the structural and spatial barriers to growth in rural and sparsely populated areas.
- To meet these objectives, funding is allocated regionally using a methodology that aims to recognise inequity, reflects additional challenges of rurality and peripherality, and supports long-term productivity growth in lagging areas.

Regional Structures and Governance:

- The Welsh Government has worked with local government and partners across Wales to plan the national objectives, investment priorities, governance and monitoring arrangements.
- Key planning and prioritisation of investments will be made at a regional level. The first year (2026-27) will support the transition from previous funding arrangements, and four local authorities (Cyngor Gwynedd, Rhondda Cynon Taf County Borough Council, Ceredigion County Council and Swansea Council) will lead the regional planning and delivery of the Local Growth Fund during that year, building on previous structures.
- Following transition (from 2027-2028 onwards) the Corporate Joint Committees (CJCs) will lead on regional planning, taking responsibility for the prioritisation and selection of investments, and coordinating the Local Growth Fund in alignment with wider economic development including City and Growth Deals and Investment Zones.
- CJCs are regional democratically accountable decision-making public bodies, established to enable easier more effective regional collaboration. There are four in Wales covering North Wales, Mid Wales, South West Wales, and South East Wales.

Targeting:

- The methodology ensures funding is distributed to areas of both need and opportunity.
- The Wales Index of Multiple Deprivation (WIMD) is used as the primary indicator for regional allocations, given its alignment with the objectives of the Local Growth to target areas of greatest economic inequality. Domains of the WIMD include those aligning with the objectives (e.g. income and employment) and others which are linked (e.g. health linked to economic inactivity, access to services and infrastructure to drivers of productivity). Use of WIMD will help direct investments to areas of greatest need.
- Boosting productivity is essential for Wales' long-term growth. Regional productivity indicators have been incorporated into the methodology to target funding to areas where productivity is lower, which represent areas for potential growth and economic potential.
- Stakeholder feedback and socio-economic analysis emphasised the need for a methodology that reflects rural and peripherality challenges to economic growth. This also recognises per capita costs for infrastructure will be higher in these areas compared to more urban areas. The rurality weighting targets areas of population sparsity to increase investment in areas that face additional challenges from a lack of agglomeration and distance to markets.

Methodology overview

The methodology comprises three stages informed by the core principles:

1. Place Selection
2. Quantum
3. Allocation

Stage 1: Place selection

Places have been identified using the already established Corporate Joint Committees (CJCs), as the regional planning leads for the LGF. Each Local Authority in Wales is a member of one CJC only and the CJCs are contiguous (i.e. are not overlapping).

Stage 2: Quantum

The total quantum of funding for allocating across the recipient places per year, split by RDEL and CDEL is:

	RDEL		CDEL		TDEL	
Year	27-28	28-29	27-28	28-29	27-28	28-29
Total funding	£60,233,712	£53,108,820	£132,643,345	£132,680,737	£192,877,057	£185,789,557

Stage 3: Allocation

The funding is allocated across the four CJC regions in Wales based on an index that comprises the following weighting (all adjusted for 2024 mid-year population estimates) to account for relative differences in deprivation, productivity, and rurality:

- **Deprivation (60% weight):** Defined as share of small areas within each region that are within the 50% most deprived areas in Wales, using WIMD 2025 data from the Welsh Government.
- **Productivity (30% weight):** Defined as regional productivity per hour worked, using 2023 subregional productivity data from the ONS.
- **Rurality (10% weight):** Defined as share of populations that live in rural areas, using Census 2021 data.

Where available, data used is for economic regions (CJCs). However, Local Authority data is combined using population weights where regional data is not available.

The regional allocation that this results in are included in Table 4 in Annex E.

Annex E: Local Growth Fund – Financial Tables

Table 1: The LGF allocation for Wales

	Per year		
	Revenue	**Capital**	**Total**
26-27	£50,903,109	£116,933,948	**£167,837,057**
27-28	£60,233,712	£132,643,345	**£192,877,057**
28-29	£53,108,820	£132,680,737	**£185,789,557**
Total	**£164,245,641**	**£382,258,030**	**£546,503,671**

*Table 2: Allocations by Priority**

	2026-27			**2027-28**			**2028-29**		
Priority	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital**	**Total**	**Revenue**	**Capital**	**Total**
RD&I and Business Competitiveness	£8,300,252	£24,506,129	**£32,806,381**	£12,046,742	£50,404,471	**£62,451,213**	£10,621,764	£50,418,680	**£61,040,444**
Skills and Employment	£27,400,459	£0,000,000	**£27,400,459**	£36,140,227	£13,264,334	**£49,404,561**	£31,865,292	£13,268,074	**£45,133,366**
Strategic Infrastructure	£10,300,094	£89,909,140	**£100,209,234**	£9,637,394	£63,668,806	**£73,306,200**	£8,497,411	£63,686,754	**£72,184,165**
Admin	£4,902,304	£2,518,679	**£7,420,983**	£2,409,349	£5,305,734	**£7,715,083**	£2,124,353	£5,307,229	**£7,431,582**
Wales	**£50,903,109**	**£116,933,948**	**£167,837,057**	**£60,233,712**	**£132,643,345**	**£192,877,057**	**£53,108,820**	**£132,680,737**	**£185,789,557**

*
For 2026-27:
Developed in partnership with local government to support Transition Plans:
RDEL %age: RD&I & Business Competitiveness 16% | Skills & Employment 54% | Strategic Infrastructure 20% | Admin 10% (inclusive of £800,000 for CJC capacity building) | Total 100%
CDEL %age: RD&I & Business Competitiveness 21% | Skills & Employment 0% | Strategic Infrastructure 77% | Admin 2% | Total 100%
TDEL %age: RD&I & Business Competitiveness 20% | Skills & Employment 16% | Strategic Infrastructure 60% | Admin 4% | Total 100%

For 2027-28:
RDEL %age: RD&I & Business Competitiveness 20% | Skills & Employment 60% | Strategic Infrastructure 16% | Admin 4% | Total 100%
CDEL %age: RD&I & Business Competitiveness 38% | Skills & Employment 10% | Strategic Infrastructure 48% | Admin 4% | Total 100%
TDEL %age: RD&I & Business Competitiveness 33% | Skills & Employment 25% | Strategic Infrastructure 38% | Admin 4% | Total 100%

Table 3: Regional allocations for 2026-2027 only

	2026-27		
	Revenue*	**Capital**	**Total**
North Wales	£10,332,928	£23,648,898	£33,981,826
Mid Wales	£3,597,774	£7,929,949	£11,527,723
South West Wales	£12,057,987	£27,674,954	£39,732,941
South East Wales	£24,914,420	£57,680,147	£82,594,567
Wales	**£50,903,109**	**£116,933,948**	**£167,837,057**

**including £200,000 per region for CJC capacity building*

Allocations by Region post-transition (2027-29)

Three indicators directly linked to the objectives in this Plan are used to apportion regional allocations

- *The Welsh Index of Multiple Deprivation (WIMD).* This is statistically robust to a local level and includes multiple domains some of which are targeting issues linked to the programme around economic inequality and others less directly linked to the programme. It is a widely accepted methodology for deprivation.

- *Productivity differences.* This accounts for differences in regional productivity, though figures may be less robust than WIMD at lower levels and focusses on workplaces in the area rather than the productivity of the workforce who may travel to work in other regions. Productivity is not captured by WIMD.

- *Rurality / Sparsity.* This is intended to reflect the lack of agglomeration from dispersed and sparser populations in more rural and peripheral areas, which can face additional barriers to productivity growth because of accessibility or commercial attractiveness. WIMD includes access to services, so arguably includes an element of this though not directly linked to the objectives.

Table 4: Regional allocations from 2027-2028 onwards, including £25,000,000 capital allocation for Pan-Wales projects

	2027-28				2028-29			
	RDEL	**CDEL**	**Pan-Wales**	**Total**	**RDEL**	**CDEL**	**Pan-Wales**	**Total**
North Wales	£12,942,289	£23,129,096	£5,371,697	£41,443,082	£11,411,379	£23,137,130	£5,371,697	£39,920,206
Mid Wales	£4,439,610	£7,934,004	£1,842,660	£14,216,274	£3,914,460	£7,936,760	£1,842,660	£13,693,880
South West Wales	£14,619,659	£26,126,713	£6,067,889	£46,814,261	£12,890,336	£26,135,789	£6,067,889	£45,094,014
South East Wales	£28,232,154	£50,453,532	£11,717,754	£90,403,440	£24,892,645	£50,471,058	£11,717,754	£87,081,457
Wales	**£60,233,712**	**£107,643,345**	**£25,000,000**	**£192,877,057**	**£53,108,820**	**£107,680,737**	**£25,000,000**	**£185,789,557**