

Local Growth Fund in Wales: Place selection and allocation methodology note

Introduction

This methodology note sets out the process used to determine regional allocations for the Local Growth Fund (LGF) across Wales. It explains:

- The approach used for 2026-27, which mirrors regional allocation shares taken from the last year of the UK Shared Prosperity Fund (UKSPF) in 2025-26.
- The new methodology for 2027-28 and 2028-29, including the core principles that have guided the approach, the process for selecting places, and the regional allocation totals

Transition year (2026-27)

The total quantum of funding for allocating across the regions for year 1 (2026-27), split by revenue funding (RDEL) and capital funding (CDEL) is:

	RDEL	Capital	Total
2026-27	£50,903,109	£116,933,948	£167,837,057

For 2026-27, LGF funding is distributed among Welsh regions according to their proportionate shares of final year UKSPF funding. This approach aligns with requests made by the regional lead local authorities, who are responsible for managing the fund in 2026-27, to maintain continuity in funding levels.

Regional shares are determined by calculating each region's percentage of the Wales-wide UKSPF 2025-26 allocation. Capital and revenue funding for 2026-27 is then allocated to each region in line with this percentage share of the total available funding.

To support the development of Corporate Joint Committees ahead of their transition to full CJC-led delivery, £800,000 of revenue funding has been set aside for 2026-27, providing £200,000 to each CJC. This capacity funding is deducted from the Wales-level 2026-27 RDEL and redistributed equally across all regions as a fixed amount before the methodology described above is used to allocate the remaining RDEL and full CDEL available.

Allocation results

The regional allocation that this results in is:

	2026-27		
	RDEL*	CDEL	TDEL
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*

Core principles for the 2027-29 methodology

The LGF allocation methodology for 2027-28 and 2028-29 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 CJs, as the regional planning leads for the LGF. Each Local Authority in Wales is a member of one CJC only and the CJs 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:

Year	RDEL		CDEL		TDEL	
	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 (CJs). However, Local Authority data is combined using population weights where regional data is not available.

An indicative pan-Wales capital allocation of approximately 20% (£25,000,000) per year has been identified to support cross-regional and national-scale interventions where these offer clear benefits, such as economies of scale, access to specialist expertise, or reduced duplication. This allocation is ring-fenced for capital investment and is taken from regional budgets in accordance with the same methodology used to allocate RDEL and remaining CDEL.

Allocation results

The regional allocation that this results in is:

Region	RDEL		CDEL		Pan-Wales	TDEL	
	27-28	28-29	27-28	28-29	Per-annum	27-28	28-29
North Wales	£12,942,289	£11,411,379	£23,129,096	£23,137,130	£5,371,697	£41,443,082	£39,920,206
Mid Wales	£4,439,610	£3,914,460	£7,934,004	£7,936,760	£1,842,660	£14,216,274	£13,693,880
South West Wales	£14,619,659	£12,890,336	£26,126,713	£26,135,789	£6,067,889	£46,814,261	£45,094,014
South East Wales	£28,232,154	£24,892,645	£50,453,532	£50,471,058	£11,717,754	£90,403,440	£87,081,457