

Midlothian Council

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Council Leader
Councillor Kelly Parry

Midlothian

Tuesday 13 January 2026

Mr Douglas Alexander MP
Secretary of State for Scotland



By email: douglas.alexander.mp@parliament.uk

Dear Secretary of State,

Local Growth Fund for Scotland

I am writing to you as the Leader of Midlothian Council to express my profound concern regarding the recent announcement on 8th January of the new Local Growth Fund for Scotland.

While any commitment to regional development and funding is welcomed, the structure, delivery method, and financial trajectory of this fund present significant risks to the communities and economy of Midlothian.

The UK Government's decision to bypass the Scottish Government - unlike the model used in Wales - is a disappointing departure from collaborative governance. Furthermore, the choice to allocate these funds through Regional Economic Partnerships rather than directly to local authorities is unhelpful. While Midlothian falls within the Edinburgh & South East region, the regionalised approach risks masking the specific socio-economic pockets of need within our county.

Additionally, by shifting the allocation metric to Real Disposable Household Income per capita and population size, the UK Government has effectively disadvantaged the parts of Scotland that require the most support. This "one-size-fits-all" regional distribution fails to respect the local expertise of councils who best understand their own unique infrastructure and skills gaps.

However, most alarming is the drastic shift from revenue to capital spending. Under the UK Shared Prosperity Fund (UKSPF), capital accounts for roughly 23 - 28% of spending; under the new Local Growth Fund, this skyrockets to 70%. This "sledgehammer" approach to revenue funded services will have a devastating impact on our local delivery partners.

In Midlothian, we rely on revenue funding to support the delivery of front line services - for example, Business Support that we give our local Small and Medium-sized Enterprises to navigate an already difficult economic climate, and Employability and Training initiatives that are almost entirely revenue dependent. Lastly and equally important, is our Third Sector Partners; these organisations provide vital services on behalf of the council. Nationally, it is estimated that for every £1m of spending, seven local authority jobs are supported, plus additional roles in the Third Sector.

The 50% reduction in funding by 2028-29, combined with the capital shift, puts more than half of these directly supported jobs at risk. For Midlothian, this means losing experienced staff who provide frontline skills training and support to our most vulnerable residents.

Furthermore, the three-year framework for a fund so heavily weighted toward capital expenditure is impractical. As we have seen with previous "levelling up" schemes, it is extraordinarily difficult to secure permissions and issue contracts for meaningful capital projects within such a short window.

The projected drop in annual funding - falling from £125m under the UKSPF to just £38m by 2028-29, represents a 70% reduction in cash terms for Scotland. For a growing area like Midlothian, this reduction in real term support will stall local growth precisely when it is needed most.

I urge the UK Government to reconsider this allocation model, capital and revenue split ratios and engage in meaningful dialogue with local Leaders to ensure that funding is both accessible and flexible enough to protect local jobs and services.

Yours sincerely,



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Cc Kirsty McNeill MP
Shona Robison MSP, Cabinet Secretary for Finance and Local Government