

# **THE SOUTH MIDLANDS SIX:**

**Evidence for the  
functional economic  
geography and the  
investment value at  
stake.**

**October 2026**

# EXECUTIVE SUMMARY

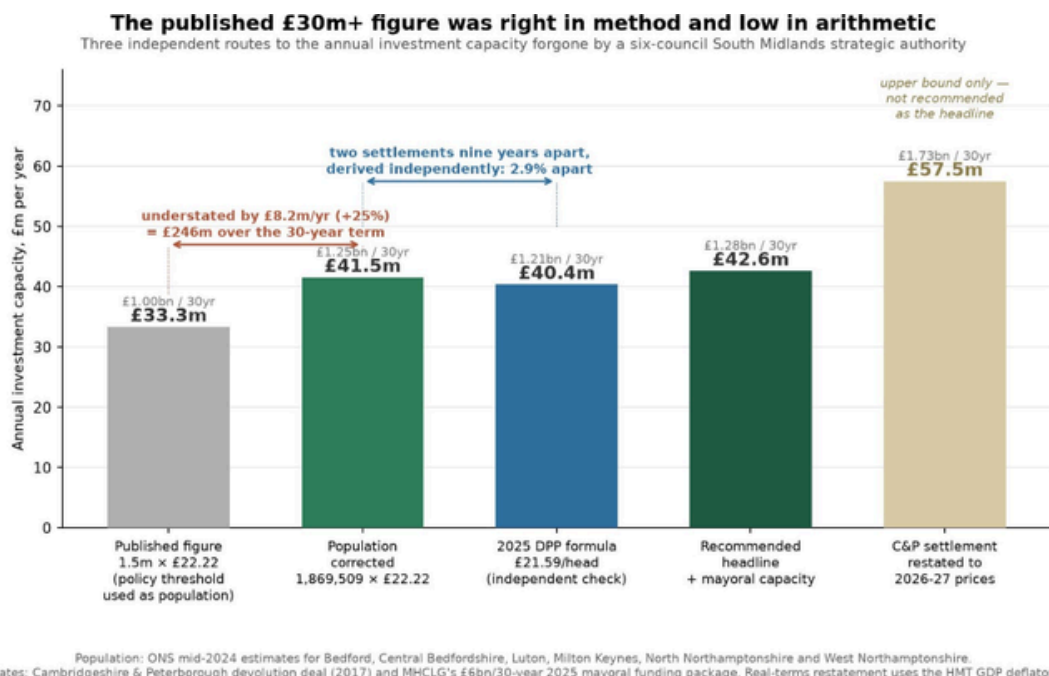
Recently published claims, that the South Midlands area is losing out on multi-million-pound public funding opportunities because of a lack of consensus on devolution, are both methodologically sound and vastly understated thanks to a simple input error.

Concerns that the region is forgoing public investment capacity worth more than £1 billion over 30 years, (or more than £30 million per annum) were raised by the South Midlands Business Board (SMBB) earlier this year. The Board also cautioned that investor confidence could be undermined because of a lack of consensus on devolution. Now, as part of its work to boost the economic potential of the area, the SMBB is recommending that the six regions which make up this functional economic area (the South Midlands Six) adopt an interim ‘sustainable economic compact’ model to ensure vital public and private sector funding is not lost whilst devolution occurs. It also cautions that the public sector investment potential at stake is 25% higher than previously reported and this document seeks to back up this assertion.

Initial calculations applied the government's minimum population threshold of 1.5 million as though it were the area's population. The six-council South Midlands geography actually contains 1,869,509 people ([ONS mid-2024 population estimates](#)). Correcting that single input, whilst keeping the method and comparator unchanged, raises the figure from £33.3m to £41.5m a year and from £1.00bn to £1.25bn of potential funding from central government alone over a 30-year term. And, not one, but three independent methodological routes all arrive at the same answer.

The Cambridgeshire and Peterborough investment per-head rate equates to £41.5 million per annum whilst the government's own 2025 mayoral funding formula arrives at a figure of £40.4 million per annum. The two settlements were struck nine years apart, and yet they agree, to within 2.9%. Adding the separately published mayoral capacity allocation produces a recommended headline of £42.6m per year, which equates to £1.21bn over a 30-year term – an annual investment capacity supporting roughly £665 million of affordable borrowing. The rate underpinning this is not aggressive: at £21.59 per head, per annum, it sits 1.2% below the median of all 22 English devolution deals that carry an investment fund. A further five deals carry no investment fund at all.

The South Midlands geography on which these figures are based is also the larger functional economy. The six-council area produced £60.51 billion of GVA in 2023 – 1.78 times the output of Cambridgeshire & Peterborough, the very area used as the funding comparator ([ONS regional GDP: local authorities](#)). Set alongside the investment figure, and explicitly badged as illustrative, that investment plausibly supports a permanent output uplift of around £20 million a year, appraised economic benefit of £1.5 billion to £2.8 billion in present-value terms, and roughly 2,500 to 2,700 jobs a year.



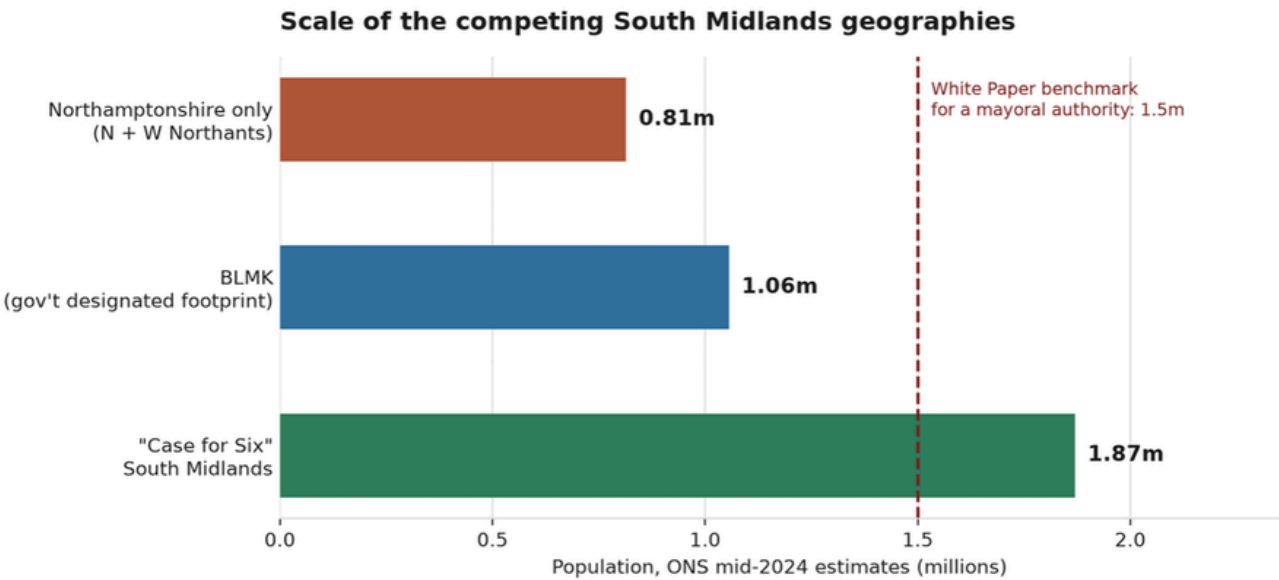
# Part 1: Evidence for the six-council geography: the only configuration in the region that clears the government's own threshold.

The English Devolution White Paper set an expectation that strategic authorities should cover populations of 1.5 million or more ([MHCLG, English Devolution White Paper](#)). Measured against ONS mid-2024 estimates, only the six-council configuration meets this expectation.

| Configuration                                                   | Population (ONS mid-2024) | Against the 1.5m threshold |
|-----------------------------------------------------------------|---------------------------|----------------------------|
| Six councils (South Midlands)                                   | 1,869,509                 | 125% — exceeds             |
| BLMK only (Bedford, Central Bedfordshire, Luton, Milton Keynes) | 1,055,827                 | 70% — fails                |
| Northamptonshire only (North and West)                          | 813,682                   | 54% — fails                |

Source for all populations: [ONS mid-2024 population estimates](#).

The six-council economic area is 1.77 times the size of the four-council alternative. This is not a marginal difference in scale; it is the difference between meeting the stated policy test and requiring an explicit exception to it.



No constituent council reaches the scale government prefers on its own.

Every one of the six authorities sits below the ~500,000 population level government has used as a reference point for reorganised unitary structures (ONS mid-2024 population estimates):

| Council                | Population (mid-2024) |
|------------------------|-----------------------|
| West Northamptonshire  | 439,811               |
| North Northamptonshire | 373,871               |
| Central Bedfordshire   | 315,877               |
| Milton Keynes          | 305,884               |
| Luton                  | 239,090               |
| Bedford                | 194,976               |

No single authority, and no pair, constitutes a credible strategic geography. The argument for six is, therefore, not ‘empire-building’; it is simply the arithmetic of the government’s own criteria.

The economic geography already functions as one unit .

The six-council area’s non-domestic rates base is £912.7 million, equivalent to £488 per head against an England average of £471 per head – 104% of the national figure (MHCLG, National non-domestic rates collected by local authorities in England 2025-26).

The composition matters more than the total. Northamptonshire’s rates base is £508 per head – 108% of the England average – against £473 per head for the four BLMK authorities. Adding Northamptonshire raises the per-head business rates base of the combined area. The two Northamptonshire authorities are not a fiscal drag on a South Midlands authority; they strengthen it, reflecting the rail-freight and national distribution estate concentrated along the M1, A14 and A43 corridors.

This is the single most useful counter argument to the assumption that the four-council core is the stronger economic proposition. On the one fiscal measure a strategic authority would actually control at Level 4 – retained business rates growth – the six-council area is a better base than the four.

The same holds true for output. The six-council area generated £60.51bn of GVA in 2023, against £34.09bn for Cambridgeshire & Peterborough – the comparator used to derive the funding claim (ONS regional GDP: local authorities).

| Council                                       | GVA 2023 (£bn) |
|-----------------------------------------------|----------------|
| Milton Keynes                                 | 16.76          |
| West Northamptonshire                         | 15.79          |
| North Northamptonshire                        | 8.81           |
| Central Bedfordshire                          | 7.36           |
| Luton                                         | 6.64           |
| Bedford                                       | 5.15           |
| Six-council total                             | 60.51          |
| Cambridgeshire & Peterborough, for comparison | 34.09          |

All figures: ONS, balanced GVA at current basic prices. Area GDP at market prices is £67.27bn, and GVA per head is £32,366.

The point to draw out is that the two Northamptonshire authorities contribute £24.60bn of that £60.51bn — 41% of the area's output. A South Midlands authority without them is not a slightly smaller version of the same proposition; it is an economy roughly the size of the comparator rather than nearly twice it.

## **Both Northamptonshire authorities have formally chosen a six-council South Midlands geography as the preferred devolution option.**

West Northamptonshire Council's officer report to Full Council recommended the six-council South Midlands geography as its preferred devolution option ([West Northamptonshire Council, Devolution Options for West Northamptonshire](#)). North Northamptonshire's leader has described the six-council configuration as the sole option, meeting all government criteria, and has characterised the resulting authority as ranking among the largest mayoral strategic authorities in England by economic output.

The consequence of the alternative is quantifiable. On the government's own 2025 funding formula, a four-council BLMK authority would attract £22.80m a year against £40.37m for the six — a difference of £17.57m a year, £527m over a 30-year term, and roughly £290m of foregone borrowing capacity. Applied to West Northamptonshire's population alone, the same formula yields £9.50m a year, or £285m across a 30-year term — which is the arithmetic basis for that council's publicly reported figure of around £300m forgone ([BBC News](#)).

## **The obstacle is consent, not merit.**

The English Devolution and Community Empowerment Act 2026 received Royal Assent on 29 April 2026 ([legislation.gov.uk, c.23](#)). During its passage the power to direct areas into strategic authorities was removed, so the establishment of a new mayoralty now depends on the consent of the constituent upper-tier authorities. Meanwhile MHCLG designated a BLMK-only footprint for spatial development strategy purposes in its early-2026 consultation ([MHCLG, Areas for producing spatial development strategies](#)).

That combination is the whole problem. The six-council geography is the configuration that satisfies the published criteria, and it is the configuration that the two Northamptonshire authorities have chosen — but it cannot be imposed, and the administrative geography currently being hardened around it is the smaller one. Every year of unresolved consent is a year of the annual figure outlined in part 2 of this document.

# Part 2: The figure, and how it is justified.

## The basis of the figure.

| Measure                                             | Value                                    |
|-----------------------------------------------------|------------------------------------------|
| Annual investment capacity forgone                  | £42.6m per year                          |
| — of which: 30-year investment fund                 | £40.37m per year                         |
| — of which: mayoral capacity and Foundation funding | £2.26m per year                          |
| Over a 30-year term (nominal)                       | £1.21bn                                  |
| Over a 30-year term (constant 2026-27 prices)       | £0.92bn                                  |
| Net present value at 3.5%                           | £0.74bn                                  |
| Supported prudential borrowing (25-year)            | £665m                                    |
| Supported prudential borrowing (30-year)            | £743m                                    |
| Indicative capital / revenue split at C&P's 60:40   | £24.2m capital + £16.1m revenue per year |

The mayoral capacity component is the published 2026-27 allocation for a mayoral strategic authority — £2,257,576 in capacity funding, plus £250,000 at Foundation level ([MHCLG, Explanatory note on mayoral strategic authority funding 2026 to 2027](#)). The 3.5% discount rate is the standard public-sector appraisal convention for a period of this length.

## Method A: the government's own 2025 formula.

MHCLG's 2025 mayoral funding package committed £6bn over 30 years across the new mayoral areas ([MHCLG](#)). Pooling that package across the exact ONS mid-2024 populations of the recipient areas yields an implied rate of £21.59 per head per year in 2026-27 prices. Applied to 1,869,509 people: £40.37m a year, £1.21bn over 30 years, £0.743bn NPV. This is the most defensible of the three methods because it uses the current government's own allocation decision, not a historic one.

## Method B: the Cambridgeshire & Peterborough comparator, as originally used.

The Cambridgeshire & Peterborough devolution deal provided a £600m investment fund over 30 years — £20m a year, split 60% capital and 40% revenue, subject to five-yearly gateway assessments ([Cambridgeshire and Peterborough Devolution Deal](#)). The Combined Authority's own mid-term evaluation describes it as a "30-year, £600 million fund that began in 2016/17" for an area "home to nearly 900,000 people" ([CPCA Mid Term Report](#)).

At 900,000 people that is £22.22 per head per year. Applied to 1,869,509 people: £41.54m a year, £1.246bn over 30 years.

## The reconciliation: what the original calculation got right (and wrong).

| Step         | Population used | Rate      | Annual | 30-year |
|--------------|-----------------|-----------|--------|---------|
| As published | 1,500,000       | £22.22    | £33.3m | £1.00bn |
| Corrected    | 1,869,509       | £22.22    | £41.5m | £1.25bn |
| Difference   | +369,509        | unchanged | +£8.2m | +£246m  |

The published statement — ‘more than £30m per annum’ and ‘£1bn+ over 30 years’ — is reproduced exactly by  $1,500,000 \times £22.22$ . The method, the comparator and the arithmetic were all correct. The 1.5 million figure was the White Paper’s policy threshold, not the area’s population, and using it understated the result by 25%.

This is a materially better position to be in than having overstated. The correction strengthens the claim rather than retracting it, and the direction of the error is the direction that helps.

### Method C: the same comparator restated to today's prices.

The Cambridgeshire & Peterborough rate was set in 2016-17. Using the HMT GDP deflator series (2024-25 = 100), the 2016-17 index is 76.0754 and the 2026-27 index is 105.3095 — an uplift of 38.4% (HM Treasury, GDP deflators at market prices, March 2026). Restating £22.22 into 2026-27 prices gives £30.76 per head per year, and applied to the six-council population, £57.51m a year, £1.725bn over 30 years.

This should be treated as an upper bound and not used as the headline. It answers the question “what would matching Cambridgeshire’s 2017 purchasing power cost today?”, which is a legitimate question but not the same as “what would government plausibly offer?”

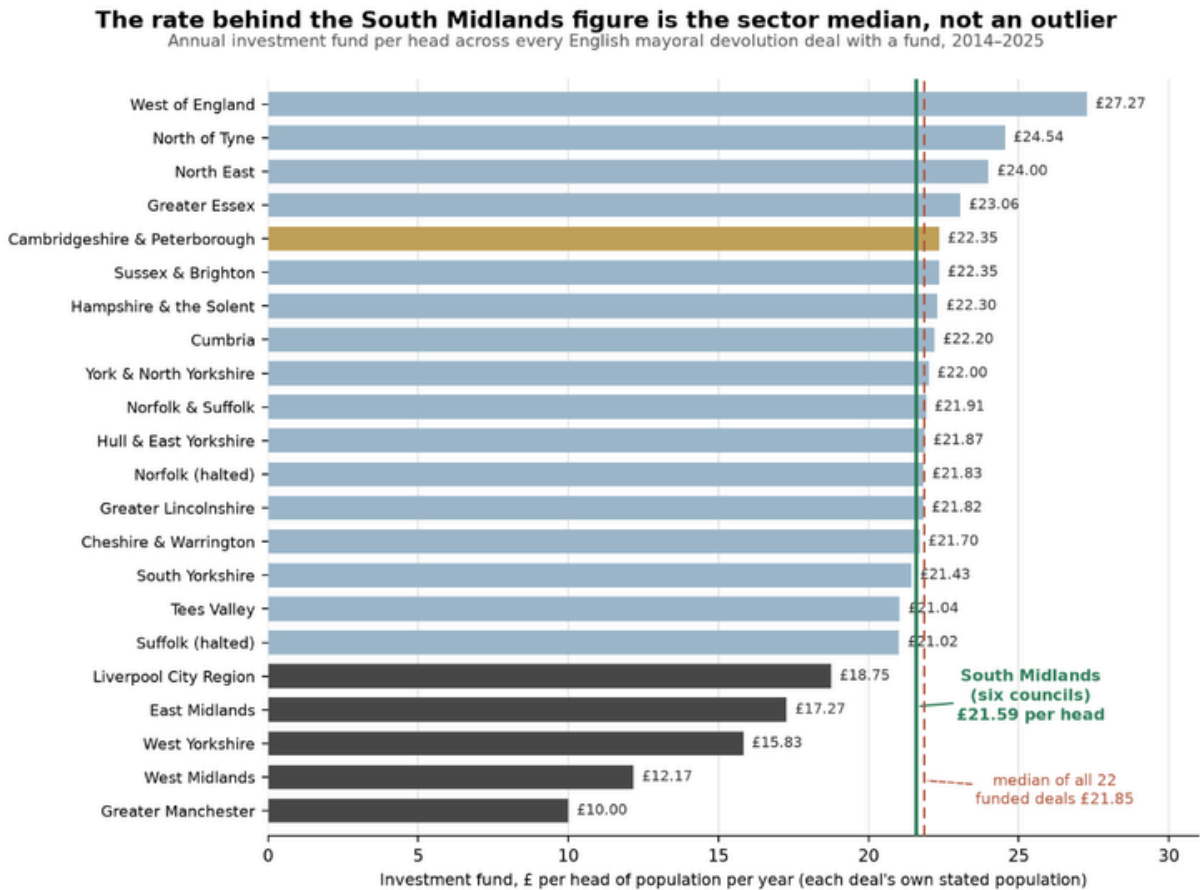
Its analytical value is elsewhere. Comparing Method C’s £30.76 against Method A’s £21.59 shows that the 2025 formula is only 70.2% as generous per head, in real terms, as the settlement Cambridgeshire & Peterborough secured in 2017. The rate is falling in real terms across successive rounds of deals — which is precisely why the recommended headline, built on the 2025 rate, is conservative.

### Convergence.

Methods A and B differ by 2.9%. They derive from two separate settlements struck nine years apart, one a bespoke 2017 negotiation and the other a 2025 formula allocation across multiple areas. Neither was constructed with reference to the other. That degree of agreement is the strongest single argument available: the figure is not an artefact of comparator selection.

# Part 3: Benchmark positioning.

The rate is not an outlier: across every English devolution deal carrying a long-term investment fund, the annual allocation ranges from £10.00 to £27.27 per head per year, with a median of £21.85 and a mean of £20.76.



Five further Level 2 deals (Cornwall, Lancashire, Devon & Torbay, Warwickshire, Surrey) carry no investment fund at all — £0 per head. Sources: individual devolution deal documents and MHCLG announcements; see accompanying note. Grey bars = pre-2016 metro deals.

| Benchmark point                         | Rate per head | Six-council annual | 30-year |
|-----------------------------------------|---------------|--------------------|---------|
| Lowest with a fund (Greater Manchester) | £10.00        | £18.7m             | £0.56bn |
| Lower quartile                          | £20.45        | £38.2m             | £1.15bn |
| Rate used here (2025 DPP formula)       | £21.59        | £40.4m             | £1.21bn |
| Median of all 22 funded deals           | £21.85        | £40.8m             | £1.23bn |
| Upper quartile                          | £22.35        | £41.8m             | £1.25bn |
| Highest (West of England)               | £27.27        | £51.0m             | £1.53bn |

The rate used is 1.2% below the median and 20.8% below the maximum. Eight of the 22 funded deals are lower per head. Restricting the comparison to deals agreed from 2016 onwards — excluding the early metro deals, which are the lowest per head — the median is £22.00, and the rate used is 1.8% below it.

Cambridgeshire & Peterborough itself sits at £22.35 per head on the Combined Authority's own 2021 Census population of 895,000, close to the £22.22 derived from the deal document's "nearly 900,000". The comparator choice is neither generous nor cherry-picked; it is a mid-distribution deal.

### **The zero cases matter to the argument.**

Five Level 2 devolution deals — Cornwall, Lancashire, Devon & Torbay, Warwickshire and Surrey — carry no annual investment fund at all. The House of Commons Library has recorded of non-mayoral areas that "neither area has been offered an annual investment fund."

This is the mechanism that makes the claim about pathways rather than allocations. The investment fund is not distributed on need or population as of right; it attaches to mayoral status.

**An area without a mayoral pathway is not receiving a smaller fund, it is receiving nothing under this heading. That is the honest shape of the opportunity cost.**

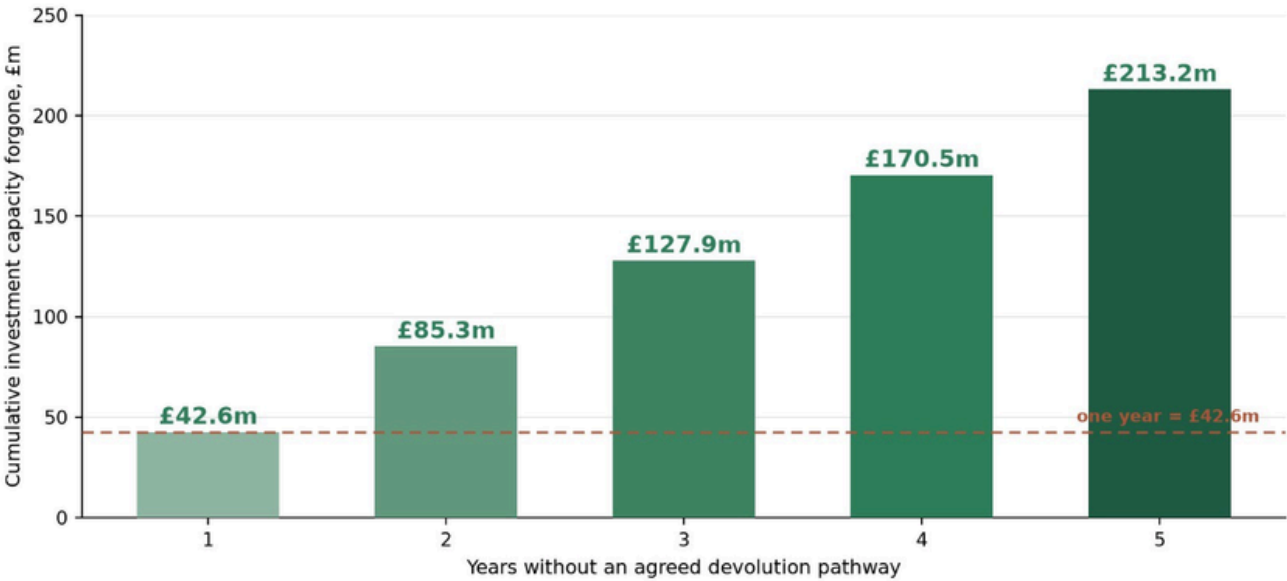
# Part 4: The cost of continued delay

Because the investment fund attaches to mayoral status, and begins on establishment, each year without an agreed pathway removes one year from the front of the term, rather than deferring it.

| Delay   | Investment Capacity Forgone |
|---------|-----------------------------|
| 1 year  | £42.6m                      |
| 2 years | £85.3m                      |
| 3 years | £127.9m                     |
| 5 years | £213.1m                     |

**Delay does not defer the investment fund — it removes years from the front of it**

Cumulative annual investment capacity forgone by a six-council South Midlands strategic authority, at £42.6m per year



£42.6m = £40.37m investment fund (2025 mayoral funding formula applied to 1,869,509 people) plus £2.26m mayoral capacity and Foundation funding. Cash terms. The investment fund attaches to mayoral status and begins on establishment, so unclaimed years are not recovered later.

Two years of drift costs the six-council area more than the entire annual capital programme most of its constituent councils can fund from their own resources.

# Part 5: Illustrative economic benefit.

This part is illustrative, not evidential, and should always be presented behind the investment figure rather than in place of it. It answers the reasonable question – what would that investment actually do – using multipliers and ratios that other public bodies have published for comparable funds. Full derivations and the complete assumption register are set out in the accompanying illustrative economic benefit annex.

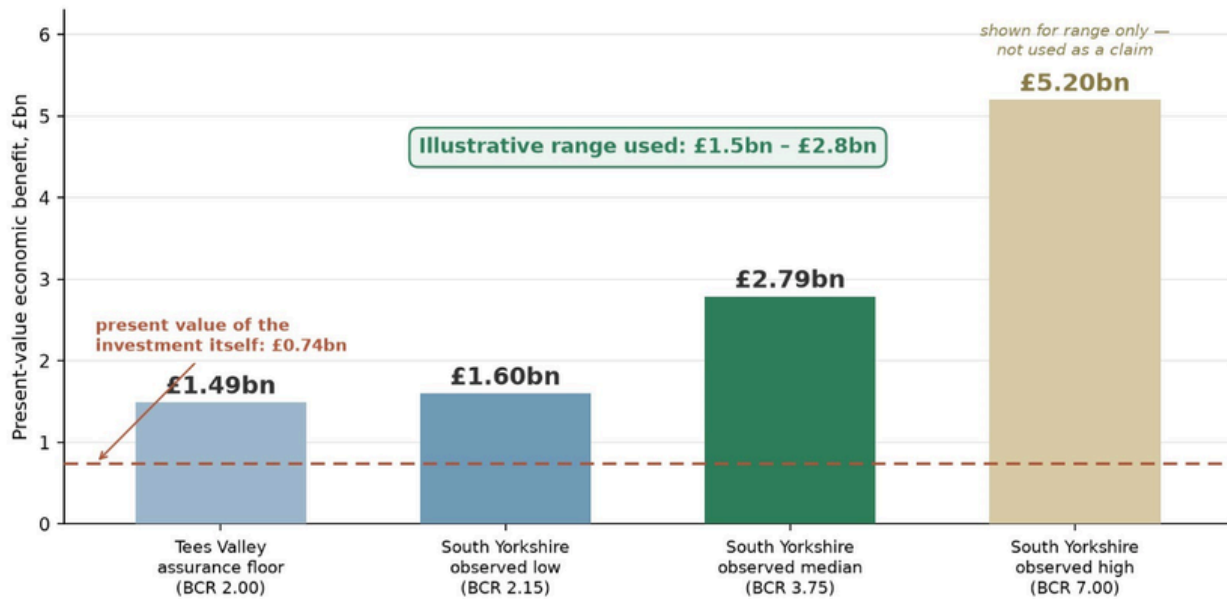
| Measure                                   | Illustrative value         | Published basis                                                                         |
|-------------------------------------------|----------------------------|-----------------------------------------------------------------------------------------|
| Permanent annual output uplift            | ~£20m a year               | <a href="#">OBR, Public investment and potential output</a>                             |
| Appraised economic benefit, present value | £1.5bn – £2.8bn            | <a href="#">SYMCA board papers, Jan 2025</a> ; <a href="#">TVCA Assurance Framework</a> |
| Jobs supported                            | ~2,500 – 2,700 a year      | <a href="#">MHCLG LGF/GBF area-based case studies</a>                                   |
| Co-investment levered alongside           | £0.8bn – £2.2bn            | <a href="#">MHCLG LGF/GBF case studies</a>                                              |
| Construction-phase activity               | ~£40m in the year of spend | <a href="#">OBR dynamic scoring</a>                                                     |

The OBR's working assumption is that a sustained increase in public investment of 1% of GDP raises the level of potential output by just under half a per cent after five years ([OBR](#)). At £40.37m a year – 0.060% of the area's £67.27bn GDP – that implies a permanent uplift of roughly £20m a year, equivalent to 50p of annual output per £1 invested and +0.033% of area GVA.

South Yorkshire Mayoral Combined Authority reports its investment-fund schemes under a column headed "Benefit Cost Ratio / GVA per £1 of SYMCA Investment", with recorded values of 2.15, 2.92, 3.75, 4.33 and 7.00 ([SYMCA](#)). Tees Valley's assurance framework expects a benefit-cost ratio above 2 other than in exceptional circumstances ([TVCA](#)). Applied to the £0.74bn present value of the fund, those ratios give the £1.5bn to £2.8bn range below.

## Illustrative economic benefit at benefit-cost ratios actually recorded on comparable funds

Applying observed benefit-cost ratios to the £0.74bn present value of a 30-year South Midlands investment fund



Illustrative only. Benefit-cost ratios are present-value welfare benefits over scheme appraisal lives, not additional GVA, and are drawn from other areas' schemes. Ratios: South Yorkshire Mayoral Combined Authority board papers (Jan 2025); Tees Valley Combined Authority Assurance Framework minimum expectation.

On jobs, two independent growth portfolios converge closely: West Yorkshire recorded 34,852 jobs created or safeguarded on £569.0m, and Cheshire & Warrington 9,600 new jobs on £143.2m, giving £16,326 and £14,917 per job respectively ([MHCLG](#)). Applied to £1.21bn over the term, that is roughly 74,000 to 81,000 jobs, or 2,500 to 2,700 a year. These are gross figures for jobs created or safeguarded, not net additional employment.

Three disciplines govern the use of this part. Do not add the routes together — the permanent uplift, the appraised benefit and the construction-phase effect are alternative lenses on the same money, and the OBR treats the demand effect as transitional and offset by monetary policy within five years ([OBR](#)). Do not equate benefit-cost ratios with GVA — they capture discounted welfare benefits over a scheme's appraisal life, including time savings, health and environmental effects, even though South Yorkshire's own reporting conflates the two. And state the modesty of the permanent effect openly: £20m a year on a £60.5bn economy is a small but durable level shift, and saying so is what makes the rest of the range credible.

## Part 6: Assumption Register.

| Assumption                            | Value used                                                                      | Source / basis                                | Sensitivity                                                                                             |
|---------------------------------------|---------------------------------------------------------------------------------|-----------------------------------------------|---------------------------------------------------------------------------------------------------------|
| Six-council population                | 1,869,509                                                                       | ONS mid-2024                                  | Direct; $\pm 1\%$ population = $\pm$ £0.4m/yr                                                           |
| Rate per head per year                | £21.59 (2026–27 prices)                                                         | MHCLG £6bn/30-year package                    | Median of all funded deals is £21.85                                                                    |
| Assumption                            | Value used                                                                      | Source / basis                                | Sensitivity                                                                                             |
| Fund term                             | GV                                                                              | FVIULOP                                       | Shorter term reduces total proportionately                                                              |
| Indexation                            | None                                                                            | Confirmed across all deals                    | Removing 24% of real value over term                                                                    |
| Discount rate                         | 3.5%                                                                            | Standard public-sector appraisal convention   | 5% gives NPV $\approx$ £0.60bn                                                                          |
| Inflation for erosion path            | 2%                                                                              | Bank of England target                        | 3% deepens erosion to $\sim$ £18.7m by yr 30                                                            |
| Borrowing multiplier                  | $\sim 16.5\times$ annual revenue at 25 years                                    | Prudential borrowing at prevailing PWLB rates | Rate-sensitive; indicative only                                                                         |
| Capital/revenue split                 | 60:40                                                                           | <u>C&amp;P deal document</u>                  | Splits across deals range 75:25 to 25:75                                                                |
| Mayoral capacity funding              | £2,257,576 + £250,000                                                           | <u>MHCLG 2026–27 explanatory note</u>         | Annually set; not a 30-year commitment                                                                  |
| Area GVA baseline                     | £60.51bn (2023)                                                                 | <u>ONS regional GDP: local authorities</u>    | Latest available year; nominal                                                                          |
| Output elasticity relationship        | 1% of GDP invested $\rightarrow$ just under 0.5% potential output after 5 years | <u>OBR, Aug 2024</u>                          | OBR's cited literature range is 0.03–0.41 elasticity; a lower value roughly halves the permanent uplift |
| Benefit-cost ratio range              | 2.00 – 3.75 central                                                             | <u>SYMCA; TVCA</u>                            | Other areas' schemes; includes non-GVA welfare benefits                                                 |
| Cost per job                          | £14,917 – £16,326                                                               | <u>MHCLG LGF/GBF case studies</u>             | Gross, not net additional; capital-weighted programme                                                   |
| Leverage ratio                        | 0.70:1 private, up to 2.23:1 total                                              | <u>MHCLG LGF/GBF case studies</u>             | Single-area evidence; varies widely by scheme type                                                      |
| Local capture of national multipliers | Assumed equal to national                                                       | –                                             | Leakage outside the area would reduce capture; direction of net bias is genuinely uncertain             |

One methodological caveat on the benchmark table: per-head rates for other areas use each deal's own stated population figure, which is how those deals were negotiated and reported. Rates computed from exact ONS populations differ by a few tens of pence. The benchmark is presented on the deals' own terms for comparability; the South Midlands calculation uses exact ONS data throughout.

## Contact Us

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