



# **Beyond UKSPF - Economic Inclusion and the Role of the VCS in Northern Ireland**

**June 2025**



## (i) Background

**Economic inactivity remains a major challenge in Northern Ireland, with 27% of the working-age population currently economically inactive—consistently one of the highest rates across the UK.<sup>1</sup>**

For over three decades, the **European Social Fund (ESF)** provided essential funding to voluntary and community sector led delivery helping to break down barriers to employment and promote inclusion for those furthest from the labour market.

However, ESF funding came to an end in March 2023 as a result of Brexit. Its replacement by the former UK Government—the [UK Shared Prosperity Fund \(UKSPF\)](#) has proven inadequate in terms of funding amount, range, and scope, with investment falling far short of previous EU funding levels.

**The voluntary and community sector (VCS) has been at the forefront of this delivery.** However, **ongoing funding uncertainty now threatens this vital provision.** While the UKSPF has provided some relief, it falls short in both funding levels and coverage—leading to job losses, reduced services, and increased risks of economic exclusion for vulnerable groups.

Regrettably, **UKSPF funding provision has fallen short in terms of the scope and impact demonstrated via previous ESF investment.** Independent evaluation<sup>2</sup> and assessment<sup>3</sup> confirmed that ESF-funded programmes delivered by the VCS not only delivered strong outcomes against key performance metrics but also provided significant added value—particularly for those furthest from the labour market who faced complex needs.

## (ii) Current Context

**Although UKSPF currently funds a range of VCS organisations delivering economic inactivity projects across Northern Ireland, it lacks the long-term stability and investment required to sustain these efforts.** This ongoing uncertainty puts services at risk of closure, threatens job losses, and jeopardises support for over 10,900 beneficiaries + <sup>4</sup> per annum.

NICVA and members of its **Economic Inactivity Coalition<sup>5</sup>** have proposed a long-term approach with increased investment to tackle economic inactivity and promote

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<sup>1</sup> [Labour market in the regions of the UK - Office for National Statistics](#)

<sup>2</sup> [Impact evaluation of the NI ESF Programme 2014-20](#)

<sup>3</sup> [European Social Fund succession - landscape report | Department for the Economy](#)

<sup>4</sup> This figure is based on the minimum number of beneficiaries Ministry of Housing, Communities and Local Government (MHCLG) have advised the programme will support over the Transition Year programme from April 2025 – end March 2026

<sup>5</sup> The **Economic Inactivity Coalition**, led by **NICVA**, is a collective of voluntary and community sector (VCS) organisations that play a vital role in service delivery and are actively engaged in shaping policy to address economic inactivity and promote labour market inclusion. The Coalition advocates for a **long-term, strategic approach** underpinned by **sustained investment**, recognising the **central role of VCS-led initiatives** in tackling these challenges effectively.

labour market inclusion along with stronger collaboration between the UK and NI governments to address these challenges.

**With UKSPF funding due to end in March 2026, urgent action is needed to secure a long-term strategy and investment that guarantees continuity of services and support for beneficiaries, reduces economic inactivity, and preserves the expertise and added value developed through VCS-led delivery over generations.** Without such action, there is a real risk that this vital legacy will be lost or significantly diminished.

**The UK Government has stated its intention to devolve future funding for addressing economic inactivity directly to the NI Executive, but that quantum and its scope is currently unknown,** with further information not anticipated until after the UK Government Spending Review expected in June 2025.

**The Department of Finance (DoF) has expressed its intention to lead a co-design process—working in partnership with other key government departments, including Communities, Economy, Health, Education, and Justice—to shape a post-UKSPF programme for Northern Ireland.** However, **meaningful engagement and genuine co-design with the VCS via this process will be essential** to ensure the resulting programme is needs-led rather than budget focused.

**This process must also be informed by independent evaluations and reporting to date,** which have **consistently highlighted the unique impact and strong value for money of VCS-led delivery.**

**While the UKSPF currently represents the largest funding stream in this area, it is only one part of the wider picture.** A truly effective long-term strategy **requires additional investment from the NI Executive, reflecting the previous match-funding model under the ESF.** Since April 2023, however, there has been no supplementary investment from the Executive—despite clear policy alignment and its responsibility to advance economic inclusion.

**NICVA, along with members of the Economic Inactivity Coalition, has been at the forefront of advocacy efforts—calling for timely solutions and decisive action from both the UK and NI governments.** Our aim is to **prevent a funding cliff-edge for VCS-led delivery to ensure continued support for those furthest from the labour market.**

### **(iii) Timeline of Key Developments**

1. **Pre-March 2023:** For over 30 years, the **ESF** funded employment-related support, benefiting more than 77,000 individuals in Northern Ireland.

Independent evaluations confirmed that VCS-led delivery offered excellent value for money, highlighting its unique strengths in promoting labour market inclusion and recommending that such investment be sustained and expanded by government.

2. **March 2023:** ESF funding ends, creating a financial cliff-edge for voluntary and community sector organisations and risks to vital support for vulnerable groups.
3. **April 2023 – March 2025:** The **UKSPF** funds 18 projects—15 of which are led by VCS organisations—with a total of £42 million over two years, significantly less than the ESF’s £40 million annually. While the fund focuses on reducing economic inactivity, the reduced investment has led to the loss of proven VCS-led early intervention and wraparound support services for those most in need.
4. **April 2024:** £22.6m of NI’s UKSPF budget is reallocated to the NI Executive, raising concerns about loss of targeted support.
5. **June 2024:** The *Building an Inclusive Labour Market* conference, hosted by NICVA and Belfast City Council Labour Market Partnerships, **highlights the significant contribution of voluntary and community organisations in addressing labour market exclusion**. The event **showcases the impact of current VCS-led delivery**, with **keynote addresses from the NI Minister for the Economy and the Minister for Communities**, both of whom endorse the unique and critical role of the VCS in this space.
6. October 2024: **Confirmation of a Transition Fund for 2025-2026** by UK Government and **proposals for a replacement programme post March 2026** to be devolved to NI Government for design and administration.
7. **January 2025:** NICVAs Economic Inactivity Coalition highlights financial instability, job losses, and gaps in service delivery as a result of reduced funds for UKSPF delivery post March 2025.
8. **February 2025:** UK Government agree transition funding for April 2025 -end March 2026 across 16 projects totalling £25.7m.
9. **April 2025:** The Ministry of Housing, Communities and Local Government (MHCLG) confirms that £808,326 of identified underspend from the previous UKSPF budget for Northern Ireland has been allocated to three public sector-led projects—**with no funding directed to VCS-led delivery**.
10. **June 2025:** Post UKSPF funding expected to be confirmed via **the UK Government Spending Review**.
11. **June 2025:** A **codesign process** including **Innovation Lab** is planned by Department of Finance to inform a new post-UKSPF funding programme for NI.

12. **March 2026:** UKSPF is set to expire, **raising fears of another funding crisis and service cliff edge** unless a suitable successor programme is secured.

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## (iv) Key Messages

### 1. Funding Gaps & Uncertainty

- UKSPF funding is significantly **lower** than previous ESF investment, which has led to **reduced services and support for beneficiaries**, including supports to sustain employment.
- There is **currently no additional investment or match funding from NI Departments despite previous investment under ESF** and clear policy responsibilities to address economic and social inclusion.
- Reduced funding beyond **March 2025** has further squeezed organisations and puts over **10,900 beneficiaries** at risk of reduced support.
- **Multiply funding (supporting numeracy skills development)** ended in **March 2025**, further impacting beneficiary support.
- **Wider financial pressures are intensifying for VCS organisations, driven by rising costs linked to the ongoing cost-of-living crisis and the increase in National Insurance employer contributions from April 2025.** These pressures are compounding the already significant financial challenges caused by chronic underinvestment in the sector.
- **Current UKSPF interventions are too short in duration and lack financial provision for the essential ‘wraparound’ support needed to effectively assist the most vulnerable—particularly those furthest from the labour market. This gap undermines the ability to deliver meaningful, sustained outcomes for those with the greatest needs.**<sup>6</sup>.
- **Previous ESF investment enabled individuals with more complex needs to access longer-term, tailored support.** Evidence showed that this personalised approach was not only effective in improving outcomes but also delivered greater value for money.<sup>7</sup>.
- **Participants with complex or additional needs often require more intensive or specialised support—such as assistive technology and communication tools for individuals with disabilities.** Currently, there is no financial provision under the UKSPF to cover these essential costs.

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<sup>6</sup> Third Sector delivering Employment Support in NI; Funding and Commissioning after Brexit, De Montfort University, August 2024

<sup>7</sup> [Impact evaluation of the NI ESF Programme 2014-20](#)

- **To be truly effective, any new programme must recognise and respond to the unique needs of individuals facing complex challenges who are furthest from the labour market.** Tailored, person-centred approaches are essential to ensure meaningful inclusion and impact.
- **The ongoing lack of clarity regarding the scale and scope of funding beyond March 2026 continues to place both beneficiaries and vital services at significant risk.** This uncertainty undermines planning, sustainability, and the ability to retain skilled staff and deliver consistent support.

## 2. Impact on Voluntary & Community Sector (VCS) Led Delivery

- **Without an agreed successor to the UK Shared Prosperity Fund (UKSPF) and funding certainty beyond March 2026, over 50 voluntary and community sector (VCS) organisations face another looming financial cliff edge.** This uncertainty threatens inevitable service reductions or even closures, undermining vital support for communities most affected by economic inactivity.
- **The sector expertise developed over many years through the delivery of both ESF and UKSPF programmes—benefiting communities across the region—is now at serious risk** due to ongoing funding uncertainty. Without a clear and sustained investment plan, this expertise and capacity could be lost.
- Many VCS projects are struggling to attract and retain staff due to ongoing funding uncertainty. **Without clarity and stability, there is a real risk of losing highly skilled and experienced staff within this current delivery year—**greatly undermining service continuity.
- Without adequate and timely funding, **crucial employment and social inclusion services will be lost.**
- **In the absence of an agreed successor programme by Autumn 2025, VCS delivery organisations will be forced to activate their exit strategies.** This will significantly reduce the level of support available to beneficiaries in year, causing significant service disruption.
- As a result, **those experiencing the greatest disadvantage will lose access to the essential support they need to prepare for, enter and sustain employment.** This risks deepening inequality and reversing progress made in labour market inclusion.
- **Beneficiaries will face a cliff edge in support, and with no adequate alternatives in place, the resulting pressure on already overstretched**

**public sector services will be compounded. This risks creating wider social and economic costs** that could have been prevented through sustained investment in VCS-led provision.

### 3. Need for a Strategic, Long-Term Approach

- **A new funding programme must build on ESF and UKSPF investment** and delivery lessons, which demonstrate the impact and unique role, and value of VCS led delivery.
- **The VCS must be a core partner** in the co-design and delivery of future programmes in recognition of its unique role and expertise.
- **A person-centred, wrap-around support model, with a focus on employability and inclusion** should be prioritised, with sufficient capacity to address those gaps in service delivery and support that currently exist.

### 4. Urgency in Programme Development

- **The UK Government must work in close collaboration with the Northern Ireland Executive to plan the next stage of funding and programme development.** A coordinated approach is essential to ensure continuity, maximise impact, and align investment with regional needs and priorities.
- **Urgent clarity is needed from the UK Government on both the quantum and scope of funding available to Northern Ireland beyond March 2026.** Without this information, effective planning and continuity of vital services delivered by the VCS will be severely compromised.
- **The UK Government should direct the Northern Ireland Executive to ring-fence devolved funds to build on existing investment and earmark them for VCS-led delivery,** reflecting our sector's unique role, expertise, and proven track record.
- There is an **urgent need for the development of a long-term, Northern Ireland Executive-wide plan—led by the Department of Finance (DoF)—to ensure the continuity of services beyond the current transition year ending in March 2026.** Such a plan is essential to provide stability, build on investment to date, protect sector expertise, and maintain critical support for those most in need.
- **The Department of Finance (DoF) must accelerate local planning efforts to prevent another funding cliff edge and the resulting loss of vital support**

**for beneficiaries.** Timely action is essential to safeguard continuity of services and avoidable disruption to service delivery.

- **The Northern Ireland Executive must ensure that funding is earmarked for VCS-led delivery that is responsive to both local and regional needs.** Dedicated investment in the sector is essential to sustain community-based services and ensure that support reaches those who need it most.
- **NI Government Departments must commit to local funding and investment that aligns with both their shared and individual policy responsibilities.** Coordinated action across departments is essential to ensure consistent, needs led support and to maximise the impact of public investment.
- **Agreement on a delivery mechanism that builds on existing good practice and learning to date.** A well-designed approach, informed by what has worked, will help ensure effective, efficient, and sustainable outcomes.
- **UK and NI Governments must agree on timely and appropriate contingency measures in the event of delays to programme development.** These measures should be actionable no later than Autumn 2025, given the risks to continued service delivery.

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## (v) Recommendations.

### 1. Meaningful VCS Engagement in Programme Design

- Voluntary organisations must be **actively involved** in co-designing a post-UKSPF programme.
- Creation of a governance structure that includes **meaningful VCS representation in funding and programme development decisions** to ensure are informed by delivery experience and aligned with community needs.
- Sustain the **holistic, person-centred and flexible approach** provided by VCS organisations.
- **Protect investment to date by building on what works, lessons learned and tried and tested interventions** under both ESF and UKSPF delivery.

### 2. Suitable Long-Term Investment and Stability

- The **NI Executive should strongly advocate for the restoration of future programme funding to levels equivalent to previous EU-funded investment.**

- **Funding for VCS-led delivery must be ear-marked** to ensure that allocated resources are protected and not diverted to other areas, including the public sector.
- Northern Ireland **government departments must provide additional investment that aligns with their policy responsibilities and acknowledges the central role and impact of VCS-led delivery.** Consideration must also be given to the long-term value of 'invest to save' approaches.
- There must be a **shift from short-term funding cycles to multi-year funding commitments**, wherever possible, to support stability, strategic planning, and long-term impact.
- **Funding application processes should be simplified**, with bureaucratic barriers reduced.
- **Maintain the low administrative costs and manageable reporting requirements associated with UKSPF delivery by adopting a Northern Ireland-wide funding model** that also ensures seamless access to local support.
- Ensure funding **flexibility to support diverse groups and tailored interventions.**

### 3. Addressing Structural Barriers to Employment

- **Develop broader inclusion strategies and approaches**, integrating employment, education, health and wellbeing.
- Ensure that **investment targets and supports those furthest from the labour market** including women, young people, people with disabilities or long-term health conditions, carers, those involved in the criminal justice system and ethnically minoritised groups.

### 4. Improved UK-NI Government Coordination

- **Accelerate and strengthen collaboration between UK and NI governments** to ensure **smooth funding transitions.**
- Advocate for **funding and delivery structures that reflect Northern Ireland's unique economic and social context.**

- Align new programme priorities with **existing NI policy frameworks in education, health, and employment** to promote coherence, maximise impact, and support joined-up delivery across sectors.

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## (v) Conclusion

**We are now at a critical juncture.** Decisive action is urgently needed to secure vital services and supports through an agreed programme and sustainable funding for voluntary and community sector-led delivery.

The loss of ESF and inadequate funding replacement by UKSPF have already:

- Abandoned the most vulnerable and marginalised,
- Greatly strained the VCS,
- Led to reductions in service delivery and loss of staff expertise, and
- Created deep uncertainty about the future of essential services.

Without sustained intervention, thousands of people risk losing access to vital support services. Without timely resolution, there is a serious risk that progress achieved—and the skills and expertise developed by voluntary and community sector organisations in supporting those furthest from the labour market—will be lost or greatly diminished, with no suitable alternatives in place, including within the public sector.

Further delays and continued uncertainty threaten to exacerbate social inequality, increase levels of economic inactivity, and collapse vital employment support services, placing even greater pressure on already stretched public services.

**We are calling on government to:**

- **Work closely with the VCS** to ensure a smooth transition to a well-designed and resourced successor fund that builds on what works and allows services to continue and evolve without interruption.
- **Provide urgent funding clarity and commit to multi-year funding** models that enable long-term planning and sustainability.
- **Integrate economic inactivity and inclusion strategies**, with **the VCS at the heart of programme design and delivery**.
- **Recognise the value of ‘invest to save’ approaches**, which reduce long-term demand on public services.
- **Maintain low administrative burdens** and ensure accessible, streamlined funding processes.

- **Restore funding to levels equivalent to previous EU-funded investment** ensuring support reaches those most in need.

**The Time to Act Is Now.** A coordinated, long-term funding and delivery solution is essential but without decisive action, we risk undoing years of progress and investment, leaving the most vulnerable without the support needed to move forward, and towards sustainable employment.