NICVA Campaign Briefing

Local Growth Fund Impacts on Northern Ireland

January 2026

Purpose of this Briefing

This briefing outlines the **immediate and serious risks** arising from UK Government decisions on the design of the Local Growth Fund as it replaces **UK Shared Prosperity Fund (UKSPF)** in Northern Ireland. It sets out the **scale of the potential impact on people, services, employers and the wider economy**, and the **urgent action required** to avoid irreversible damage to proven delivery infrastructure.

Headline Summary

- From **April 2026**, Northern Ireland faces a **severe and avoidable funding cliff edge** as the UK Shared Prosperity Fund (UKSPF) is replaced by the **Local Growth Fund**.
- Funding for programmes tackling economic inactivity will fall by **64%**, from **£25 million to £9.2 million per year**, due to an imposed **70% capital / 30% revenue split** that does not reflect Northern Ireland's needs.
- The shift will **undermine proven, people-centred employability services**, particularly those supporting people furthest from the labour market.
- Despite decades of effective VCS led employment support in Northern Ireland, **the proposed UK model fails to reflect or build on this proven expertise**.
- If unaddressed, **the decision will remove support from over 11,000 people each year**, **jeopardise at least 400 skilled VCS jobs**, **increase pressure on health and other public services**, and **reverse progress on labour market inclusion**.
- The **reality is stark**: the **most marginalised across our communities are once again at risk of being left behind**.
- NICVA and the Economic Inactivity Coalition are **not seeking additional funding** but call for an **urgent revision of the funding split**, protection of services through **2026/27**, and a **credible, co-designed funding model from 2027/28**.

What Is Changing

From April 2026, the Local Growth Fund will replace UKSPF. While headline allocations will remain largely unchanged, the **internal structure of funding has changed significantly**.

Under UKSPF:

- Around **£25 million per year** currently supports employability, economic inactivity and community-based provision
- **17 dedicated economic inactivity projects** operate across Northern Ireland
- **15 projects are VCS-led**, involving **64 organisations** delivering services across **all 11 council areas**
- Funding prioritises **revenue investment** - staff, specialist support and personalised interventions

Under the Local Growth Fund:

- From April 2026 a **70% capital / 30% revenue split** is proposed.
- This model prioritises buildings and assets over people and services.

This is **despite clear statements from the Minister of Finance** and evidence from across the voluntary and community sector **that a capital-heavy model is unworkable in Northern Ireland**, where need is predominantly revenue-based.

The proposed split is **misaligned with Northern Ireland's needs, evidence base and current service landscape,** where barriers to work are complex and multifaceted.

Why This Matters in Northern Ireland

Northern Ireland faces **deeper structural challenges** than any other UK region, including:

- The **highest economic inactivity rate** in the UK (26.5%)
- The **lowest employment rate for disabled people**
- High prevalence of **mental ill-health**, where economic inclusion plays a preventative role
- Ongoing peacebuilding needs, where stable employment and inclusion are critical

VCS-led services are specifically designed to support people furthest from the labour market, including disabled people, carers, women, people with long-term health conditions, and young people not in education, employment or training. **There are no alternative services available at scale to replace this provision.**

The Impact of a 64% Funding Cut

If the current Local Growth Fund model proceeds unchanged, it will:

- **Remove essential support from over 11,000 people every year**
- Put **at least 400 skilled VCS jobs at risk**, resulting in a permanent loss of expertise and trusted relationships
- **Collapse established services in every Northern Ireland constituency**
- **Roll back decades of progress on labour market inclusion**

- **Increase recruitment and retention pressures for employers**, particularly in sectors facing labour shortages
- Increase demand on **health and other public services**, shifting costs rather than reducing them

Once dismantled, this delivery infrastructure **cannot be quickly or easily rebuilt**.

Process Failures and Growing Risk

The changes were introduced **without adequate consultation, transparency or a published impact assessment**, and were communicated to delivery organisations **just days before Christmas**. This created immediate instability for **64 organisations** currently delivering UKSPF-funded services.

While the UK Government has committed to **co-designing a future programme from 2027/28**, allowing services to collapse during **2026/27** would render those commitments meaningless. **Co-design cannot occur once staff, expertise and local infrastructure have been lost or depleted.**

What Action Is Needed Now

NICVA and VCS members of the Economic Inactivity Coalition are **not calling for an increase in overall funding**. We are calling for **urgent, practical action** to prevent irreversible harm:

- **Revise the capital-to-revenue split** for Local Growth Fund delivery to reflect Northern Ireland's evidence-based needs
- **Protect existing services through 2026/27**, avoiding collapse during the transition period
- **Commit to a genuinely co-designed, sustainable funding model from 2027/28**, grounded in local expertise and focused on people-centred outcomes

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Closing: The Risk of Inaction

Failure by decision makers to act now is **not a neutral choice**. It will result in lasting damage to people, communities, employers, public services and **inclusive economic growth** in Northern Ireland. These are **vital public services**, delivered by skilled frontline workers, that prevent greater costs elsewhere in the system. **If they are lost, the impact will be felt for years to come.**

Decisive, coordinated action is required now - at both Westminster and Stormont—to protect essential services, support communities, and prevent permanent social and economic harm.

Prepared by NICVA on behalf of the Economic Inactivity Coalition, representing over 60 voluntary and community sector organisations delivering frontline employability support across Northern Ireland.

For more information:

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

NICVA Pivotal Report: Voluntary and Community Sector-led Approaches to Tackling Economic Inactivity | NICVA