NICVA Policy Briefing

Impact of the Local Growth Fund Decision on Northern Ireland - Short-Sighted Cuts Will Undermine People, Prosperity, and Economic Opportunity

January 2026

Who We Are

This briefing has been produced by NICVA on behalf of its Economic Inactivity Coalition, a representative group of over 60 voluntary and community sector (VCS) organisations from across Northern Ireland delivering frontline employability and in-work support to people furthest from the labour market, including those who are long-term unemployed, those with disabilities or living with long-term health conditions, women, families, people with convictions, and young people.

Headline Summary

- **From April 2026, Northern Ireland faces a severe and avoidable funding cliff edge** as the **UK Shared Prosperity Fund is replaced by the Local Growth Fund**.
- **Funding to tackle economic inactivity will fall by 64%, from £25m to £9.2m 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 services supporting those furthest from the labour market**, including disabled people, carers, women, those with long-term health conditions and young people not in education, employment, or training.
- If unaddressed, the decision will remove support from **over 11,000 people annually**, put **at least 400 skilled VCS jobs at risk**, **collapse trusted services across Northern Ireland**, and increase **pressure on key public services.**
- NICVA and the Economic Inactivity Coalition are **not seeking additional funding but calling for an urgent revision of the funding split,** protection of services through 2026/27, and a credible, co-designed model from 2027/28; failure to act will cause lasting damage to people, communities and inclusive economic growth.

1. Purpose of this Briefing

This briefing outlines the **serious and immediate risks** arising from the UK Government's funding decisions on tackling economic inactivity in Northern Ireland, as the [UK Shared Prosperity Fund (UK SPF)] is replaced by the **Local Growth Fund**. It sets out the scale of the **threat to people, essential VCS-led services, and the wider economy**, **and identifies the urgent action** required to prevent lasting social and economic harm.

2. Introduction

Northern Ireland is facing a **severe and unnecessary funding cliff edge**.

From **April 2026**, funding arrangements will change as the **UK Shared Prosperity Fund (UKSPF)** is replaced by the **Local Growth Fund**. As currently designed, this transition represents one of the most significant threats in a generation to **economic inclusion** and to the **voluntary and community sector-led services** that support people into, and sustained in, work across Northern Ireland.

Under current plans, funding for programmes tackling economic inactivity will be cut by **64% - from £25 million to £9.2 million a year**. This reduction is **not due to falling need**, but to the imposition of a **capital-heavy funding model** that prioritises buildings and assets over people and frontline support. This approach does not reflect **Northern Ireland's labour-market realities**, local evidence, or the needs of people and communities. A so-called "transition year" for Northern Ireland delays the full introduction of the Local Growth Fund until April 2027; however, the funding cut will be implemented from April 2026.

The proposed **70/30 split between capital and revenue funding** would **dismantle proven, community-based services that support those furthest from the labour market**. These trusted **services work because they invest directly in people, skilled staff and personalised support**. Shifting funding away from people and towards capital projects will not address economic inactivity in Northern Ireland - and **simply will not work**.

If implemented, this decision will:

- **Decimate existing VCS-led delivery capacity.**
- **Risk at least 400 skilled voluntary and community sector jobs**.
- Remove essential support for **over 11,000 people every year.**
- Cause the collapse of trusted services in **every Northern Ireland constituency.**
- Increase pressure on **already overstretched health and other public services**, and the **wider public purse.**
- **Undermine local economic growth, employer engagement and inclusive economic recovery.**

These **decisions were taken without adequate consultation, transparency or a published impact assessment**, and were **communicated to delivery organisations just days before Christmas**. This has created unnecessary and damaging instability for the **64 voluntary and community organisations** currently delivering UKSPF-funded services - and for the people who depend on them. It is **difficult to identify another sector so vital to public service delivery being treated with such disregard.**

3. Why This Matters

This is **not about protecting organisations**. It is about protecting:

- **People at the very margins of our economy**, including those with disabilities, women, carers, people with long-term health conditions, and young people not in education, employment or training - groups whose needs are too often overlooked by mainstream investment and provision.
- **Skilled frontline workers**, whose expertise, trusted relationships and local knowledge underpin effective, preventative and community-based delivery.
- **Years of hard-won progress** on inclusion, employability and community wellbeing.

Northern Ireland already faces deeper structural challenges than any other part of the UK. Although unemployment remains historically low (2.4%), beneath these figures **we face distinct challenges including:**

- The **highest rate of economic inactivity** (26.5% compared to the UK average of 21.0%).
- Contributing to poor health, increased poverty and reduced social inclusion.
- The **lowest employment rate for disabled people** (approx. 38%, significantly lower than the overall rate of 71.4%).
- The highest rate of low or no qualifications in the UK and a significant skills deficit.
- A **high prevalence of poor mental health** - estimated to be higher than in England or Scotland - economic inclusion plays a key role.
- An **enduring legacy of conflict and the ongoing fragility of peacebuilding**, with greater economic and social inclusion central to long-term stability.

An independent report[1] commissioned by NICVA confirmed that VCS-led provision is essential to tackling economic inactivity in Northern Ireland and depends on sustained, revenue-based investment.

There are **no alternative services** ready or able to replace, at scale, the specialist, community-led support currently delivered by the voluntary and community sector.

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[1] Nicva_Pivotal_Report.pdf

4. What the Local Growth Fund Replaces

From **April 2026**, the **Local Growth Fund** will replace the **UK Shared Prosperity Fund (UKSPF)**.

Under UKSPF:

- Around **£25 million per year** is invested in employability, skills, and community-based support to tackle economic inactivity.
- **17 dedicated economic inactivity projects** operate across Northern Ireland.
- **15 projects are VCS-led**, involving **64 voluntary and community organisations** delivering services across **all 11 council areas.**
- Funding is **administered directly to projects by the UK Government**, via the **Ministry of Housing, Communities and Local Government (MHCLG)**
- Projects are currently in a final transition year of funding that was supposed to support early planning with government as to what comes next.

While the overall funding envelope for Northern Ireland may appear similar under the Local Growth Fund the **internal allocation has changed significantly**, with a proposed **70 per cent capital / 30 per cent revenue split**.

This stands in stark contrast to:

- The existing **UKSPF model**, which prioritises **revenue investment** to address economic inactivity
- **England's Local Growth approach**, where indicative allocations equate to approximately **59 per cent revenue and 41 per cent capital** for some local authorities

The **Minister of Finance has publicly stated** that a capital-heavy model is **unworkable for Northern Ireland**, and that **revenue funding must be prioritised**.

Unlike other parts of the UK, Northern Ireland also **does not have access to additional UK-wide investment** aimed at reducing economic inactivity, such as the Department for Work and Pensions' *Connect to Work* programme operating in England, Wales and Scotland. This places Northern Ireland at a **clear structural disadvantage** and widens inequality within the UK.

5. The Immediate Impact of a 64% Cut

If implemented at current levels, the proposed cut will:

- Remove **life-changing support** from **over 11,000 people every year.**
- Jeopardise **at least 400 skilled frontline jobs** across the sector.
- Lead to the collapse of trusted services in **every local area.**

- Increase pressure on **health and other key public services** as preventative and wrap-around support is lost.
- Result in the **permanent loss of expertise, relationships and community trust.**

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

6. Broken Commitments and Growing Risk

The voluntary and community sector has repeatedly raised concerns about how the UKSPF introduced under the previous Conservative government, following Brexit, was likely to be replaced. These concerns have focused on a lack of planning, limited engagement with the sector, and the absence of a workable transition. Despite **repeated assurances that Northern Ireland would have a bespoke approach**, these warnings have not been addressed by government.

The UK Government has now committed to co-designing a future programme from 2027/28 onwards, led by the Northern Ireland Executive and the Northern Ireland Office. However, **allowing services to collapse in 2026/27 would make those commitments meaningless.** This proposal has come too late, genuine co-design cannot occur once infrastructure, staff and expertise have been lost, before new arrangements are put in place.

No other sector would be expected to absorb a funding shock of this scale without support. Yet the voluntary and community sector - **despite delivering vital public services on behalf of government** - is being **left to manage the impact alone**.

Frontline organisations with specialist knowledge and experience are being placed at risk, even though **their work prevents greater costs elsewhere in the system.** As services disappear, it **is the most marginalised across Northern Ireland who will be affected first and hardest**. This raises a key question: **why are Ministers and decision-makers willing to allow essential support to fall away, and who will be accountable for the consequences?**

Cuts of this scale do not remove costs; they simply shift them onto individuals, families, health services, and wider society. This **is not about protecting organisations**. It **is about protecting people**- their dignity, their inclusion, opportunities, and hope.

7. Key Questions for Government

For the UK Government:

- What evidence underpins the **70/30 capital-to-revenue split**, given Northern Ireland's clearly established revenue-based needs?

- Was an **impact assessment** undertaken, including impacts on equality, service continuity, and economic outcomes?
- Why are **alternative allocations not being pursued**, despite commitments to a bespoke Northern Ireland approach and significant local concerns to the proposed model?
- How are services expected to **survive the 2026/27 transition year** in order to facilitate meaningful co-design from 2027/28?
- How **does a capital-dominated model meaningfully address economic inactivity** or **deliver inclusive growth** in Northern Ireland?

For the Northern Ireland Executive:

- How is the Executive **actively challenging** the UK Government's failure to reflect local evidence and need?
- Does the Executive still accept that the current model is **unsuitable**, and what concrete action is being taken?
- What steps will be taken to **protect services, skilled jobs and beneficiaries throughout 2026/27, including mitigating impacts**?
- How **are the needs of those furthest from the labour market being embedded into economic priorities**, budgetary and investment decisions and wider Programme for Government objectives?

8. What Action Is Needed Now

Time is running out.

NICVA and the Economic Inactivity Coalition are **not seeking an increase in the overall Local Growth Fund allocation**. We are calling for the **capital-to-revenue split to be urgently revised** to reflect local need and evidence.

We call on both the **UK Government and the Northern Ireland Executive** to act immediately and decisively to:

1. **Reverse the current allocation model**, which is unsupported by evidence and misaligned with Northern Ireland's needs.
2. **Protect existing services throughout 2026/27**, preventing irreversible damage to delivery infrastructure.
3. **Commit to a genuinely co-designed, sustainable funding model**, grounded in evidence and prioritising people-centred, revenue-based support.

9. Closing: The Risk of Inaction

There has **been a clear and sustained failure by decision-makers to respond with the urgency this situation requires**. Delays, silence, and piecemeal responses have increased uncertainty, leaving frontline services, skilled staff, and the people they support dangerously exposed - at exactly the moment when decisive leadership and coordinated action are needed.

If government does not act now to reverse this split, vital service infrastructure will collapse. **Inequalities will deepen**. Pressure on already overstretched public services will intensify. **Hard-won progress towards inclusive economic growth will be undone.**

Most critically, opportunities and essential support will be stripped away from thousands of individuals, families and communities across Northern Ireland who rely on these services every day.

These are **vital public services, delivered by skilled frontline staff**. They **create genuine pathways to opportunity for people and communities too often failed** by mainstream systems or overlooked by government investment. Despite years of sustained resource pressures, the voluntary and community sector has continued to deliver real impact across communities - and **at this critical juncture, this contribution must be recognised, valued, and protected.**

Northern Ireland cannot wait.

Government inaction at this point is not neutral. It is a political choice, with long-term, potentially permanent consequences.

Decisive, coordinated action is required now - at both Stormont and Westminster- to protect essential services, support communities, and prevent irreversible 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:

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

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