

Public Consultation: The Local Growth Fund in Northern Ireland (2026–2029)

Northern Ireland Office (NIO)

Introduction

1. In the 2025 Spending Review, the UK Government announced a new targeted approach to local growth funding, comprising a set of interventions to drive growth and strengthen communities across the UK.
2. The Local Growth Fund forms part of this approach, with a focus on supporting each nation to deliver long-term investments for sustained economic growth. Through this Fund, the UK Government is investing in transformational programmes and projects that will create lasting jobs and opportunities in Scotland, Wales and Northern Ireland¹.
3. The UK Government is dedicated to working in close partnership with the Northern Ireland Executive to build a modern, dynamic and resilient economy that delivers long-term prosperity for every community.
4. Underpinned by over £129 million in UK Government funding over the next three years, the Local Growth Fund represents a significant pillar of this commitment - providing targeted investment to empower local delivery partners to address specific structural challenges that limit growth but also build on opportunities for development.
5. This consultation invites you to share your views on our proposed strategic framework for the Local Growth Fund to help shape how that investment is targeted to ensure maximum impact across Northern Ireland.
6. Taking forward the insight gathered from consultation, the Northern Ireland Office will work closely with the Northern Ireland Executive to design an Investment Plan for the Local Growth Fund. This Plan will set out details on the priorities, eligible initiatives and delivery approach and, by aligning to the Programme for Government 2024-2027², will complement Northern Ireland Executive funding. Detailed delivery approaches will be designed in collaboration with relevant stakeholders, including the Northern Ireland Executive.
7. We recognise that there has been much discussion over the Resource and Capital split for the Local Growth Fund, especially compared to previous funds such as the UK Shared Prosperity Fund. However the aim of this consultation is to determine how the Capital funding for 26/27 should be allocated, as well as how the Capital and Resource funding for the remainder of the spending review period should be allocated.

¹ Further details of the overarching Local Growth Funding framework for Northern Ireland, Scotland and Wales can be found [here](#)

²

<https://www.northernireland.gov.uk/publications/programme-government-2024-2027-our-plan-doing-what-matters-most-documents>

The Local Growth Fund: Core Priorities and Funding

8. As part of the 2025 Spending Review, £43m per annum has been provided by Ministry of Housing, Communities and Local Government (MHCLG) for the Local Growth Fund for Northern Ireland 2026-29 and has set allocations for two different types of spending, in line with the profile detailed in Table 1, below:

Resources - Resource Departmental Expenditure Limit (RDEL) - funding, for example, for day-to-day operational costs, such as staff costs for employability programmes, training delivery, business advice, and ‘wraparound’ support services.

Capital - Capital Departmental Expenditure Limit (CDEL) - funding, for example, for long-term investment in physical assets, such as digital infrastructure, wastewater facilities, transport, and workspace development.

Table 1: Local Growth Fund - Funding allocation £m 2026-27 to 2028-29³

	25-26	26-27	27-28	28-29
CDEL	3.8	27.4	27.5	29.8
RDEL		11.8	15.5	13.2
Total	3.8	39.2	43	43

9. There are three pillars to be considered as part of the Local Growth Fund; **enabling local growth infrastructure**, **support for business**, and **skills and employment**. Taking this forward, the Northern Ireland Office and the Northern Ireland Executive departments have, based on the analytical evidence, identified two core priorities for the Local Growth Fund to target and provided the following funding allocations:

Enhancing productivity - through business support and promoting innovation, infrastructure investment and skills enhancement.

Promoting active participation in the workforce - through investment in economic inactivity provision, social enterprise support and social inclusion, including working with employers.

Table 2: Proposed funding allocation £m (including resource and capital spending) across the two priorities, 2026-27 to 2028-29⁴

Theme		25-26	26-27	27-28	28-29	Total allocation	% of total allocation
Enhancing productivity	CDEL	3.8	13.7	13.8	14.9	46.2	35.8
	RDEL		2.5	3.3	2.8	8.6	6.7
	Sub total	3.8	16.2	17.1	17.7	54.8	42.4

³ Figures are shown in £m and rounded to the nearest £0.1 million. Totals may not sum due to rounding.

⁴ The total funding allocation includes the Northern Ireland share of funding derived from the Pride in Place Programme (Phase 2) and Pride in Place Impact Fund for 2025-26 to 2028-29, that will be delivered as part of the Local Growth Fund, including the £3.8m for 25/26. Figures are shown in £m and rounded to the nearest £0.1 million. Totals may not sum due to rounding.

Promoting active participation in the workforce	CDEL		13.7	13.8	14.9	42.4	32.8
	RDEL		9.3	12.2	10.4	31.9	24.7
	Sub total		23.0	26.0	25.3	74.3	57.6
Annual total		3.8	39.2	43.0	43.0	129.0	100

10. The 2026/27 RDEL allocations are a reflection of the joint agreement between the UK Government and NI Executive in December 2025 for this funding to be used to deliver £9.3 million to economic inactivity projects and £2.5 million for Go Succeed (which are now in delivery). Capital funding that was made available in Northern Ireland for 2025/26 has been utilised by the Executive to progress a community based workspace project to support economic growth in North Belfast⁵.
11. As such, this consultation seeks views on Resource funding (RDEL) from 2027/28 to 2028/29 and Capital funding (CDEL) from 2026/27 to 2028/29.

The evidence for investment: Addressing Northern Ireland's challenges and supporting opportunities for growth

12. To understand why we have chosen our proposed priorities, we must look at the current position of the Northern Ireland economy. While showing resilience and periods of strong growth in recent years, economic performance in Northern Ireland has been variable as the economy faces deep-seated structural weaknesses.

The productivity gap

13. For over two decades, NI's economic expansion has been disproportionately driven by employment growth (61% of total growth) rather than labour productivity (39%)⁶. This imbalance has left NI's productivity 12% below the UK average, ranking it 8th out of 12 UK regions⁷.

Sectoral imbalance: the economy has shifted from higher-productivity sectors (e.g. manufacturing) to lower-productivity, labour-intensive services (e.g. hospitality and administrative support). The economy also has a relatively low proportion of employment in sectors that have experienced stronger growth across the UK such as ICT and professional services.

'Back office' functions: even within high-growth areas like professional services, productivity lags the UK average by 15 percentage points, reflecting a high concentration of lower-value 'back-office' activities.

⁵ [Major investment to drive economic development in North Belfast | Department for the Economy](#)

⁶ Ulster University Economic Policy Centre (2025) [Deconstructing Economic Growth in Northern Ireland](#). From 2000-2022, employment growth occurred at a similar pace to median across UK regions but annual productivity growth of 0.5% was lower than the median rate (0.8%) across the 12 UK regions.

⁷ The Productivity Institute (2025) [Northern Ireland Productivity Dashboard 2025](#)

Public sector concentration: as of December 2025, public sector jobs accounted for 27% of total employment, highest among UK regions and significantly higher than the UK average of 18%, highlighting the need to stimulate private sector innovation⁸.

Sub-regional variations: while NI productivity performance has been a longstanding challenge, variations across sub-regions within NI also show greater distance from the UK average and additional challenges for progressing economic growth⁹.

The demographic challenge: a shrinking labour supply

14. The 'employment-led' growth model of the past is reaching its structural limit. We can no longer rely on a growing population to drive the economy.

Stagnating growth: NI's population is projected to increase by just 3.6% by 2050, a stark contrast to the 12.7% projected for the UK and 19.9% for Ireland¹⁰.

The 2034 turning point: natural change (births vs. deaths) is forecast to turn negative by 2034¹¹. With unemployment already at a historic low (2.2%¹²), labour shortages will become a severe constraint on growth unless we increase productivity.

C. Economic inactivity and the skills mismatch

15. Northern Ireland possesses a high level of 'latent employment'- people who want to work but face significant barriers.

The UK's highest inactivity: At 26.7%, NI's economic inactivity rate is the highest in the UK (UK average: 20.7%)¹³. Notably, of those who are inactive, 16.2% would like to work (i.e. currently want a job) while 50% expect to work at some point in the future (i.e. would definitely or probably work again), representing a massive untapped resource¹⁴.

The health barrier: 36.2% of NI's inactive population cite long-term sickness or disability- equating to 9.6% of the total working-age population¹⁵. NI also faces the largest disability employment gap in the UK (44 percentage points vs. 29 UK average)¹⁶.

⁸ ONS, [Public sector employment](#), 19 March 2026

⁹ Ulster University Economic Policy Centre (2025) [Delivering balanced regional growth in Northern Ireland](#), May 2025

¹⁰ Ulster University Economic Policy Centre (2024) [Northern Ireland Demographics 2050 - Implications for public policy and infrastructure investment](#), August 2024

¹¹ Ulster University Economic Policy Centre (2024) [Northern Ireland Demographics 2050 - Implications for public policy and infrastructure investment](#), August 2024

¹² NISRA (2026) [Northern Ireland Labour Market Report](#), 19 March 2026

¹³ NISRA (2026) [Northern Ireland Labour Market Report](#), 19 March 2026

¹⁴ Ulster University Economic Policy Centre (2026) Labour Market Intelligence Portal, Labour Force Survey analysis Q4 2025.

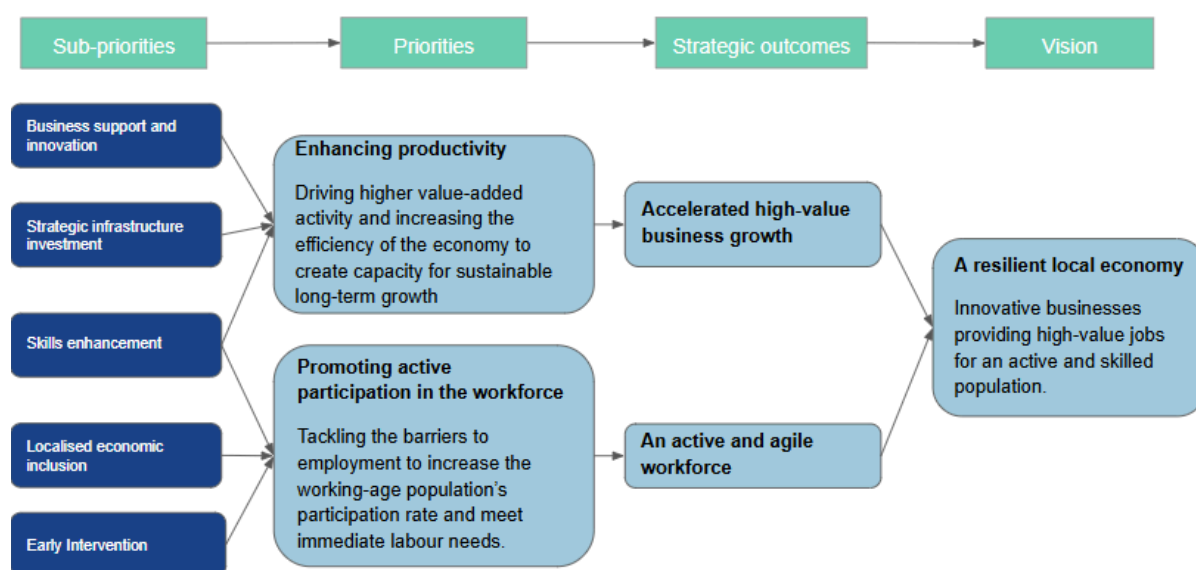
¹⁵ NISRA (2026) [Northern Ireland Labour Market Report](#), 19 March 2026

¹⁶ Ulster University Economic Policy Centre (2023) Maximising potential: A review of labour market outcomes for people with disabilities in Northern Ireland

The skills gap: NI has the second-lowest percentage of bachelor-level (RQF 4) qualifications in the UK. By 2033, an annual undersupply of 7,000 individuals educated to RQF Level 3 or above is projected, alongside an oversupply of those with low or no qualifications¹⁷.

Our proposed strategic framework: Two priorities for growth

16. To address the structural challenges identified in the economic data, the UK Government and the Northern Ireland Executive propose a dual strategy - pursuing productivity-led growth as the long-term anchor, while simultaneously promoting active participation in the workforce to ensure maximum employment growth.
17. In the Local Growth Fund, these two priorities are self-reinforcing. Productivity creates the high-wage jobs that make work attractive while greater workforce participation ensures the supply of an active and agile workforce that businesses need to expand.
18. Under this approach, the proposed framework aims to ensure that we are not just creating more jobs, but better jobs, while ensuring that every person in Northern Ireland has a pathway to participate in that prosperity in their local area.



Priority 1: Enhancing productivity

The goal: To support the transition of Northern Ireland towards a high-value, productivity-led economy.

We propose targeting investment toward three sub-priorities as drivers of productivity:

¹⁷ Ulster University Economic Policy Centre (2025) [Skills Barometer: 2023-33](#)

Sub-priority 1.1 – Business support and innovation

Core focus	Northern Ireland suffers from lower levels of enterprise and innovation activity compared to the rest of the UK. We propose focused support for Small and Medium-Sized Enterprises (SMEs) to help them to innovate, adopt new technologies, expand into export markets and move up the value chain. This includes support for innovation ready businesses, as well as start ups, self-employment initiatives and those at the early stages of developing new ways for growing their business.
Proposed activity	Business and start up advice, grants and support for research and development and digital transformation

Sub-priority 1.2 - Local infrastructure investment

Core focus	Growth-driving sectors require high-quality foundations of infrastructure and transport connectivity. Northern Ireland contains significant sub-regional disparities where poor connectivity hampers productivity and median wages.
Proposed activity	Investment in digital and transport connectivity to support regeneration, improve location attraction, and ensure low productivity areas (including areas with high levels of rurality) are not left behind. Support for local water and wastewater infrastructure (including flooding prevention) to protect or unlock land for new social housing, industrial and commercial development (including site assembly and new business premises). Utilising infrastructure investment to harness the potential of a green growth economy, including investment in carbon-neutral technologies.

Sub-priority 1.3 - Skills enhancement (RQF Level 3+)

Core focus	By 2033, NI faces an annual undersupply of 7,000 workers with mid-to-high level qualifications. We must close this gap to sustain a high-value economy.
Proposed activity	Tailored skills interventions specifically aligned with high-growth sectors like ICT, professional services, advanced manufacturing, and the green economy.

Priority 2: Promoting active participation in the workforce

The goal: To tackle the high rate of economic inactivity (26.7%) and ensure that growth reduces regional disparities and social exclusion.

With 50% of the inactive population expressing a desire to work, there is a massive 'latent' workforce. To support moves toward employment, we propose a multi-agency approach focusing on three intervention areas:

Sub-priority 2.1 - Education, skills, and reskilling	
Core focus	Economic inactivity is inextricably linked to low educational attainment and NI currently shows the highest rate of inactivity in the UK for individuals with qualifications below NQF Level 2. Breaking this cycle is essential for both the individual and the wider economy.
Proposed activity	Expanding access to adult education and reskilling opportunities designed specifically to bring people back into the labour market.

Sub-priority 2.2 - Localised economic inclusion	
Core focus	Economic inactivity is often concentrated in specific geographic clusters with high levels of deprivation, social exclusion and low levels of connectivity ¹⁸ .
Proposed activity	Working with a range of stakeholders, including local employers, to support innovative, granular solutions tailored to local community needs. This includes support for the social enterprise sector, which acts as an engine for local growth by employing those who face the highest barriers to the labour market.

Sub-priority 2.3 - Early Intervention: Addressing NEETs (Not in Education, Employment, or Training)	
Core focus	The most effective way to reduce long-term inactivity is to stop it before it starts. Entrenched barriers often begin when young people disengage from education.
Proposed activity	Dedicated programmes to prevent young people from becoming NEET, focusing on areas with historically low educational attainment.

Delivery and governance

¹⁸ Ulster University Economic Policy Centre (2024) [Economic inactivity Who, what, where, why?](#)

19. We recognise that Northern Ireland requires a delivery model that is agile, locally informed, and avoids unnecessary bureaucracy.
20. Across the UK, the Ministry for Housing, Communities and Local Government (MHCLG) will maintain oversight of the overall Local Growth Fund and is responsible for periodic reporting to the UK Parliament on the Fund. In Northern Ireland, the Northern Ireland Executive departments and their Accounting Officer(s) will plan and oversee delivery of the Fund, with the exception of the delivery of skills and employment support and business advice in 2026-27, which will be managed by MHCLG directly.
21. Reporting and Monitoring arrangements for the fund, as well as progress metrics, are set out in the Local Growth Fund (Scotland, Wales and Northern Ireland) Technical note.¹⁹
22. Following final agreement of the strategic framework and outcomes, taking forward input from the consultation process, the NI Executive as Accountable Fund Lead will be responsible for managing the delivery of the Local Growth Fund to ensure alignment with local expertise. In accordance with the activities to be supported under the Fund, the NI Executive will allocate the funding to delivery organisations through a range of approaches, including commissioning and competition where appropriate.
23. To ensure transparency and rigorous management of public funds:

Partnership Group: A cross-sectoral group of partners from the public, private and third sector will provide advice and insight on delivery.

Monitoring and evaluation: Robust and effective monitoring and evaluation play a crucial role in the success of all policy and investment delivery. It is vital we adopt a culture of continuous review and improvement to learn from previous experience, build on what works, and ensure value for money. As Accountable fund lead, the Northern Ireland Executive will develop guidance to support effective monitoring and evaluation and ensure that funded projects will be subject to regular reporting to ensure they meet stated outputs, outcomes and impacts. The Northern Ireland Executive will promote transparency in that data and coordinate an independent evaluation of the Local Growth Fund.

Compliance and equality

24. As part of our commitment to a fair society, the Local Growth Fund will be developed having regard to the following assessments:

Section 75 (NI Act 1998)

25. The proposed framework for the Local Growth Fund has undergone an initial Equality screening ([here](#)). The preliminary findings suggest that the plan's focus on Enhancing productivity and Promoting active participation in the workforce will have a broadly positive impact across all Section 75 categories by creating economic opportunity.

¹⁹ [Local Growth Funding framework for Northern Ireland, Scotland and Wales](#)

26. As details of the specific programme interventions under the Local Growth Fund are established following the consultation exercise, a detailed monitoring and evaluation framework will be developed. The Local Growth Fund will be subject to a process of ongoing monitoring and evaluation, including assessment of equality impacts.

Alignment with the Windsor Framework

27. In accordance with Article 2 of the Windsor Framework, the UK Government ensures that no diminution of rights, safeguards, or equality of opportunity (as set out in the relevant part of the 1998 Agreement) results from the UK's withdrawal from the European Union. The interventions funded under this plan will be managed to ensure they uphold these non-diminution commitments. The Local Growth Fund will also be subject to a process of ongoing monitoring and evaluation, including assessment of upholding rights and safeguards guaranteed under Article 2.

Rural Needs Impact Assessment

28. As per the Rural Needs Act (NI) 2016, there is a need to consider how the plan, and subsequent delivery, will give due regard to the social and economic needs of people in rural areas.
29. With a focus on Enhancing productivity and Promoting active participation in the workforce, the Plan has the potential to target particular barriers to development in rural areas and ensure they have the same growth opportunities as those in urban centres.
30. As details of the specific programme interventions under the Local Growth Fund are established following the consultation exercise, a Rural Needs Impact Assessment will be conducted. Further to this, a monitoring and evaluation framework will be developed to track and assess the impact on an urban/rural basis.

Consultation questions

31. This consultation will respect the Fair Funding principles outlined in the 'Partnership Agreement between Government and the Voluntary and Community Sector in Northern Ireland.'
32. The focus of this consultation is to ensure the most effective and efficient use of public funds for maximum impact and value to Northern Ireland. This consultation will not consider the overall level of funding for the Local Growth Fund.
33. Within this framework, we are seeking your views to refine the proposed strategic framework for the Fund. Your responses to the following questions will be instrumental in ensuring that our interventions are practical, impactful, and tailored to the unique needs of Northern Ireland's economy.

The strategic priorities

Do you agree that the two core priorities - Enhancing Productivity and Promoting active participation in the workforce - are the correct priorities for the Local Growth Fund over the next three years?

Looking at the proposed activities under each priority, is the indicative balance of funding between the priorities appropriate? If not, what should it be?

Priority 1- Enhancing productivity

Which of three sub-priorities identified (Business support and innovation, Strategic infrastructure investment, Skills enhancement), or others, would you focus on to deliver higher value-added activity and increase the efficiency of the economy?

How can the Local Growth Fund best support SMEs and business start ups to grow and move up the value chain, including engaging in Research and Development?

Regarding local growth infrastructure, which specific local barriers (e.g., wastewater, flooding, transport, digital, green energy) are most significantly preventing business growth in your local area?

Priority 2 - Promoting active participation in the workforce

What specific support is most needed to help those currently economically inactive move toward employment, including self-employment and starting their own business?

What specific adult education or reskilling models have proven most effective at re-engaging those with qualifications below NQF Level 2?

What capital programmes / projects can best promote active participation in the workforce?

Delivery and equality

Which organisations are best placed to deliver each sub-priority of the fund and why? (For example, NI departments, local government, third sector organisations, the private sector, education providers).

Are there opportunities to better align with existing or planned provision (For example by boosting an existing local or NI project or initiative)?

Are there any groups protected under Section 75 who may be adversely affected by the proposed sub-priorities set out in this proposed Framework? Are there opportunities for promoting good relations?

The Local Growth Fund aims to promote regional balance. Are there any further considerations we should give to ensuring support benefits rural communities as per the Rural Needs Act (NI) 2016? How can we ensure that investments in infrastructure and skills are delivered in a way that effectively supports rural communities and businesses?

How to respond

34. This consultation will remain open for 7 weeks. This timeframe allows for a robust engagement process that provides stakeholders the opportunity to share their views, while ensuring we can act swiftly to finalise the design of the Investment Plan and commence implementation as soon as possible.
35. Please submit your responses by **5:00pm on Friday, 26 June 2026**
36. Please provide your comments to the questions outlined in Section 7 using the response form [here](#) and send it to any of the following:
- **Email:** NILGFconsultation@nio.gov.uk or
 - **Post:** Northern Ireland Office, Erskine House, 20-32 Chichester St, Belfast, BT1 4GF
37. To ensure we capture the most comprehensive evidence within this timeframe, we are also conducting a series of targeted engagement sessions with representative bodies and stakeholder organisations across each sector (i.e. the public, voluntary / community, and business) to supplement the public consultation process.