WRITTEN STATEMENT TO THE ASSEMBLY

LOCAL GROWTH FUND: 2026/27 CAPITAL ALLOCATIONS AND AGREED INVESTMENT PLAN

10 AUGUST 2026

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MINISTER OF FINANCE

I wish to update Members on the Local Growth Fund (LGF) Investment Plan and associated Capital allocations for 2026/27.

The LGF was announced by the British Government as part of the 2025 Spending Review and commenced on 1 April 2026. Delays in Westminster created a risk of a funding cliff edge between the closure of the Shared Prosperity Fund (SPF) on 31 March 2026 and the transition to the Local Growth Fund (LGF), with the Community and Voluntary Sector (CVS) particularly vulnerable to any interruption in funding.

Given the limited time available, it was agreed that the Ministry of Housing, Communities and Local Government (MHCLG) would deliver the Resource funding in 2026/27 through existing SPF structures. Delivery of Capital funding for 2026/27, and both Capital and Resource funding in 2027/28 and 2028/29, was then to be subject to the development of an Investment Plan led by NIO.

Members will be aware of the significant negative impact arising from the reduction in Resource funding, with a funding profile moving from a Resource heavy profile under SPF, to a Capital heavy profile under LGF, particularly on our CVS. While the Executive and I pressed for a greater Resource allocation to meet local needs, Westminster confirmed that the LGF funding profile would not change.

While the focus now remains on getting the funding out to organisations, I will continue to make the case that the funding criteria should be set by locally elected Ministers rather than in Westminster. I will also continue to make the case that the overall funding package falls short of previous EU Funding and breaches former British Government commitments that we would not be left financially worse off following Brexit and that EU replacement funding would be replaced in full.

The NIO launched a seven-week public consultation on the LGF, which concluded on 26 June 2026. The outcomes informed an update to the Investment Plan. Subsequently, the Executive noted that it was content with the updated Plan, which was then progressed for agreement by the previous NIO Secretary of State and former MHCLG Ministers.

Recognising the need to provide certainty on 2026/27 Capital allocations and noting the limited flexibility to move funding between financial years, the Executive also agreed the following Departmental LGF Capital allocations for 2026/27:

Department for the Economy (DfE): £13,292,556.00

DfE's proposals are focused on driving productivity, regional economic growth, innovation and business development. Investments include support for research and development activity, entrepreneurship and business start-ups, alongside social enterprise development. Collectively, these initiatives are intended to stimulate local economic growth which benefits local communities blending private sector investment with social business growth, improving productivity, creating employment opportunities for disadvantaged groups and supporting balanced social and economic growth.

Department for Communities (DfC): £7,068,000.00

DfC's proposals comprise a broad range of community regeneration, economic inclusion, employability and town centre renewal projects. The department's proposals seek to improve community infrastructure, regenerate vacant and underused assets, enhance access to employment and skills opportunities, and support social enterprises and organisations working with disadvantaged groups, helping to strengthen local economies and increase participation in the labour market.

Department of Agriculture, Environment and Rural Affairs (DAERA): £3,820,000.00

DAERA's proposal focuses on supporting innovation and productivity within the agricultural sector, reducing nutrient surpluses from livestock farming by transforming slurry into renewable energy and exportable nutrient products, helping to improve water quality, reduce environmental impacts and supporting a more sustainable agricultural sector.

Department for Infrastructure (DfI): £3,249,000.00

DfI's proposals centre on transport and connectivity improvements that support economic development and sustainable travel. The proposed investments are designed to improve accessibility, encourage greater use of public and active travel, reduce congestion and support safer, more efficient transport networks.

These allocations represent a total Capital investment of £27.4 million through the LGF in 2026/27 and will support delivery across the two priorities identified in the Investment Plan:

- Enhancing Productivity; and
- Promoting Active Participation.

This Capital allocation is in addition to the £11.8 million of Resource funding being delivered by MHCLG in 2026/27 to support Economic Inactivity interventions through the CVS and business support through the Go Succeed programme.

Approval of these allocations provides certainty for Departments and delivery partners, enabling Capital projects to commence immediately and reducing the risk of underspend and the potential return of funding to the Treasury.

Departments will now progress delivery of the agreed 2026/27 Capital programme. Work has also commenced on a co-design process involving the community and voluntary sector alongside other key stakeholders. This process will continue across the summer for the delivery of Resource and Capital funding in 2027/28 and 2028/29.