

REGIONAL BALANCE BILL

EXPLANATORY AND FINANCIAL MEMORANDUM

INTRODUCTION

1. This Explanatory and Financial Memorandum has been prepared by Sinéad McLaughlin MLA (the Bill Sponsor) in order to assist the reader of the Bill and to help inform debate on it. It does not form part of the Bill and has not been endorsed by the Assembly.
2. The Memorandum needs to be read in conjunction with the Bill. It is not, and is not meant to be, a comprehensive description of the Bill. So, where a clause or part of a clause does not seem to require an explanation or comment, none is given.

BACKGROUND AND POLICY OBJECTIVES

3. The Bill seeks to improve the Northern Ireland Executive's response to regional imbalances in economic performance and living standards by creating a statutory duty on the Executive to deliver and renew a strategic framework to address these imbalances. There are five main arguments which form the case for this legislation.
4. Firstly, that such regional imbalances are currently only addressed through non-binding strategies and policy, which has proven an ineffective approach. As far back as 2012, the Regional Development Strategy¹ committed to balanced regional growth and tackling regional imbalance. Yet despite the inclusion of regional balance in some strategies, policies and plans, not enough has been achieved in practice. The Bill Sponsor is clear the lack of a statutory duty creates too much scope for piecemeal and ad hoc approaches. The Bill is intended to provide ongoing focus on practical measures to address this issue.
5. It is argued that binding obligations on delivering a framework and reporting is needed, given the relatively limited success of strategies so far. A statutory framework will increase transparency and focus on the factors which impact regional imbalances, allowing for a sustained approach across government and increased parliamentary scrutiny of outcomes. In taking this legislation forward, the Bill Sponsor is seeking to balance the benefit of an appropriate duty to address regional balance, with an acceptance that Departments also need flexibility to deliver this.
6. Secondly, the Bill recognises that addressing regional balance is the responsibility of the whole of government and requires a long-term approach. However, it is currently only understood by many as the purview of the Department for the Economy ('the Department'), with no legislative guarantee that other Ministers take any action or co-operate on strategy. For example, existing deficits in infrastructure provision and imbalances of healthcare provision suggest that it is only through a whole of government approach that regional imbalances can be alleviated. Although the previous Economy

¹ <https://www.infrastructure-ni.gov.uk/publications/regional-development-strategy-2035>

Minister made regional balance a priority in his Economic Vision, he has also noted that no Minister can achieve this priority in one department alone.

7. Thirdly, existing efforts by the UK Government to address such imbalances have proven unsuccessful. For example, the ‘levelling up’ agenda driven by the previous UK Government, and particularly articulated through the 2022 White Paper *Levelling Up the United Kingdom*², failed to fully deliver in practice. Although the principles that underpinned ‘levelling up’ were appropriate, the UK government’s approach in the Levelling Up and Regeneration Act 2023 was unfocused and overly centralised. Northern Ireland requires a specific approach, driven by our Executive with a broad view of what constitutes regional balance. The current UK Government is pursuing an approach of regional growth and the targeting of capital investment outside the South-East of England. While this could help to stimulate economic activity in left-behind places, it does not represent a strategic approach to narrowing the gaps between places to give equality of opportunity between places and ensure anyone can go as far as their talents can take them, regardless of background.
8. Fourthly, the economic development agency Invest Northern Ireland (INI) has failed to equitably target the distribution of jobs and opportunity throughout Northern Ireland. The recent Independent Review³ of INI commissioned by the previous Minister ultimately proved scathing, including on this point, where it emphasised the need for a much more effective sub-regional performance. In order to keep the focus of this Bill proportionate, it has been decided not to amend the statutory framework governing Invest NI as part of this legislation. Instead, the intention is to focus on the implementation of a regional balance strategy and associated reporting obligations. This does not preclude instruction to INI which aligns with the Strategic Framework in a flexible and targeted manner.
9. The current legislation requires INI to advise the Minister but also allows the Department to issue directions to INI on its functions. Overall, the focus of this Bill is to direct minds towards the role of regional balance in wider development strategy. However, the failures of Invest NI remain relevant within the wider policy context. The Bill Sponsor believes that a greater focus within government on regional balance (i.e. the difference in economic performance and living standards between geographic regions), will complement and bolster the work of the economic development agency- including by improving economic policy on those areas which might lie directly outside the agency’s competences (for example, on skills policy).
10. Fifthly, in order to change the existing approach, legislation is needed to adopt a duty-based approach and ensure regional balance is a ‘golden thread’ that runs through departmental decision making. As noted previously, a growing political consensus accepts that no-one’s life chances should be limited by the geography of their birth. Yet these nods to regional balance in each strategy have not amounted to significant policy changes in Executive Departments. Binding obligations will drive a focus on areas that have been left behind and ensure robust collation of data that can inform public policy outcomes. The legislation is intended to complement existing initiatives to address

² <https://www.gov.uk/government/publications/levelling-up-the-united-kingdom>

³ <https://www.investnireview.org.uk/>

regional inequalities by creating a legal framework that can facilitate the success of this long-term mission.

11. The Bill therefore gives statutory recognition to regional balance (i.e. the difference in economic performance and living standards between geographic regions) as an Executive-wide priority, requires the Executive to adopt and maintain a Regional Balance Strategic Framework, imposes a duty on departments to pay due regard to the Framework when developing policies, strategies and plans, and requires annual reporting to, and scrutiny by, the Assembly. The Department for the Economy is given a lead role in monitoring, reporting, issuing guidance and conducting research to support delivery.
12. This latter point is important, as the Bill is seeking to balance recognition that departments need to work together in the context of an overall, strategic framework with the expertise and lead responsibility resting with the Department for the Economy. This means that the Framework will have a clear owner in terms of reporting and recommending improvements, whilst ensuring the Executive drives it across the board. This balance is clear throughout the Bill, for example the recognition that different departments will have differing levels of input into the Framework, which is catered for by the flexible duty in clause 2.

CONSULTATION

13. The Bill Sponsor conducted a 12-week online public consultation on the legislative proposal between November 2024 and February 2025. A total of 115 responses were received including from individuals, NGOs, academics, and lobby organisations.
14. Almost universal support was expressed for certain provisions of the Bill:
 - 95.4% of respondents said that they believed that the NI Executive should take greater action to reduce the difference in economic performance and living standards between geographic regions.
 - 94.4% of respondents agreed with the definition that regional economic imbalance in Northern Ireland is the difference in economic performance and living standards between geographic regions.
15. Substantial support was also expressed for other provisions in the Bill:
 - 86% of respondents either agreed or strongly agreed with the proposal to mandate all departments to have due regard to regional balance when developing, adopting, implementing or revising policies, strategies and plans and designing and delivering public services.
 - 86.9% of respondents either agreed or strongly agreed with the proposal to mandate the Department for the Economy to publish a statement at the start of an Assembly mandate outlining the Department's approach to improve regional economic imbalance.

- 86.2% of respondents either agreed or strongly agreed with the proposal to mandate Invest NI to develop and publish sub-regional economic targets on an annual basis and report to the Department on these targets.
16. The main opposition in the e-consultation to the proposal raised concerns about the impact on Belfast as an economic driver and the possible neglect of the region's capital city, should government become more focused on 'left-behind' places. This is a point the Bill Sponsor is alive to, but notes that the legislation is seeking to drive greater regional balance and lift opportunity and standards of living overall, giving the Executive appropriate discretion to make policy choices on that and justify them accordingly. It is the Bill Sponsor's firm belief that regional balance will result in an improved settlement for left-behind areas, whether within the capital city which contains an extensive share of more deprived wards, especially in North and West Belfast, or more peripheral areas such as the North-West.
 17. The e-consultation added to the already comprehensive consultation engaged by the Bill Sponsor through in-person and online engagements with key stakeholders in the area of regional balance. For example, the Bill Sponsor undertook specific engagements on the Bill with the Centre for Cross Border Studies (which convened a wide cross-section of its stakeholders), the leading trade union body NIC-ICTU, the Londonderry Chamber of Commerce, Queen's University Belfast as well as other organisations such as the Resolution Foundation and other stakeholders such as Foyle Port. Moreover, the Bill Sponsor has raised the issue of the legislation as an agenda item for discussion in meetings with a wide range of stakeholders, including businesses. Written responses to the consultation were also received from the Open University, the NI Tourism Alliance and the Rural Community Network.
 18. The Open University supported the Bill's ambition to establish regional balance, emphasising the importance of access to part-time and flexible higher education options and recommending that this is factored into the Bill's mandates for departments. While this would be a useful addition to the Bill's provisions, in the context of a refined and narrow Bill, it is not being considered for inclusion by the Bill Sponsor. The Bill Sponsor is conscious that a Member's Bill should be tightly focused and wants to avoid being overly prescriptive in new areas. This will ensure Assembly scrutiny can be focused on the core objectives of the Bill.
 19. However, it is the Bill Sponsor's belief that such recommendations should be considered by the Minister. For example, the Executive may consider incorporating the recommendation to assess the accessibility and inclusivity of skills strategies within a regional balance lens. It may also be addressed in the context of guidance issued by the Department for the Economy under the Framework. The Bill Sponsor also supports the suggestion that lifelong learning participation could be used as one possible measurement of living standards between different regions, as well as the recommendation to assess the strength of partnerships between education providers, industry bodies and employers when region-specific skills programmes are designed. Given the breadth of measurements, space for flexibility is wise.
 20. Queen's University Belfast also affirmed its support for the principle of Executive departments working together in the development and implementation of policy, encouraging a broad conversation around HE sectoral funding and sustainability. The

Northern Ireland Tourism Alliance similarly expressed appreciation for the commitment to addressing regional disparities and welcomed the Bill Sponsor's recognition that a more coordinated and strategic approach is required to promote a fair distribution of economic opportunities.

21. The Bill Sponsor also engaged with the Mayors of Manchester and Liverpool in relation to their proposal for similar legislation in England and reflected on the salience of the issue across the two islands. The Centre for Cross Border Studies (CCBS) broadly welcomed the initiative to bring forward legislation to address regional economic imbalance in a more systematic way. It encouraged the Bill Sponsor to carefully define how it approaches the concept of economic imbalance between geographic regions within Northern Ireland.
22. This is an important reflection and one the Bill Sponsor fully explored with Bill drafters. In particular, the Bill Sponsor considered whether a definition of regional balance was helpful. Ultimately, the Bill Sponsor concluded that providing an inclusive list of indicators which can help to define "regional disparities" was the best approach. This allows some guidelines for the Executive whilst recognising it is impossible to be completely exhaustive in one definition. The legislative framework must contain sufficient flexibility to evolve, and a singular definition risked taking an unduly narrow and constrained approach. Careful thought was given to identifying appropriate indicators for reporting which target information on key metrics whilst being flexible. The CCBS also raised important considerations and concerns in relation to the possibility of unambitious targets, insufficiently meaningful reporting by departments or independent assessment. These are legitimate considerations and underline the importance between achieving clarity in the scope of the statutory responsibilities under the Bill whilst reflecting it is the duty of the Assembly to scrutinise delivery against the Bill's ambitions.
23. In addition, the Minister for Agriculture, Environment and Rural Affairs also responded to a request to the College of Agriculture, Food and Rural Enterprise for comment on the Bill. The Minister advised that regional economic statistics are limited, and any reliance will need to take account of the fact that small regions mean statistics are distorted by the fact many people live in one region and work in another, while a business may be based in one region but employ people from throughout NI or further afield. The Bill Sponsor considers that these are important contributions which should be addressed by the Department through more effective data collation and improved monitoring. In fulfilling their responsibilities under the Bill, Departments can set out their operating assumptions and approach to any targets they have been assigned.
24. Where stakeholders expressed suggestions for alternatives to legislation, it was suggested that regional economic imbalances could be alleviated through policy change alone, without the need for legislative provisions. However, as detailed above, the Bill Sponsor believes that there is a compelling case for legislation. This is because statutory duties span different Ministers and different administrations. This provides a clear focus and signal that regional balance is a long-term, systemic objective. While appropriate interventions can help to assist regional inequalities, they are limited in scope and lack the legislative weight of a duty-based approach.

OPTIONS CONSIDERED

25. **Option One:** Continue with the status quo and take no legislative action.
26. **Option Two:** Introduce and enact legislation to improve regional balance.
27. The Bill Sponsor is of the view that the status quo has failed to embed a sufficiently strategic approach to the improvement of regional balance, and believes legislation is needed to correct this. Non-legislative approaches to addressing regional imbalance, namely strategies and guidance, have not secured sustained cross-government prioritisation or transparency sought by the Bill Sponsor in proposing this Bill.
28. Following consultation and deliberation, the Bill Sponsor concludes that introducing and enacting primary legislation is the most appropriate and proportionate approach. She proposes placing core duties and reporting requirements in primary legislation while leaving detailed targets and methodologies to the Executive's Framework, which is considered to balance accountability with flexibility.

OVERVIEW

29. The Bill has 8 Clauses and no Schedules. It is structured in three Parts. Part 1 requires the Executive to develop, adopt, maintain and implement a Regional Balance Strategic Framework and imposes a due regard duty on departments, supported by departmental information gathering. Part 2 provides for annual reporting to the Assembly, Departmental review and recommendations, and guidance and research functions. Part 3 contains ancillary, interpretation, commencement and short title provisions.
30. A commentary on each of the Clauses follows below. However, where a Clause or part of a Clause does not seem to require an explanation or comment, none is given.

COMMENTARY ON CLAUSES

Clause 1: This places a duty on the Executive to develop, adopt, maintain and implement the Framework. The Framework must set outcomes, the lifetime of the Framework, departmental roles, identify mechanisms and methodology, include provisions requiring departments to recognise and consider cross-border economic data, and enable measurable, time-bound targets. It must be consulted upon, laid before the Assembly and published within 12 months of Clause 1 coming into operation.

The Framework may be revised or replaced following a similar process. This mirrors established structures in Northern Ireland (e.g. the Children's Services Co-operation Act model) and comparable regimes in other jurisdictions (e.g. Finland's approach to national targets in the Regional Development Act 2002; Wales' approach to objectives in the Well-being of Future Generations (Wales) Act 2015). The Department for the Economy is the lead Department in the compilation of the Framework and its reporting.

The Framework's requirement for measurable, time-bound targets is intended to be supported by baseline measurements. The Executive is expected, when developing the

Framework, to establish a baseline year against which progress in reducing regional disparities can be measured. This approach reflects international practice, including the Croatian Regional Development Index which classifies regions relative to national averages and is reviewed periodically. The absence of a prescribed baseline interval on the face of the Bill allows flexibility for the Executive to determine the most appropriate methodology, while ensuring that targets are included that will allow for greater convergence towards the NI average. The aspiration in this regard is to grow local government districts below the NI average at a faster level than local government districts above the NI average, in line with OECD research. It is expected that the Framework should include provisions to utilise the economic potential of cross-border agglomeration economies and cross-border cooperation, in line with OECD research.

Clause 2: This requires departments, when developing, adopting, implementing or revising policies, strategies and plans, to have due regard to the need to reduce disparity and to the Framework, and (so far as is reasonably practicable), exercise their functions in a manner calculated to contribute to the outcomes and any targets set in the Framework. This calibrates a justiciable, yet proportionate duty focused on process and explanation of specific departmental contributions, similar to section 49A of The Disability Discrimination (Northern Ireland) Order 2006 in equality/disability contexts. This avoids hard-edged obligations which are overly prescriptive and too unwieldy within legislation whilst creating a focus for scrutiny of the choices made by the Executive in the design of the Framework and departments when complying with their responsibilities under it. The duty applies after 12 months following Royal Assent.

Clause 3: This requires departments to compile, retain and provide information to the Department to support annual reporting, including actions taken and evaluations of impact, with a power for the Department to issue guidance on format and timing. Furthermore, each Northern Ireland department is required to evaluate progress made in contributing to the criteria set out in the Framework, so far as these relate to each department's areas of responsibility. This ensures a consistent evidence base across government, reflecting practice in other Northern Ireland statutes with cross-cutting strategies.

Clause 4: This requires the Department to prepare, publish and lay before the Assembly an annual report on implementation of the Act, operation of the Framework and progress in reducing regional imbalances in line with outcomes and any targets. It also requires the Minister to make a relevant statement on the report as soon as practicable following its publication. The first report is due within 18 months of the first framework being adopted by the Executive, permitting initial establishment and baseline work; subsequent reports are annual. A flexible definition of “reporting year” enables alignment of the publication with data cycles and creates conditions for stronger scrutiny of performance under the Framework.

Clause 5: This requires the Executive to review the Framework's operation and effectiveness within five years of the first Framework being laid before the Assembly, and then at least once every five years thereafter. This enables (and, where appropriate, requires) the Department for the Economy to make and publish recommendations to the Executive, which must be laid before the Assembly. This supports iterative improvement

while respecting the Executive's ownership of outcomes and targets. This creates accountability where compliance with best practice and local conditions can be assessed.

Clause 6: This confers ancillary functions on the Department to provide guidance and information, and to undertake, commission or support research on regional disparities. It also enables promotion of awareness, engagement and best practice. Publication of guidance is required.

Research prepared by the Northern Ireland Assembly, Research and Information Service noted a theme, (for example from OECD), that poor government effectiveness at the subnational level severely limits the prospects of regions. Key remedies include investment in strategic planning and stakeholder engagement. Comparator legislation in Victoria, Australia (Regional Development Victoria Act 2002) and Croatia (The Act on Regional Development of the Republic of Croatia 2014) established dedicated statutory agencies. While this legislation does not establish any statutory agencies, it provides the Department for the Economy with capacity-building responsibilities.

Clause 7: This defines terms used in the Bill. "Regional disparities" is defined by reference to the disparities in economic performance and living standards between regions and subregions (as defined) within Northern Ireland, having regard to statistical geographies designated by the Northern Ireland Statistics and Research Agency (including, but not limited to, Local Government Districts as well as other relevant data catchments and functional areas which may cross administrative or jurisdictional boundaries). It is defined with reference to a non-exhaustive list of indicators drawn from international and UK practice. These include GDP per head, average and median disposable household income per head, unemployment/employment/inactivity rates, productivity (i.e. GVA per employee), health data, including average life expectancy, education data including attainment rates, deprivation indices, affordable housing, access to airports and the regional distribution of public capital expenditure. The list is placed on the face of the Bill to ensure transparency, while allowing methodological evolution through the Executive's Framework. Departments are free to have regard to considerations beyond this list as appropriate. The clause also defines "cross-border economic data" as data concerning economic activity, labour markets, or service provisions that operate across the border between Northern Ireland and the Republic of Ireland.

The list of indices of "regional disparities" has been informed by research the Northern Ireland Assembly's Research and Information Service found, itself citing publications from the OECD, European Commission and UK Government. This research demonstrates that regional performance should be measured across both economic and non-economic dimensions. The indicators on the face of the Bill align with international best practice by including measures of well-being (healthy life expectancy), human capital (educational attainment), and institutional effectiveness (deprivation indices), while allowing the Executive's Framework to develop further metrics.

Clause 8: This sets out the Bill's commencement and short title.

FINANCIAL EFFECTS OF THE BILL

31. The Bill requires the Executive to develop, adopt, maintain and implement a Regional Balance Strategic Framework and imposes a due regard duty on departments, supported by departmental information gathering. It also provides for annual reporting to the Assembly, Departmental review and recommendations, and guidance and research functions. There will be administrative costs to the Executive, the Department for the Economy and other departments associated with preparing the Framework, compiling information, conducting analysis, reporting and consultation.
32. Framework development and cross-departmental implementation are likely to generate administrative and analytical costs, even if largely absorbed within existing departmental baselines. The scale of these costs will depend on how ambitious, prescriptive and resource-intensive the Framework ultimately becomes.
33. Ongoing data collection, collation and reporting requirements may require additional capacity, especially if new indicators, software systems or analytical processes are needed to implement the Bill provisions, evidencing progress against regional balance objectives.
34. The Department for the Economy already undertakes substantial activity related to regional balance, including a dedicated Regional Balance Unit and significant programme expenditure through initiatives such as the Regional Balance Fund and Invest Northern Ireland regional programmes. This existing infrastructure could limit the need for entirely new structures. However, the Department could face increased workload through the broader focus on regional balance.
35. For example, the ancillary functions on the Department for the Economy to provide guidance and information, and to undertake, commission or support research on regional disparities could require additional expenditure.
36. The Bill does not itself create new spending or grant programmes or impose direct costs on public bodies. The financial implications of the Bill are indirect and fall mainly in departmental resources. Any financial impact would be determined by what is required to fulfil the objectives of the Bill and whether those requirements could be absorbed into existing resources. Of course, downstream decision making on regional balance may incur direct expenditure, but that will flow from Executive agreement of the Framework and its ambition.
37. It is expected that Departments will incur financial costs as a result of the Bill through the allocation of Departmental staff resource in the Bill's implementation and in its reporting. The Bill Sponsor believes this is justified in order to address the challenge of regional economic inequalities and inequalities in living standards. If effective in addressing regional balance over time, the Bill Sponsor feels the Bill could even have a net positive impact on the public purse.
38. An assumed consequence of addressing regional imbalance is improving the economic performance of currently under-performing regions. A logical consequence of improving the economic performance of underperforming regions is increased economic activity in those regions, potentially resulting in increased corporate tax revenue. Furthermore,

increased economic activity could lead to job creation, which could in turn lead to a decrease in expenditure on unemployment and inactivity, and increased personal tax revenue from greater employment. Whilst these are long-term objectives and will depend on the details of implementation and other factors, they represent the potential if the policy intent of the Bill is delivered well.

39. Assuming that the draft Bill would result in new economic activity and jobs, rather than displacing economic activity and jobs from better performing regions, that could lead to an increase in Northern Ireland's overall tax revenue through increased corporate, personal taxes and rates revenue, and a decrease in Northern Ireland's overall expenditure on unemployment and economic inactivity. Again, this will be dependent on a range of factors around implementation and broader economic conditions. This Bill is about creating the conditions to focus on improving regional balance and commit to continuous improvement in doing so.
40. A significant element of this hypothetical potential tax revenue increase – corporate and personal taxes – would of course be received by HM Treasury and could be returned to Northern Ireland through its Block Grant. An increase in rates revenue, however, would be more directly beneficial to the Executive's Budget. Decreased expenditure on departmental unemployment and inactivity programmes could also have a more direct impact on Northern Ireland budgets, as money formerly spent on programmes to address these could be redirected elsewhere.

HUMAN RIGHTS ISSUES

41. The Bill imposes duties on public authorities and does not interfere with Convention rights. The provisions of the Bill are considered to be compatible with the European Convention on Human Rights and with Article 2(1) of the Windsor Framework.

EQUALITY IMPACT ASSESSMENT

42. An Equality Impact Assessment has not been undertaken. Engagement between the Bill Sponsor and the Equality Commission on the outline proposal did not raise any potential adverse effects on initial reading and the Bill Sponsor is happy to engage on this further. Indeed, if the Bill contributes to achieving its policy objectives it may positively affect some groups subject to disadvantage. By promoting action to reduce geographic disparities, the Bill is expected to have positive equality impacts. Transparent reporting and a duty to pay due regard to the Framework support compliance with existing equality obligations.
43. The Bill Sponsor is therefore satisfied that the Bill will not have an adverse effect on any of the groups identified in section 75 of the Northern Ireland Act 1998.
44. The duties imposed by the Bill will be subject to obligations under Section 75.

This Memorandum refers to the Regional Balance Bill as introduced in the Northern Ireland Assembly on 8 June 2026, (Bill 35/22-27)

LEGISLATIVE COMPETENCE

At Introduction, Sinéad McLaughlin MLA made the following statement under Standing Order 30:

“In my view the Regional Balance Bill would be within the legislative competence of the Northern Ireland Assembly.”



**Northern Ireland
Assembly**

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