Written Ministerial Statement

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Department of Finance

LOCAL GROWTH FUND: 2027/28 AND 2028/29 FUNDING ARRANGEMENTS

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Mr John O'Dowd (The Minister of Finance): I wish to update Members on the progress made on the Local Growth Fund (LGF) and on decisions made by the Executive on funding arrangements for 2027/28 and 2028/29.

This represents an important step forward, providing greater certainty for Departments and delivery organisations and, most importantly, for the people, families, workers and businesses who rely on that support.

As I set out in my statement to the Assembly on 10 August 2026, the LGF will provide £43 million per year in 2026/27, 2027/28 and 2028/29. The profile of the LGF Capital/ Resource split has been established by the British Government and does not provide flexibility for reallocation between the Capital and Resource.

While the Capital/ Resource split on the LGF does not fully reflect our local needs, my focus is firmly on delivery. I am committed to ensuring that the funding is used transparently and effectively to support inclusive growth, strengthen local economies and deliver meaningful, lasting benefits for people, communities and businesses across the North.

Members will recall that the Executive previously agreed Capital allocations totalling £27.4 million for 2026/27. That funding is now moving into delivery, supporting projects that will help businesses grow and innovate, community regeneration, economic inclusion, sustainable agriculture and transport infrastructure. This sits alongside the Resource funding for 2026/27, which is being delivered by the Ministry of Housing, Communities and Local Government (MHCLG) as an interim arrangement.

Alongside the implementation of the 2026/27 Capital projects, work has continued to establish a clear and robust approach to allocating funding across the remaining two years of the LGF. Drawing on expertise from across Departments, this approach reflects a collaborative and joined-up commitment to delivery.

To further inform funding arrangements for 2027/28 and 2028/29, my Department commissioned Innovation and Consultancy Services, which provides independent research and consultancy services within the Civil Service, to undertake stakeholder engagement and develop an evidence-based allocation methodology. This engagement brought together representatives from the Community and Voluntary Sector (CVS), Local Government and the Business and Social Enterprise sectors.

I would like to thank all those stakeholders who participated in this engagement and for the constructive contribution they have made. Their experience and expertise have directly informed the development of funding profiles and the approach to allocating LGF funding across Departments.

Following consideration of that work, the Executive has agreed the overall LGF budget profiles for 2027/28 and 2028/29, as set out at Annex A.

Resource Funding

The Executive has also agreed that Resource funding for the Economic Inclusion (£19.52m) sub-theme of the LGF will be allocated to the Department for Communities. This reflects that Department's lead responsibility for employment support and provides a clear focal point for collaborative delivery across Departments and with external partners.

This decision enables the Department for Communities to move immediately to develop and deliver an Economic Inclusion programme focused on practical support and improved pathways into employment. Importantly, it also gives CVS organisations greater and much-needed certainty, helping to protect services, retain skilled staff and support effective planning for the next two financial years.

The Executive has also agreed that Resource funding for the Business Growth and Innovation (£3.79m) sub theme will be allocated to the Department for the Economy to support the continuation of the Go Succeed programme. Go Succeed provides important support to entrepreneurs and businesses across the North and has been identified as a priority intervention under the LGF.

Administration and Evaluation

As outlined in MHCLG's Technical Note, the LGF permits up to 4% of the allocation to be used to meet programme administration costs. The Executive has agreed to implement this principle and has apportioned these costs from within the LGF across the Departments responsible for delivery.

This approach will give Departments the capacity to move funding into delivery efficiently, maintain strong governance and ensure public money is managed in a timely, transparent and accountable way. Effective administration will help programmes reach communities and businesses with confidence and deliver the intended outcomes. While it will result in a modest reduction in the Resource funding available to delivery partners, it avoids placing additional pressure on already constrained Departmental budgets and is consistent with the approach taken elsewhere, including in Wales.

My Department will lead on programme evaluation and manage the associated costs, ensuring that robust evidence is available to demonstrate the impact of the LGF and inform future discussions on continued investment. These costs will be met from within the Capital element of the LGF.

Capital Funding

Work is also progressing to determine Departmental Capital allocations for 2027/28 and 2028/29. The Executive has agreed an approach under which Departments have been invited to submit prioritised strategic Capital proposals. These will be assessed against a transparent, consistent and evidence-based framework, informed by the stakeholder engagement process and the outcome of the NIO consultation.

Following completion of the assessment, I will bring recommendations to the Executive on Departmental Capital allocations for 2027/28 and 2028/29. This will target the available funding

towards the strongest proposals: those that advance the objectives of the LGF, align with the Programme for Government and can make the greatest difference.

Next Steps

The Department of Finance will continue to provide strategic oversight of the LGF, coordinating governance across Departments and ensuring a coherent approach to delivery, governance, reporting and evaluation. This will keep the programme focused on outcomes, value for money and visible benefits for communities.

The decisions taken by the Executive provide a clear basis on which Departments can progress delivery of the LGF to enable it to make a difference in our communities.

ANNEX A

Local Growth Fund Budget Profiles For 2027/28 And 2028/29

		2027/28				2028/29			
Theme	Sub Theme	Capital (£m)	Resource (£m)	Total (£m)	% of Annual Fund	Capital (£m)	Resource (£m)	Total (£m)	% of Annual Fund
Enhancing Productivity	Business Growth and Innovation	8.36	2.23	10.59	25%	9.08	1.56	10.63	25%
	Infrastructure Investment	10.13	1.37	11.51	27%	11.01	0.59	11.59	27%
Enhancing Productivity: Total		*18.49*	*3.60*	*22.09*	*51%*	*20.08*	*2.14*	*22.22*	*52%*
Promoting Active Participation	Economic Inclusion	8.26	10.18	18.44	43%	8.97	9.34	18.31	43%
Promoting Active Participation: Total		*8.26*	*10.18*	*18.44*	*43%*	*8.97*	*9.34*	*18.31*	*43%*
Administration: Total	*Departmental administration*	*0.00*	*1.72*	*1.72*	*4%*	*0.00*	*1.72*	*1.72*	*4%*
Evaluation: Total	*Programme evaluation*	*0.75*	*0.00*	*0.75*	*2%*	*0.75*	*0.00*	*0.75*	*2%*
Grand Total		27.50	15.50	43.00	100%	29.80	13.20	43.00	100%