House of Commons

Northern Ireland Affairs Committee

Economic growth in Northern Ireland: new and emerging sectors: Government Response

First Special Report of Session 2026–27 HC 465

Northern Ireland Affairs Committee

The Northern Ireland Affairs Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Northern Ireland Office; administration and expenditure of the Crown Solicitor's Office (but excluding individual cases and advice given by the Crown Solicitor); and other matters within the responsibilities of the Secretary of State for Northern Ireland (but excluding the expenditure, administration and policy of the Office of the Director of Public Prosecutions, Northern Ireland and the drafting of legislation by the Office of the Legislative Counsel) and its associated public bodies.

Current membership

Tonia Antoniazzi (Labour; Gower) (Chair)

Chris Bloore (Labour; Redditch)

Sorcha Eastwood (Alliance; Lagan Valley)

Claire Hanna (Social Democratic & Labour Party; Belfast South and Mid Down)

Simon Hoare (Conservative; North Dorset)

Adam Jogee (Labour; Newcastle-under-Lyme)

Mike Kane (Labour; Wythenshawe and Sale East)

Alicia Kearns (Conservative; Rutland and Stamford)

Mr Paul Kohler (Liberal Democrat; Wimbledon)

Katrina Murray (Labour; Cumbernauld and Kirkintilloch)

Gavin Robinson (Democratic Unionist Party; Belfast East)

David Smith (Labour; North Northumberland)

Robin Swann (Ulster Unionist Party; South Antrim)

Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No. 152. These are available on the internet via www.parliament.uk.

Publication

This Report was Ordered by the House of Commons, on 24 June 2026, to be printed. It was published on 25 June 2026 by authority of the House of Commons. © Parliamentary Copyright House of Commons 2026.

This publication may be reproduced under the terms of the Open Parliament Licence, which is published at www.parliament.uk/copyright.

Committee Reports are published on the Committee's website at www.parliament.uk/niacom and in print by Order of the House.

Contacts

All correspondence should be addressed to the Clerk of the Northern Ireland Affairs Committee, House of Commons, London SW1A 0AA. The Committee's email address is northircom@parliament.uk.

Follow the work of committees on Bluesky @HOCcommittees.parliament.uk, Facebook UK House of Commons Committees, Instagram @UKCommonsCommittees, LinkedIn House of Commons Committees, Reddit u/UKCommonsCommittees, X @HOCcommitteesUK and YouTube Commons Committees playlist.

First Special Report

The Northern Ireland Affairs Committee published its Fourth Report of Session 2024–26, Economic growth in Northern Ireland: new and emerging sectors (HC 1193), on 23 March 2026. The Government Response was received on 22 June 2026 and is appended below.

Appendix: Government Response

The Government welcomes the Committee's report on economic growth. Northern Ireland has a strong foundation for sustainable economic growth and is already a hugely attractive location for investment and innovation. With a highly skilled, youthful workforce, world-class universities, highly competitive sectors such as cyber security, advanced manufacturing and life sciences, and the unique benefit of dual market access to the UK and EU internal markets, the opportunities for growth are significant.

The Government is committed to encouraging economic growth in Northern Ireland, and has already announced initiatives such as the multi-million pound City and Growth Deals, the Local Growth Fund, and the Industrial Strategy. There is of course more we can do, and while I have set out our initial response to each of your Committee's recommendations below, the Parliamentary Under-Secretary of State is looking forward to discussing these matters further when he gives evidence to the Committee on 29th June.

Growth Strategies

Industrial Strategy

The UK Government's Industrial Strategy identifies eight sectors that will drive growth, and these map well on to Northern Ireland's sectoral strengths, as well as the Northern Ireland Department for

the Economy's sectoral plans. There are, however, a multiplicity of central and devolved government missions and strategies, which fail to provide clarity for businesses on what the overall economic strategy is for Northern Ireland, and how it will be interpreted and delivered. (Conclusion, Paragraph 21)

The NIO regularly engages with other UK Government departments including the Department for Business and Trade (DBT), the Department for Science, Innovation and Technology (DSIT) and the Department for Culture, Media and Sport (DCMS), as well as Northern Ireland Executive departments including the Department for the Economy (DfE) to take forward various UKG policies relating to economic growth. The NIO also engages regularly with the other Offices for the Nations to identify how the Industrial Strategy can best be delivered across the UK as a whole.

In order to coordinate UK Government and Northern Ireland Executive policies and strategies relating to economic growth, the NIO has established the Northern Ireland Growth Coordination Group (NIGCG), an official-led working group tasked with the coordination of policy and engagement to promote economic growth in Northern Ireland.

The NIGCG, chaired by the Northern Ireland Office's Permanent Secretary, Dr Julie Harrison, brings together a wide range of stakeholders, including the NI DfE, Invest NI, DBT, and the Ministry for Housing, Communities and Local Government (MHCLG), to ensure that both reserved and devolved levers for growth are working in collaboration. The NIGCG is important in ensuring that the pillars of the Industrial Strategy make the most of Northern Ireland's strengths in competitive sectors such as life sciences and advanced manufacturing, while taking into account its unique advantage of UK-EU dual market access.

The group's first meeting was in May 2025, and it continues to meet at appropriate points, most recently on 29 May 2026, where it focused on Industrial Strategy implementation including Life and Health Sciences, UKRI funding, the British Industrial Competitiveness Scheme (BICS) and the UK Government's work to highlight the work of the Industrial Strategy one year on from its launch.

NIO Economic Vision

The UK Government and NI Executive need to work together more closely on economic issues, aligning their strategies and co-ordinating their delivery. The NIO should set this out in the "economic vision" referred to in its annual report, and publish this within six months. In this "economic vision", the NIO should include the steps the UK Government plans to take to deliver economic growth in Northern Ireland, and set

objectives that are specific, measurable, achievable, relevant and time-bound (SMART). To that end, the NIO should note (in numbers) the additional economic growth, employment and productivity it expects this economic vision to provide. (Recommendation, Paragraph 22)

The Government shares the Committee's view on the importance of close collaboration with the Northern Ireland Executive on economic issues. As set out in our annual report, the economic vision seeks to address structural weaknesses in the economy, build resilience to deal with challenges brought about by rapid changes in the national and global economy, and create the conditions for economic growth. It provides the basis for our joint work with the Executive. Because policy areas like skills, energy, planning, and infrastructure are devolved, a collaborative approach is essential. This shared vision seeks to address structural weaknesses in the economy through initiatives such as the Public Sector Transformation Board, City and Growth Deals, and the UK Industrial Strategy. The Government has noted the committee's suggestion of an economic vision with forecasts for additional growth, employment and productivity, but does not believe this is realistic, given all the different variables that impact upon such measurements.

Industrial Strategy Advisory Council

There should be a Northern Ireland representative on the Industrial Strategy Advisory Council, to ensure the voice of Northern Ireland's business community can feed into policy development and ensure that the Strategy appropriately supports economic growth in Northern Ireland. (Recommendation, Paragraph 23)

The Government recognises the importance of ensuring that Northern Ireland's business community and unique economic priorities are fully considered within UK-wide strategic frameworks.

We are currently considering how Northern Ireland voices can be more clearly and effectively heard within national policy development structures, including having Northern Ireland representation on UK wide decision making panels.

Support for SMEs

Dual Market Access

SMEs are the dominant business structure in Northern Ireland. If they are to innovate, take risks and build economic growth in NI, they need specific support, particularly in navigating dual market access to the

EU and UK internal markets. Currently, the multiple bodies providing support in different areas may be confusing matters rather than helping. We welcome the Government's commitment to establish the one stop shop recommended in the Murphy Review, but there should be a mechanism that is wider in scope, creating a central hub for business support. (Conclusion, Paragraph 33).

We note the Committee's conclusion concerning the need to consolidate existing business support mechanisms and the Committee's welcome for the Government's commitment to establish a One Stop Shop.

The Northern Ireland Business Support Service will act as a centralised 'One Stop Shop' for regulatory advice – aimed at SMEs. It will provide tailored digital regulatory advice for businesses moving their products; accessible information on the applicable rules; online step-by-step guides on moving goods; and a no casework resolution service to provide assistance, particularly for complex cases.

Parliamentary Under-Secretary of State Matthew Patrick recently attended business roundtables at Catalyst to talk directly with entrepreneurs and SMEs in Northern Ireland's innovation economy. The discussions focused on how these businesses interact with the Industrial Strategy, offering practical feedback on providing more targeted support to help them grow. The expertise demonstrated reinforces the strength of local talent and provides a clear framework to refine the strategy, ensuring small firms receive the necessary backing to grow and compete internationally.

The Cabinet Office is working closely with relevant Departments, including DBT on the precise delivery model for the service and the component parts within it. Our objective remains to have core functionality operational within the 2026–27 financial year, with the funding announced at budget commencing at the start of the year. The delivery model for the Service is currently being established.

We will also continue to work closely with business organisations and stakeholder groups to help shape the upcoming service.

The Government should establish a completely overarching one-stop shop for NI SMEs trading in goods and services. This facility should bring together support on accessing innovation funding, trading East-West, North-South and more widely in the EU, as well as wider business support to enable businesses to invest and grow. The Government must clarify when in the next financial year this one stop shop will be open for business. (Recommendation, Paragraph 34)

As set out above, we welcome the Committee's recommendation and are fully committed to helping Northern Ireland SMEs maximise their unique dual market access to both the UK and EU markets. Backed by the £16.6 million funding announced in Budget 2025, which became available from April 2026, work is well underway to deliver an enhanced 'One Stop Shop' (OSS) regulatory support service that goes beyond existing GOV.UK provisions. This service will provide tailored advice for East-West trade, assist small businesses engaging with online marketplaces, and look to integrate with wider Government support. The Government continues to make steady progress on the design and development of the OSS, and we expect the service to go live within this financial year, as scheduled.

Intertrade UK

Intertrade UK has the potential to be a key source of advice and solutions for the UK Government, but its Board membership needs to be broader to ensure that the east-west trade challenges faced by GB-based businesses are considered. It has taken longer than necessary for the Government to establish Intertrade UK. We expect more agility now it is funded and its work programme is in place. We plan to engage with it and may suggest pieces of work for it to undertake. (Conclusion, Paragraph 39)

The Government welcomes the Committee's reflections on Intertrade UK and endorses its view that the organisation can be a key source of advice, as it has already demonstrated in its numerous letters to us on a wide range of internal market trade issues. We are pleased that Intertrade UK are now moving swiftly to implement the first year of its work programme and would encourage the Committee to recommend pieces of work as they see fit.

GB Representative to Board of Intertrade UK

The Secretary of State should appoint a GB representative to the Board of Intertrade UK. (Recommendation, Paragraph 40)

The Government recognises the desire for broader representation on the Board to ensure perspectives are heard across the full spectrum of the trading ecosystem. I have discussed this directly with the Chair of Intertrade UK and will now consider further appointments in line with the organisation's Terms of Reference.

Unlocking Economic Growth

Planning Policy

We have received no evidence to date that the Executive has a thought through or deliverable plan to address and reform the deficits in planning policy and processes. (Conclusion, Paragraph 55)

The Government recognises the delays to be found in the planning system in Northern Ireland, but planning policy is a devolved matter for the Northern Ireland Executive to address. We also note the findings of 'A Strategic Review of the Planning Appeals Commission' recently carried out by the Northern Ireland Audit Office.

The Government recognises the importance of a strong well-designed planning system that supports economic growth and delivers services where people need them. The UK Government has provided £3m through the Public Sector Transformation Board to the Department for Infrastructure, for its *Transforming Planning* project. This proposal will lead to the appointment of independent inspectors to deliver reports on planning and environmental considerations. This will help the Planning Appeals Commission address resourcing issues. In the Northern Ireland Executive's recent *Transforming Public Services: Annual Report on the Public Sector Transformation Fund* they have noted that this project is on track, that inspectors will be appointed shortly and they will begin work in Q2 of 2026/27.

City and Growth Deals – Skills

City and Growth Deals have the potential to support not only sectoral growth, but growth and increased prosperity across the sub-regions of Northern Ireland. To that end, future deals might include local government to a greater extent. While current deals are focused on much-needed capital investment, there remain concerns that a complementary skills element is not in place to ensure that this investment is sustainable. Northern Ireland's productivity and skills challenges are long-standing and well known, as are its problems with infrastructure, energy and planning. We have ongoing concerns about the Executive's effective use of the Skills Barometer 2023–2033 and the ability to maximise the opportunities to deliver policies. Given the UK Government's economic growth mission and the responsibilities of NIO Ministers for supporting economic growth, they cannot be ignored by Whitehall. Without the facilitating infrastructure and connectivity in place, growth will be slower and concentrated in fewer places. (Conclusion, Paragraph 58)

I note the Committee's conclusion and agree completely with the potential these Deals provide for growth across the whole of Northern Ireland. This is why the City and Growth Deal programme in Northern Ireland is an important and crucial part of the Government's growth investment – with UK Government investment providing £617 million. The three deals that have been signed are progressing with delivery. On 29 April I attended to join the signing of the Causeway Coast and Glens Growth Deal in Limavady. This deal will invest over £100m in the local region with projects including the Centre for Food and Drug Discovery at Ulster University and the Foodovation hub. The UK Government is a partner in the City Deals Programmes, and NIO officials continue to work closely with counterparts in the Northern Ireland Executive departments to ensure effective delivery.

We acknowledge the Committee's concerns on productivity and skills and note that the focus areas of the City and Growth Deals in Northern Ireland already include infrastructure and employability and skills. Indeed the Foodovation project, which is a UK Government funded project in the Causeway Coast and Glens Growth Deal, will have an important role in generating employment opportunities in the region.

A long-standing principle of the City and Growth Deal programme is for the local council and partners to design their Deal based on the needs of their local area, and we have confidence in our partners to do this. However, we will continue to work with the NI Executive and Deal partners to ensure they are providing support and delivering projects that can have the most positive impact on local and regional economic growth.

City and Growth Deals – Greater Powers for Local Government

Future City and Growth Deals should include greater powers for local government in Northern Ireland. Deals should also include complementary funding strands on both skills and core infrastructure. (Recommendation, Paragraph 59)

I note the Committee's recommendation. The UK Government is always keen to support skills promotion. This is why we have identified skills promotion as a potential theme for the Local Growth Fund (subject to public consultation which is ongoing). However, there are currently no plans for future City and Growth Deals. The focus at present is on delivering the current deals effectively in partnership with the NI Executive and other deal partners.

NIO Economic Vision – Devolved structural weaknesses

The 'economic vision' that the NIO is developing, including time-bound objectives as we recommend earlier in this report, should clearly set out how the Government will address the structural weaknesses associated with the largely devolved but unignorable policy areas of skills, energy, planning and infrastructure. It should align with the infrastructure strategy, on which the NIO has been working with the NI Executive. (Recommendation, Paragraph 60)

The NIO is committed to developing the economic vision as set out in our annual report. Policy areas such as skills, energy, planning, and infrastructure are devolved and are under the direct responsibility of the Northern Ireland Executive. The Government coordinates closely with the Executive on shared regional priorities, managing this strategic alignment through the Northern Ireland Growth Coordination Group (NIGCG). The NIGCG is one of many ways that officials from across UKG engage NI Executive officials to ensure that policy, when possible, is designed and implemented in a complementary way that benefits the people of Northern Ireland. From the Industrial Strategy, energy support and the Defence growth deal, the UKG seeks to work closely with the Executive when possible. To ensure the Executive is properly equipped to address structural weaknesses and drive local economic development, the UK Government is supporting these efforts through the record funding settlement for Northern Ireland.

Local Growth Fund

Capital/Revenue Split

Tackling economic inactivity is one of the keys to economic growth. In Northern Ireland, this has been carried out largely by the community and voluntary sector using revenue funding. Under the forthcoming Local Growth Fund, the proportion of revenue funding will be severely curtailed due to a new 70–30 capital-revenue split. In our correspondence with the Government and in oral evidence from the NIO, we have not been given a justifiable reason for this new arrangement. We are concerned about the knock-on effect this will have on NI's justice, social services and health systems. We are frustrated by the Government's lack of movement on this issue, and believe the NIO has a duty to advocate better for organisations delivering economic activity programmes in NI. We are disappointed at the way the sector has been treated and the position in which organisations and recipients have been placed. This makes us question the effectiveness of the NIO in voicing the concerns of Northern Ireland in Whitehall. (Conclusion, Paragraph 72)

I acknowledge the concerns set out in the Committee's conclusion and the challenges the funding split for the Local Growth Fund has raised for stakeholders in Northern Ireland. However, it is important to recognise that MHCLG has established a distinct, new fund focused on our priority to ensure long-term investment to support economic growth. Whilst the split does reflect a more capital-focused fund, we recognised resource funding was important, which is why we have ensured resource funding is part of the funding split.

I do not share the Committee's conclusion on the effectiveness of the NIO in being the voice for Northern Ireland in Whitehall – this is at the heart of what we do. In this case, given our understanding the unique circumstances of Northern Ireland, the NIO had an instrumental role in providing mitigations to Northern Ireland that go beyond those available in Scotland and Wales. This included ensuring enhanced flexibility to use Pride in Place Programme funding for the Local Growth Fund, which has added over £11 million in additional resource funding between 2026–29, which without our role would not have been available. I met with the Special EU Programmes Body (SEUPB) on the 5th March together with representatives of the voluntary and community sector and I understand some organisations have subsequently made applications to the PEACEPLUS Change Maker Funding Programme and the Investment Area 1.2 (Empowering Communities) to attempt to access alternative streams of funding.

This new fund is an opportunity to work in partnership with the NI Executive and stakeholders to change the way we invest in growth in Northern Ireland. We launched the public consultation for the Local Growth Fund on 8 May, and have had a series of engagement sessions with several sectors, including the community and voluntary sector, to provide an opportunity for stakeholders to provide their responses to how the fund should be designed to best support each sector to promote economic growth. So far these sessions have provided ideas about how capital funding can indeed support the community and voluntary sector, as well as the priorities for businesses and councils.

Finally, I recognise the concerns raised in the Committee's conclusion surrounding Northern Ireland's justice, social services and health systems. We are working closely with the Northern Ireland Executive to support them on challenges they face, this includes: the £235 million transformation fund the UK Government provided to the Executive to support public service transformation; the record £19.3bn settlement they received for the Spending Review period; and our continued work to support them securing agreement on a multi-year budget.

Alternative Funding Streams, inc PEACEPLUS

The Government should urgently reverse the capital-revenue split of the new Local Growth Fund in Northern Ireland. Failing this, the NIO should work with the Ministry of Housing, Communities and Local Government, HM Treasury and the NI Executive urgently to identify alternative and comparable sums of money for economic inactivity programming, such as through PEACEPLUS, and ensure the application process is expedited and streamlined. (Recommendation, Paragraph 73)

As I set out in my appearance on the 4th March, the split will not change. However, in acknowledgement of the concerns surrounding the levels of resource funding, I also set out the work that we have done with the NIO, MHCLG and the Northern Ireland Department of Finance to support organisations. This was the agreement that the £11.8 million RDEL element of the Local Growth Fund in 2026/27 will be split between economic inactivity provision and Go Succeed, in the same proportion to funding received in 2025/26 under UKSPF. I can confirm that the delivery of the economic inactivity element began on 1 April.

I also set out during my appearance the engagement we had already planned with representatives of the community and voluntary sector and the Special EU Programmes Body (SEUPB) to discuss the implementation of the Local Growth Fund in Northern Ireland. This meeting took place in person in London on the 5th March. My letter to the Committee on the 9th April set out the options we discussed for further support, this included available PEACEPLUS funding from the Change Maker Funding Programme and the Investment Area 1.2 (Empowering Communities). The SEUPB provided community and voluntary representatives with further information on the application process and answers to any queries they had on the delivery of the programme as a whole. Following our meeting we worked with NICVA and the SEUPB to arrange specific information sessions for organisations to understand the available funding and how to apply for bids. We continue to communicate closely with the SEUPB on the outcome of organisation's bids, and will continue to work with them on any future available funding.

Furthermore, on the 5th March I wrote to all Northern Ireland Executive Ministers to provide them with an update on our meeting with the sector and encourage them to explore what additional support they might be able to offer – noting the record £19.3bn settlement they received for the Spending Review period, alongside the further £379m RDEL in Barnett Consequentials announced by the Chancellor on the 3rd March at the Spring Forecast, of which £228m RDEL funding is available for the Executive in 2026/27. Our letter also raised whether there is potential for the Executive to use the

funding made available from their ability to bid retrospectively to PEACEPLUS to support the sector in 2026/27. The Executive has so far not made a commitment to provide additional funding in order to support the sector.