Northern Ireland Executive

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Budget

2016-17

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FOREWORD BY THE MINISTER OF FINANCE AND PERSONNEL

2015-16 has been a significant year for the Northern Ireland Executive. The difficult negotiations on the way forward in the Executive's dealing with welfare reform have been widely documented. These negotiations culminated in the "Fresh Start: The Stormont Agreement and Implementation Plan" which was agreed on 17 November 2015.

As part of that agreement, the Executive committed to passing a balanced 2016-17 Budget through the Assembly before the end of January and I am pleased that one of my first commitments as Finance Minister is to present this Budget to the Assembly.

The 2016-17 Budget process has been made more complex by the restructuring of Northern Ireland departments from twelve to nine. This has required intense work by all departments and it has been achieved thanks to the efforts of all Executive Ministers and their officials working collegiately.

This is a Budget that protects, provides and prepares.

It is a Budget that protects Health and Social Care, and a Budget that protects the poor and vulnerable from the worst impacts of welfare reform.

It is a Budget that provides funding for key citizen-focused services thereby ensuring that the public sector delivers for the people of Northern Ireland when it matters.

As we head into Assembly elections in May this is a Budget that prepares for the future – enabling the transition to nine departments by establishing a stable platform for the new departments as well as providing funding for the necessary initial work on the devolution of Corporation Tax in April 2018.

I am pleased to present the 2016-17 Budget to the Assembly.

Mervyn Storey MLA
Minister of Finance and Personnel

13 January 2016

CHAPTER ONE: INTRODUCTION

1.1 This Budget document sets out the Northern Ireland Executive's spending plans for the period from April 2016 to March 2017.

1.2 Once again the Executive has had the challenge of constructing a Budget in a constrained public expenditure environment. The "Fresh Start" political agreement committed the Executive to having a Budget agreed by the Assembly before the end of January 2016. This, combined with the introduction of a new nine-department structure has required the Budget to be expedited in a manner that differs from previous years.

1.3 In that respect, the conventional approach of a Draft Budget and Final Budget has not been possible in such a constrained timeframe and this document therefore represents the agreed Executive position on the 2016-17 Budget.

Copies of the Document

1.4 This Budget document can be accessed via the Northern Ireland Executive's Budget website

www.northernireland.gov.uk/budget

CHAPTER TWO: ECONOMIC AND SOCIAL CONTEXT

Introduction

2.1 The Northern Ireland economy continued to recover in 2015 with growth forecast to be around 1.9 per cent, marginally higher than in 2014 (1.8 per cent). However, growth has been uneven across some indicators and the latest data suggest the recovery may be losing some momentum heading into 2016.

2.2 Northern Ireland's private sector is the driving force in our economic recovery. Growth in private sector annual output averaged 2.1 per cent in the 12 months to the end of June 2015, driven by steady performance in manufacturing and services and a pick-up in the construction sector. Notwithstanding the recent disappointing announcements in relation to planned job losses in the manufacturing sector, this positive performance has been reflected in the labour market where we have seen unemployment fall steadily and rising levels of employment support higher levels of consumer and business confidence more (in an environment of low inflation, a dramatic and sustained decline in the global price of oil and rising real wages). The fact that this growth has been driven by the local private sector is encouraging as we seek to rebuild and rebalance the Northern Ireland economy – the key objectives in the Executive's Economic Strategy.

2.3 Whilst good progress has been made and the outlook remains broadly positive, Northern Ireland's economy continues to face a number of long-term structural challenges as set out in the Economic Strategy. Furthermore, beyond the Executive's control there are major national and international headwinds on the horizon, which have the potential to act as a drag on economic performance going forward. These factors will combine to further threaten the momentum of Northern Ireland's economic recovery, which already shows some signs of slowing. This chapter presents a brief overview of current economic conditions against which the Executive's Budget 2016-17 will be implemented, and highlights some of the headwinds likely to challenge Northern Ireland's economic performance in 2016 and beyond.

Global and National Economic Context

2.4 The International Monetary Fund (IMF)[1] has forecast world economic growth to increase from 3.1 per cent in 2015, to 3.6 per cent in 2016. However, the prospects across the main countries and regions remain uneven: it forecasts the recovery in advanced economies to pick up slightly, while activity in emerging market and developing economies will slow for the fifth year in a row, primarily reflecting weaker prospects for some large emerging market economies and oil-exporting countries. Since the publication of its World Economic Outlook in October 2015, global risks have continued to develop with many commentators now more pessimistic about the global growth outlook for 2016-17.

2.5 At the Eurozone level, the Organisation for Economic Co-operation and Development[2] (OECD) has noted that the so far muted recovery in the Euro area is set to strengthen helped by the European Central Bank's accommodative monetary policy stance and low oil prices. It expects output growth of 1.8 per cent in 2016 and 1.9 per cent in 2017. Within the Euro area, the Republic of Ireland's economy is widely expected to continue growing at the fastest pace - a positive for Northern Ireland with the trading opportunities that presents. The OECD expects the Irish economy to continue its strong expansion through 2016 (+4.1 per cent) and 2017 (+3.5 per cent), similarly the Irish Department of Finance[3] forecasts growth in economic output of 4.3 per cent in 2016, slowing to 3.5 per cent in 2017.

2.6 The Office for Budget Responsibility[4] (OBR) expects the UK economy to grow by 2.4 per cent in both 2015 and 2016. Notwithstanding some global uncertainties, particularly in relation to the financial turbulence associated with the slowing Chinese economy and the potential far reaching implications of a Chinese debt crisis, the potential for the Greek debt crisis to flare up, the weak Euro and wider geopolitical instability across the Middle East, the OBR notes that UK economy continues to perform relatively strongly.

[1] http://www.imf.org/external/pubs/ft/weo/2015/02/
[2] OECD Economic Outlook, Volume 2015 Issue 2 | OECD READ edition
[3] http://www.budget.gov.ie/Budgets/2016/Documents/Economic%20and%20Fiscal%20Outlook%202016.pdf
[4] Office for Budget Responsibility Economic and fiscal outlook - November 2015 » Office for Budget Responsibility

2.7 The UK Government has acknowledged that the United Kingdom will continue to face serious threats from an uncertain global economy, which could act as a drag on growth prospects for 2016. As a small, open economy Northern Ireland is vulnerable to global conditions which are outside of its control. The extent to which these factors (e.g. currencies, commodity prices and global demand) affect Northern Ireland's growth prospects will be a key issue in 2016-17. In addition, implementation of the Executive's economic priorities, and the delivery of public services more broadly, is set against the backdrop of an increasingly constrained budget position in 2016-17 and beyond.

2.8 Reflecting the potential impact of these global risks, the University of Ulster Economic Policy Centre has forecast that the Northern Ireland economy will continue to grow in 2016 (+1.1 per cent) but at a slower pace than in 2015 (1.9 per cent).[5]

Economic Output and Living Standards

2.9 At a local level, Chart 2.1 illustrates that Northern Ireland's economic output, measured by Gross Value Added[6], increased by 2.5 per cent between 2013 and 2014 compared to the UK (4.6 per cent), England (4.6 per cent), Scotland (4.6 per cent) and Wales (2.4 per cent). GVA per head – a broad measure of living standards – increased by 1.9 per cent in 2014, compared to the UK (3.6 per cent), England (3.7 per cent), Scotland (4.2 per cent) and Wales (2.1 per cent).[7] Northern Ireland's GVA per head (£18,682) was 75.9 per cent of the UK average (£24,616) in 2014. Chart 2.1 also illustrates that, over the last two decades, Northern Ireland's GVA per head has remained consistently at around 75 to 80 per cent of the UK average – peaking at 83.7 per cent in 2007. While GVA per head in Belfast (£34,583) in 2014 was higher than Manchester and Leeds, and just below Aberdeen, the 'North of Northern Ireland' and 'Outer Belfast' were ranked amongst the lowest GVA per head areas in the United Kingdom, ranked 169 and 160 (from 173 areas) respectively.

[5] [http://www.businessfirstonline.co.uk/wp-content/uploads/2015/05/UUEPC-Spring-2015-Outlook-For-distribution.pdf]
[6] GVA plus taxes (less subsidies on products) = Gross Domestic Product
[7] http://www.ons.gov.uk/ons/dcp171778_426841.pdf

2.10 Based on the latest Northern Ireland Composite Economic Index (NICEI) results[8], Chart 2.2 shows that while economic activity increased by 1.3 per cent (averaged over the four quarters to Quarter 2 2015), activity stalled (-0.1 per cent) between Quarter 1 and Quarter 2 of 2015. The index suggests that Northern Ireland has recovered around 3.5 per cent of the economic output it lost through the recession (2008-2012), but that the economy remains around 9 per cent smaller than at its peak in Quarter 2 2007.

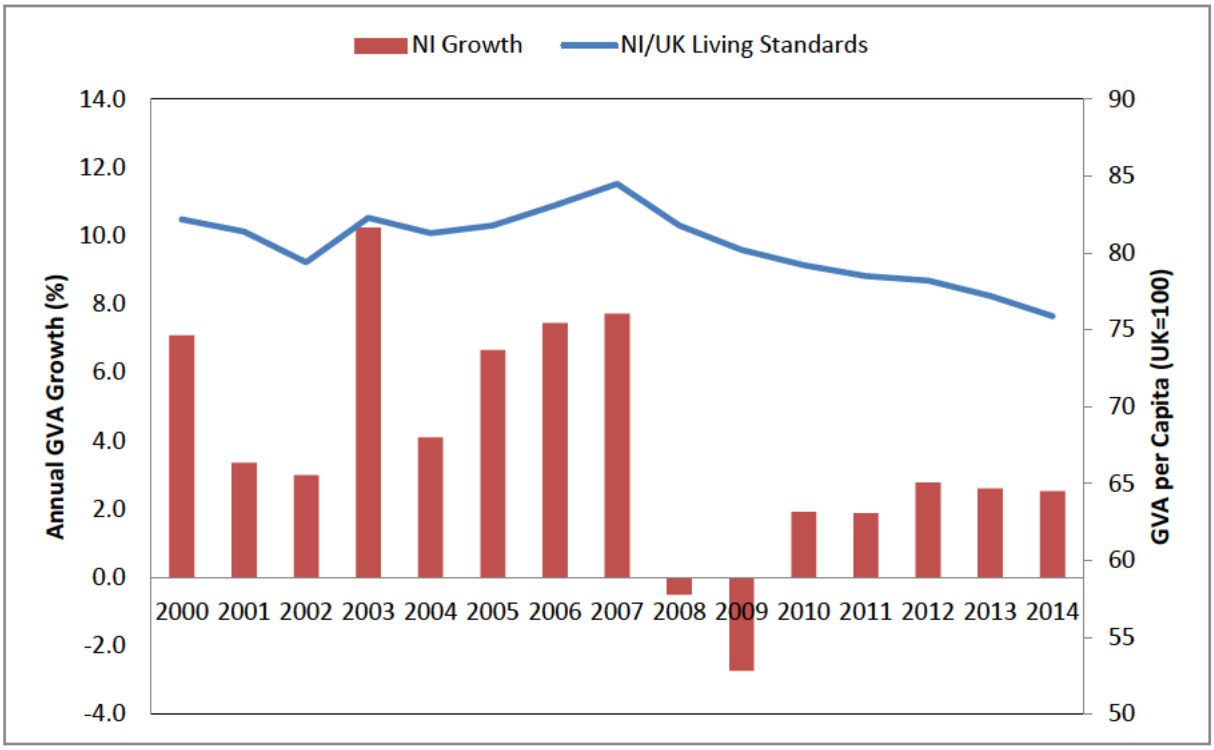
2.11 The latest official output figures confirm signs of a recent slowdown in the local private sector services and production sectors. The private sector services industries account for around three-quarters of the Northern Ireland economy.

2.12 Output from the private sector services industries remained flat over the quarter (to Quarter 3 2015) and, whilst output did increase by 1.0 per cent over the most recent four quarters compared to the previous four quarters, this rate has slowed from the previous quarter (down from 1.8 per cent to 1.0 per cent).

2.13 The production industries, of which the manufacturing sectors represent around 90 per cent of total GVA, experienced a fall in output for the second consecutive quarter to Quarter 3 2015 (-2.1 per cent). Whilst output did increase by 2.2 per cent over the most recent four quarters compared to the previous four quarters, this rate has slowed from the previous quarter (5.0 per cent). The construction sector was the most severely impacted both in terms of jobs and output by the downturn; however since the end of 2013 it has seen gradual improvement in output levels. The sector has posted output growth for four consecutive quarters with output levels in mid-2015 18 per cent higher than mid-2014.

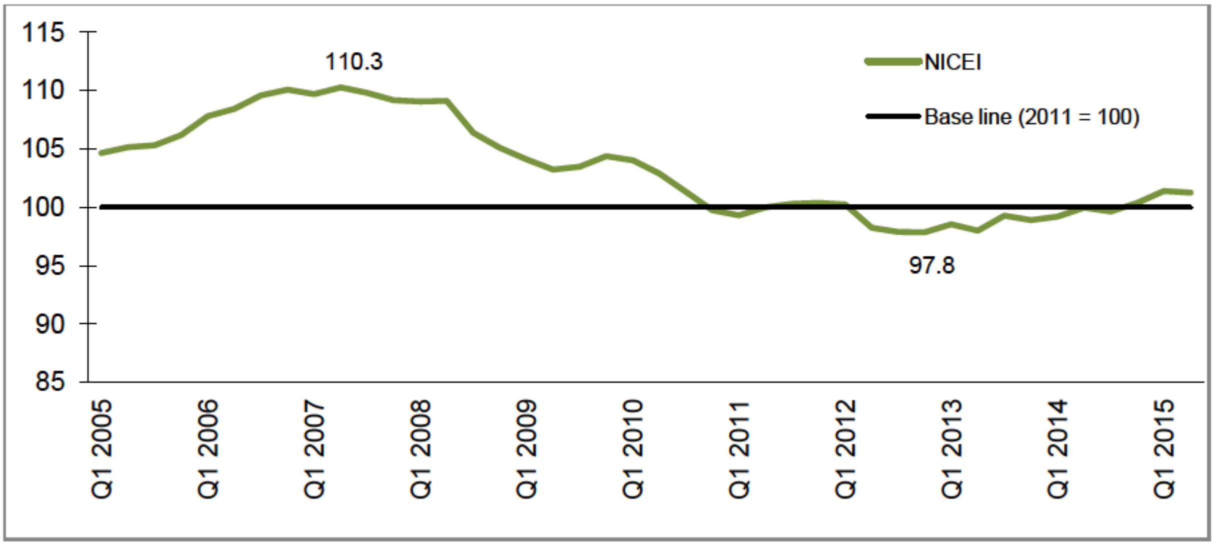
[8] https://www.detini.gov.uk/sites/default/files/publications/deti/NI%20Composite%20Economic%20Index%20Statistical%20Bulletin%20Q2%202015.pdf

Chart 2.1: GVA Growth and Living Standards, 2000 - 2014



Source: ONS Regional GVA, NUTS1 1997-2014 (Income Approach)

Chart 2.2: Northern Ireland Composite Economic Index, 2005 – 2015



Source: DETI - NICEI Report, Quarter 2 2015

Labour Market

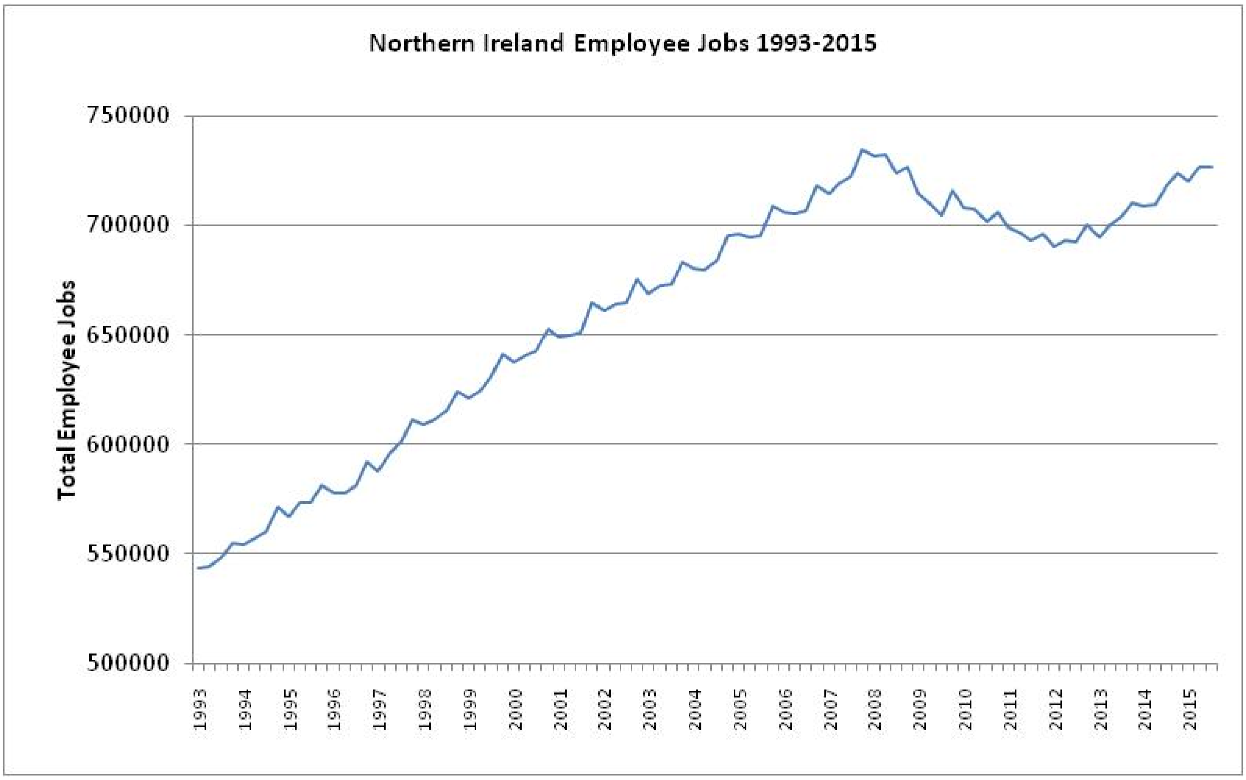
2.14 Northern Ireland has experienced a relatively jobs-rich rather than output-led economic recovery – which has implications for productivity levels. At a high level, the latest headline labour market indicators are broadly positive: the unemployment rate is down from its peak of 8.3 per cent in 2013 to 6.1 per cent; the employment rate (68.4 per cent) is at its highest level since early 2008; the economic inactivity rate (27.0 per cent) has fallen over the last year; and there are more than 25,000 fewer individuals claiming unemployment-related benefits than at the most recent peak in February 2013. However, some long standing, structural concerns remain.

2.15 Chart 2.3 shows the pattern of growth in employee jobs in Northern Ireland over the last two decades. The latest estimate of seasonally adjusted employee jobs in Northern Ireland stands at 729,740[9] (September 2015), an increase of 0.4 per cent (2,690 jobs) from the June 2015 estimate and 1.2 per cent (8,480 jobs) from the revised September 2014 estimate. The employment data show that while job growth remains positive, the rate of growth has slowed over the latest year. Great Britain has also seen a slowdown in the rate of growth in the last year (to September 2015).

2.16 As Northern Ireland seeks to rebalance its economy by growing its private sector, it is encouraging that over the last year (to September 2015) employee jobs in the private sector grew by 12,090 – three times the number of jobs lost in the public sector in the same period (3,880 jobs). Although more recently the pace of job growth has slowed – similar to the overall UK trend - the growth in private sector jobs has been reasonably broad-based.

[9] https://www.detini.gov.uk/sites/default/files/publications/deti/qes-statistical-bulletin-20153%20v2_0.pdf

Chart 2.3: Northern Ireland Employee Jobs 1993-2015

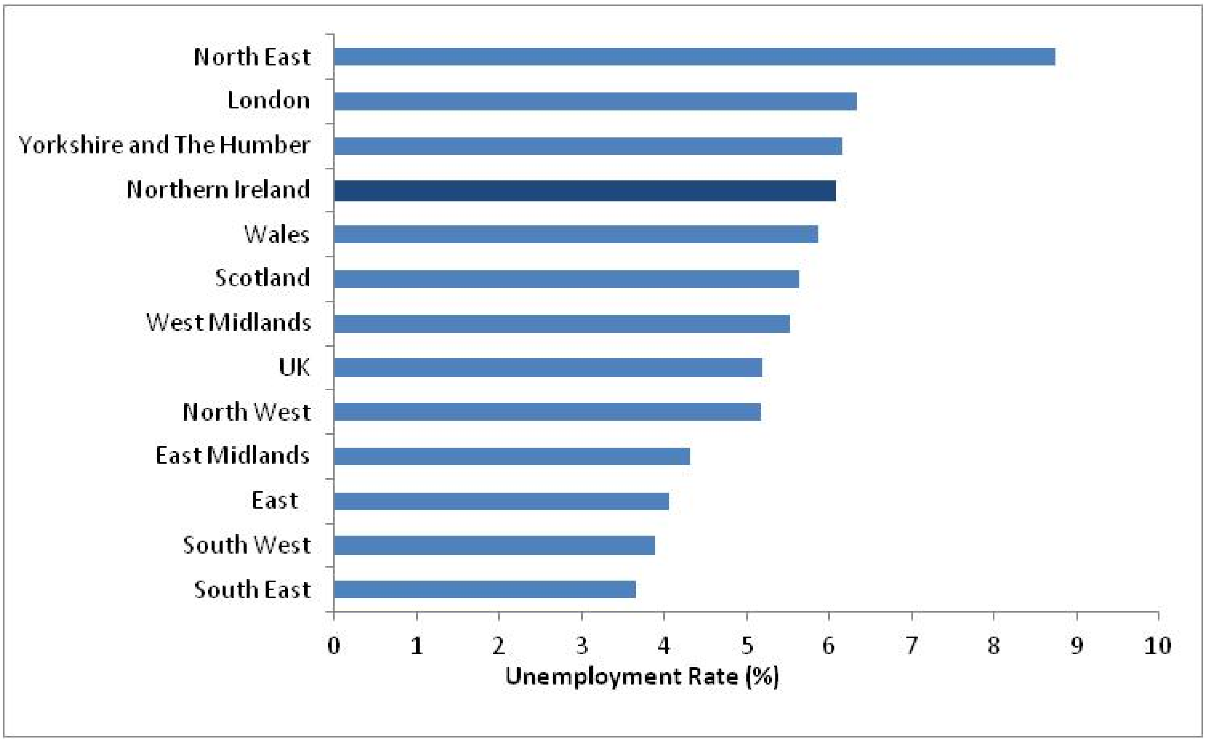


Source: DETI – Quarterly Employment Survey[10]

2.17 Over the last three years Northern Ireland's unemployment rate has fallen from its peak of 8.3 per cent to 6.1 per cent. While this is below the European Union (9.3 per cent) and Republic of Ireland (9.4 per cent) rates, it is above the overall UK average rate (5.2 per cent) and is the fourth highest unemployment rate among the twelve UK regions (Chart 2.4). Both the long-term unemployment rate (54.0 per cent) and the youth unemployment rate (19.2 per cent) have fallen over the last year; however both remain significantly higher than the UK average of 28.5 per cent and 13.0 per cent respectively.

[10] Data for 2015 is provisional.

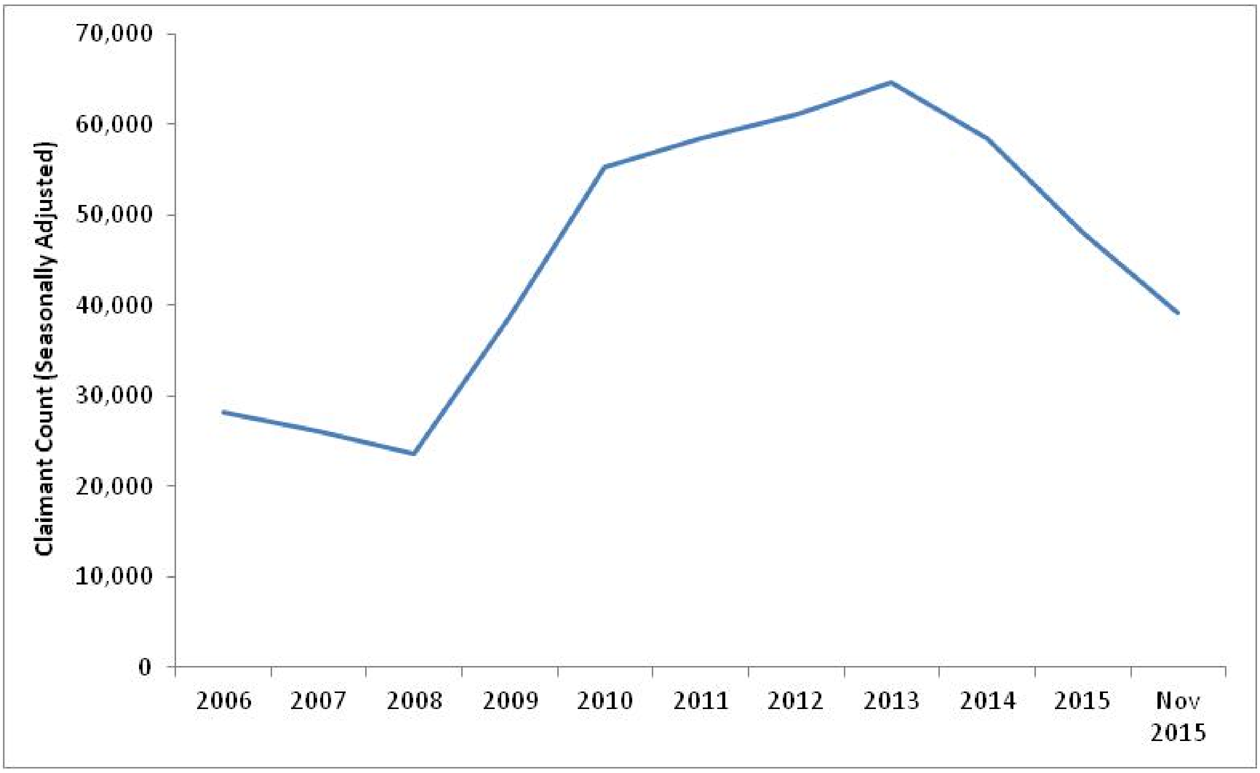
Chart 2.4: Regional Unemployment Rates - August to October 2015



Source: ONS – Summary of National Labour Force Survey Data

2.18 Chart 2.5 illustrates the movements in the Northern Ireland claimant count rate over the last decade. The number of persons claiming unemployment-related benefits has fallen by 22.9 per cent (11,600) over the last year (to November 2015). The Northern Ireland figure overall has fallen by 25,600 since its most recent peak in February 2013. The highest claimant count rates are in Derry and Strabane (6.4 per cent) and Belfast (4.4 per cent). The Northern Ireland claimant count rate (4.4 per cent) is the highest amongst the twelve UK regions (almost double the UK average rate) and has remained consistently above the UK average rate for the last decade.

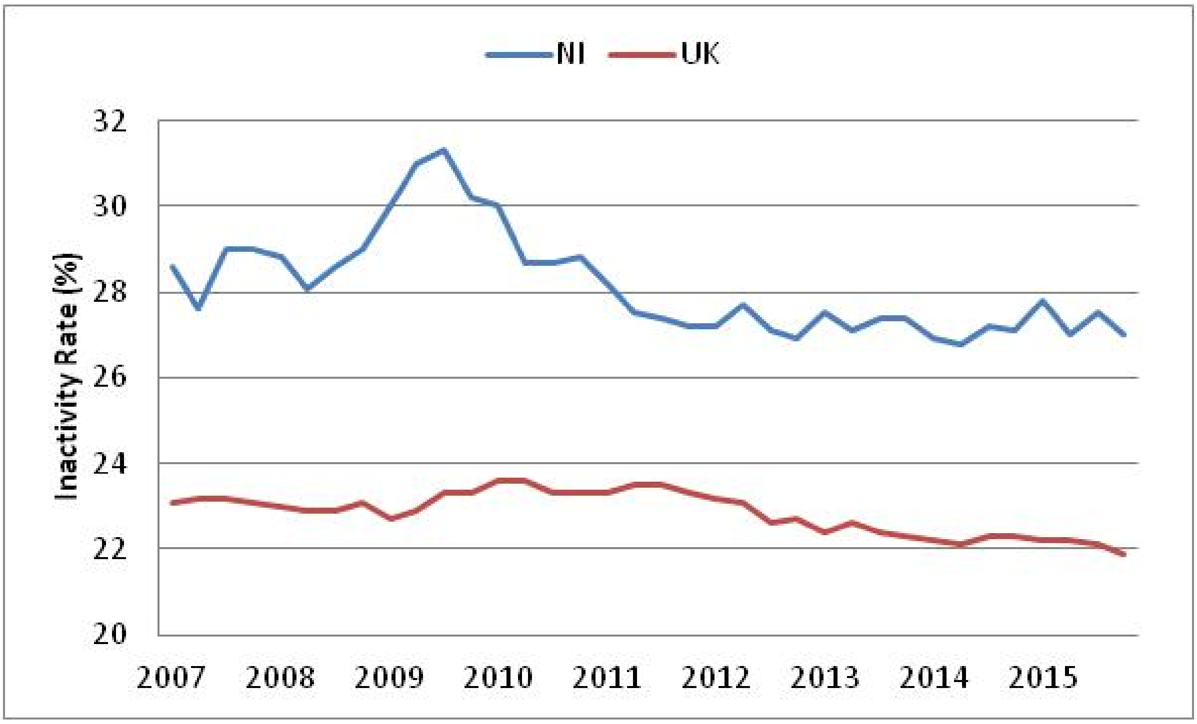
Chart 2.5: Northern Ireland Claimant Count (2006-2015)



Source: ONS – NOMIS Claimant Count Data

2.19 While Northern Ireland has made some positive steps in reducing economic inactivity, it remains stubbornly high at around 27 per cent and consistently above the UK average (Chart 2.6). The Executive recognises the specific circumstances associated with inactivity in Northern Ireland, particularly around the need to focus support on specific target groups such as lone parents, individuals with caring commitments and those with work-limiting health conditions or disabilities.

Chart 2.6: NI and UK Inactivity Rates (%)



Source: NOMIS

Conclusion

2.20 While the Northern Ireland economy continues to recover, growth has been uneven across some indicators. As in the UK economy, there are some signs that momentum is slowing. While good progress has been made the economy remains significantly smaller, in terms of output, than at its pre-recession peak. As such, rebuilding and rebalancing the Northern Ireland economy remains a key priority for the Executive.

CHAPTER THREE: PUBLIC EXPENDITURE CONTEXT

Introduction

3.1 This chapter sets out the overall public expenditure context for Budget 2016-17, including the control framework within which public spending operates.

Public Expenditure Control Framework

3.2 An overview of the public expenditure control framework for both the UK and Northern Ireland is set out below. The most important point to note is that all allocations are made on the basis of a clear separation between **Resource DEL** and **Capital DEL**.

3.3 Within Resource DEL there is a further disaggregation between ring-fenced Resource and non ring-fenced Resource. Ring-fenced Resource is that which has been ring-fenced by HM Treasury to cover the non cash cost of depreciation and impairments. Non ring-fenced Resource, which is the larger element of the Resource DEL, reflects the ongoing cost of providing services (for example, pay, operating costs and grants to other bodies).

3.4 In recognition of the difficulty of aligning depreciation to Spending Review outcomes within the timescales of the Spending Review the Treasury has taken a different approach to ring-fenced Resource DEL budgets in SR2015 with these now being handled as part of a separate process to conclude by Westminster Main Estimates in 2016-17.

3.5 In light of this, the Budget 2016-17 document contains only non ring-fenced Resource DEL Budgets. Ring-fenced Resource DEL will be allocated in a separate process, once control totals have been established by HM Treasury.

3.6 Capital DEL reflects investment in assets which will provide or underpin services in the longer term (for example, schools, hospitals, roads etc.). Capital DEL is also disaggregated into conventional Capital and Financial Transactions Capital (FTC).

3.7 In 2012-13 the UK Government introduced FTC in order to boost investment. Northern Ireland has benefited from this additional funding through allocations in the Chancellor's subsequent UK Budgets and Autumn Statements.

3.8 FTC can only be used to provide loans to, or equity investment in, the private sector. It can therefore stimulate private sector investment in infrastructure projects that benefit the region, over and above the level of investment made by the Executive from its conventional Capital DEL budget.

UK Public Spending Context

3.9 The key factor setting the context for the 2016-17 period is the UK Government's continued emphasis on its deficit reduction plan.

3.10 The 2015 Spending Review, announced by the UK Chancellor in November 2015, set out the Government's long term economic plan which included debt falling as a share of Gross Domestic Product (GDP) in every year of the Parliament and the forecast of a surplus of £10.1 billion by 2019-20 (0.5 per cent of GDP).

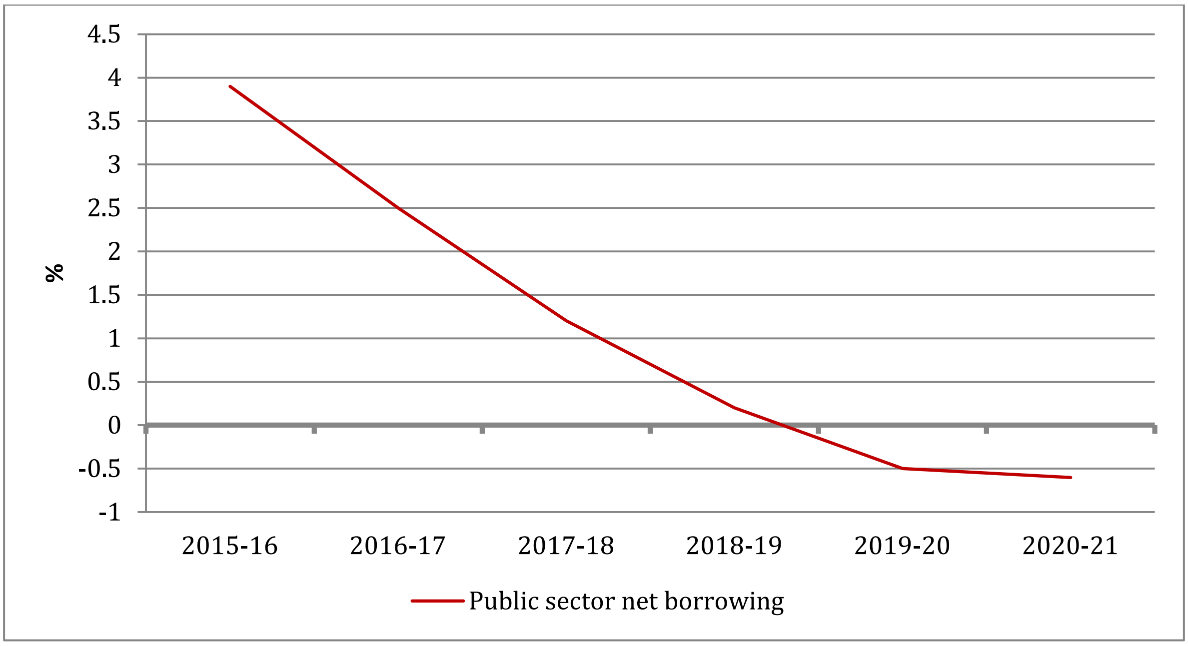
3.11 The Government have adopted the following key fiscal targets:

The Fiscal Mandate:
- A surplus on public sector net borrowing by the end of 2019-20
- A surplus on public sector net borrowing each subsequent year

The Supplementary Target:
- Public sector net debt as a percentage of GDP to be falling in each year to 2019-20

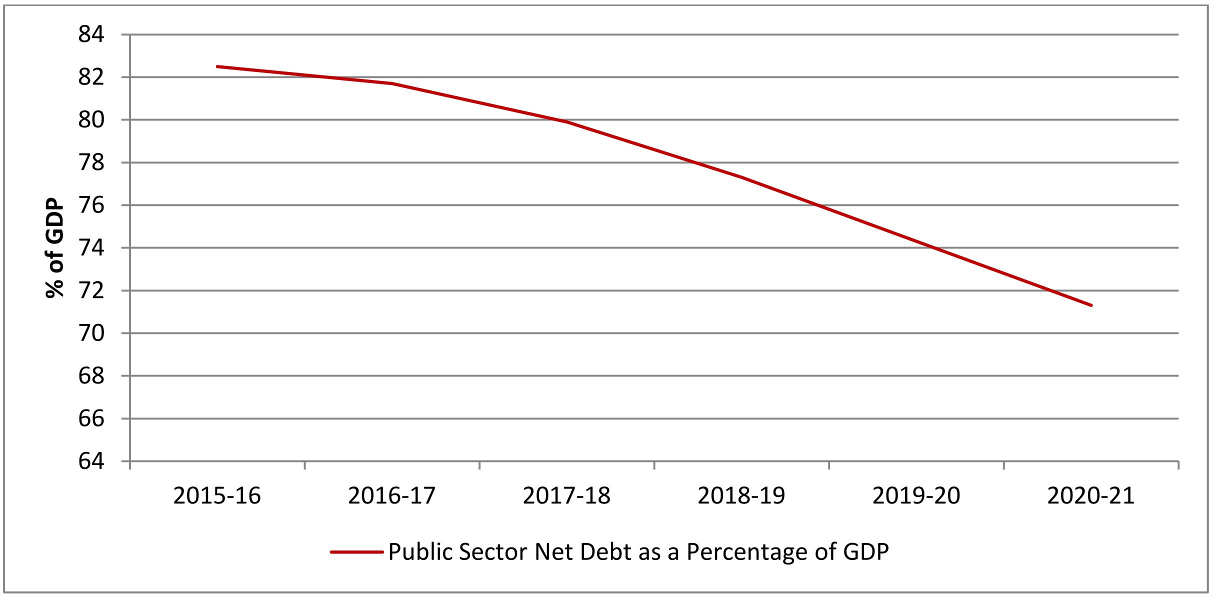
3.12 The following graphs provide the latest OBR forecasts on the fiscal mandate and supplementary target.

Chart 3.1: UK Borrowing as a Percentage of GDP



Source: OBR Economic and Fiscal Outlook – November 2015

Chart 3.2: UK Public Sector Net Debt as a Percentage of GDP



Source: OBR Economic and Fiscal Outlook – November 2015

3.13 More generally, the UK economic recovery is now well established and since 2010, on average, the UK has been the joint fastest growing economy in the G7. The Office for Budget Responsibility (OBR) has forecast GDP to grow by 2.4 per cent in 2016 and 2.5 per cent in 2017.

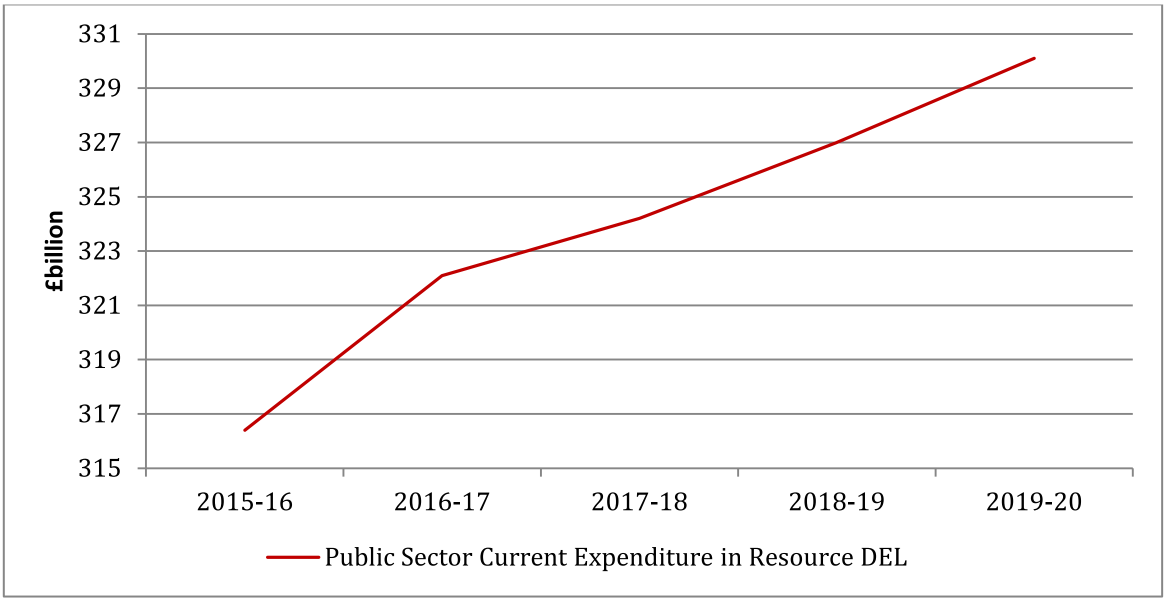
3.14 The UK Government has made it clear that the improvements in the wider economy will not be reflected in increased public spending until the fiscal targets are achieved and the deficit has been brought within manageable levels.

3.15 Clearly the Government's fiscal targets have significant implications on public spending budgets across both Whitehall and the Devolved Administrations.

3.16 The outworking of this has been to restrict the amount of funding available for public services at a UK level and this policy decision ultimately affects the Northern Ireland allocation from HM Treasury.

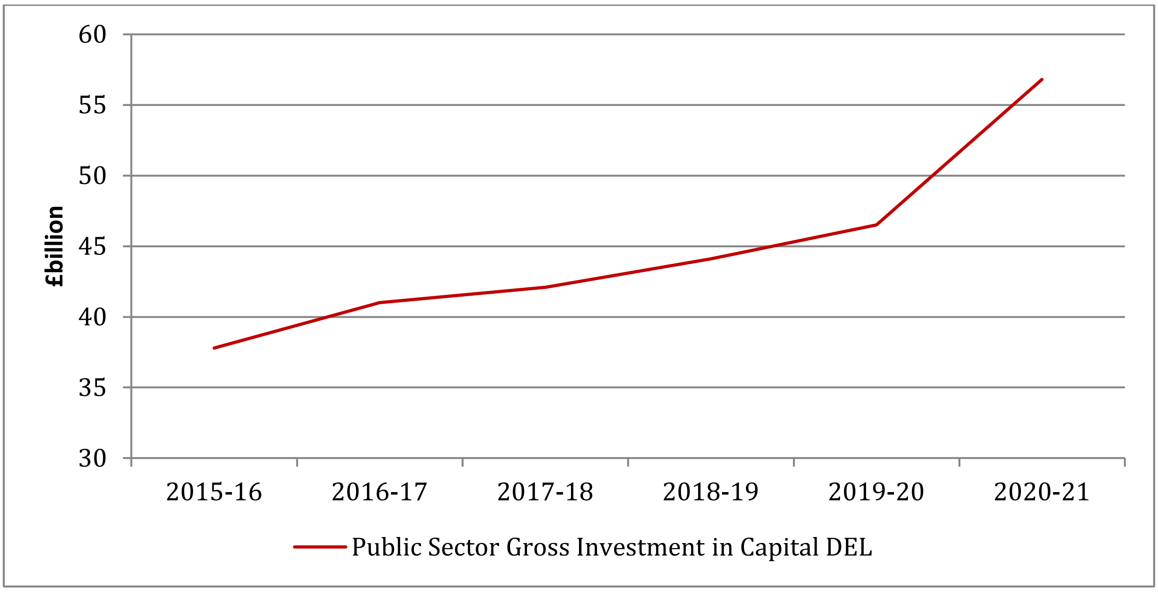
3.17 Looking at the longer term picture, it is clear from the OBR projections that UK public sector funding will be constrained to modest increases over the next four years with expenditure increasing more rapidly towards the end of the Parliament.

Chart 3.3: UK Public Sector Current Expenditure in Resource DEL



Source: OBR Economic and Fiscal Outlook – November 2015

Chart 3.4: UK Public Sector Gross Investment in Capital DEL



Source: OBR Economic and Fiscal Outlook – November 2015

Northern Ireland Public Spending Context

3.18 As part of the UK Spending Review the budget envelopes for Devolved Administrations are derived largely on a population based share of the funding provided for comparable English public services. This calculation is known as the Barnett Formula and more detail of how the formula operates can be found in the Statement of Funding Policy[11] which sets out how Devolved Administrations are funded.

3.19 The Northern Ireland Spending Review outcome is set out in Table 3.1 below.

Table 3.1: 2015 Spending Review – Northern Ireland Outcome

£million	2016-17	2017-18	2018-19	2019-20	2020-21
Non Ring-fenced RDEL	9,745.0	9,821.0	9,827.5	9,853.8	-
CDEL	1,009.6	1,036.0	1,073.2	1,126.3	1,184.7
FT CDEL	113.6	100.7	76.4	66.1	54.0

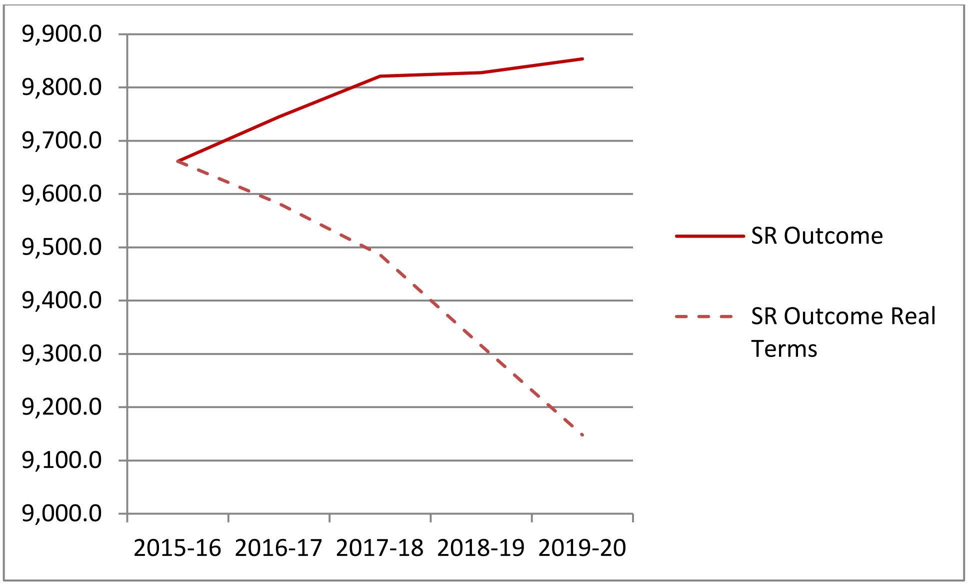
[11] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/479717/statement_of_funding_2015_print.pdf

3.20 Note that whilst the Spending Review provided Capital DEL envelopes to 2020-21, the Resource DEL envelope was only provided to 2019-20.

3.21 The application of the Barnett formula has shielded the Northern Ireland Budget from the worst of the reductions faced by Whitehall departments however the Northern Ireland Resource and Capital DEL envelopes broadly mirror the overall UK position.

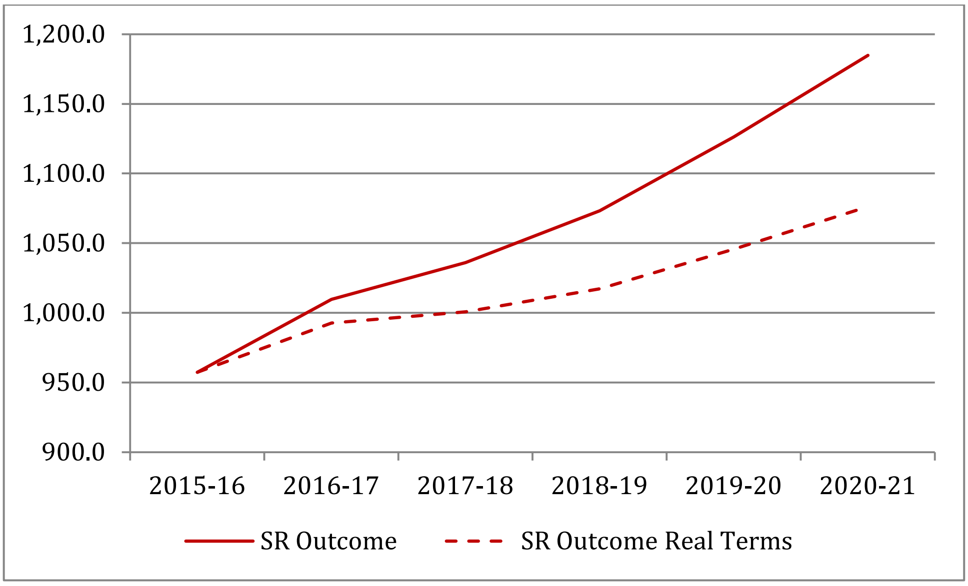
3.22 This means that Northern Ireland Resource DEL funding levels will continue to see cash increases but a real terms decline in 2016-17 and over the coming years, bringing increased challenges to Ministers as they seek to deliver services within restricted budget envelopes.

Chart 3.5: Northern Ireland Resource DEL – 2016-17 to 2019-20



3.23 The situation for Capital DEL is more benign with conventional Capital DEL forecast to increase by 12 per cent in real terms by 2020-21.

Chart 3.6: Northern Ireland Capital DEL - 2016-17 to 2020-21



Departmental Restructuring

3.24 There is a commitment in the Executive's 2011-15 Programme for Government to agree changes to the structures of Government which will operate in the next Assembly. The Stormont House Agreement of 23 December 2014 also included a commitment that the number of Northern Ireland Civil Service (NICS) departments should be reduced from twelve to nine in time for the 2016 Northern Ireland Legislative Assembly election.

3.25 At its meeting on 22 January 2015 the NI Executive agreed the nine department model and on 2 March 2015 the First Minister confirmed the Departments' names and respective functions in an oral statement to the Assembly. The structure of the nine future departments was published as part of 'A Fresh Start: The Stormont Agreement and Implementation Plan'.

3.26 This will be the most extensive reorganisation of the departmental structures since 1999. It provides an opportunity for improved cohesion between, and within departments and greater efficiency and transparency in public administration which will ultimately lead to improved services to citizens.

3.27 It is also anticipated that a reduction in the number of NICS departments will create significant cost saving with the resulting removal of a number layers of governance and the attendant support functions. The new structures will also facilitate future re-engineering of service delivery and efficient use of resources enabling further savings.

3.28 A Programme Board has been established to oversee the transition to nine departments. A number of individual Departmental and cross-cutting Finance and Legislation Projects have been established to lead the work.

3.29 On 7 July 2015, the Executive agreed to produce the Budget 2016-17 on the basis of the future nine department structure and that preparatory work on restructuring budgets could commence. The Finance Project worked with finance teams in departments to facilitate the proposed restructuring.

3.30 This included agreeing the Spending Area (or Unit of Service) structure for each of the nine future departments, reflecting the functions agreed by the Executive. The tables in the departmental chapters are presented on the basis of these agreed Spending Areas.

3.31 Due to the nature of resource spend, departmental Resource DEL budgets are routinely developed from a series of plus/minus changes to a baseline position. This baseline reflects the agreed Budget position for the previous year, with time limited allocations, such as EU match funding and 2015-16 Change Fund, removed. As Budget 2015-16 was on a twelve department basis it was necessary to adjust this to reflect the nine department structure. This involved attributing budget allocations to individual functions, including apportionment of central administration budgets were appropriate. It is this restructured baseline that is shown in the tables in this document.

3.32 Any reductions or allocations were then made on the basis of the nine department structure. In the case of budget reductions these were determined on an overall departmental basis. Departments with existing responsibility for the functions then agreed how these should be applied to the Spending Areas of the nine future departments. Where this was not possible DFP has applied the reductions on a pro-rata basis across all Spending Areas. If this approach has been taken the relevant departmental table has been footnoted accordingly.

3.33 In-year movement of funding, above a threshold of £1 million, between Spending Areas normally requires Executive approval. However, in recognition of the complexity of such a significant restructuring and to allow incoming Ministers to reflect their own priorities the Executive has agreed that the first In-year Monitoring Round of 2016-17 will accommodate realignments of funding across Spending Area within each of the nine future departments, if deemed necessary by the new Ministers. Such changes must be contained within the overall Resource and Capital DEL allocations agreed by the Executive for each department. Therefore, the Spending Area outcomes presented in this document should be regarded as indicative at this stage.

CHAPTER FOUR: SPENDING PLANS AND HOW THEY ARE FINANCED

4.1 The main source of financing for public expenditure within Northern Ireland remains the Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME) from HM Treasury. Both DEL and AME are ultimately funded through the proceeds of general taxation across the UK. The Executive does not have discretion over AME funding and the 2016-17 Budget is therefore concerned primarily with DEL allocations. However more information on AME spend is included below at paragraph 4.9.

4.2 The infographic (left) illustrates how public spending is funded by allocations from HM Treasury. The Northern Ireland citizen pays taxes directly to the UK Government. The UK Government then allocates the funding via DEL and AME budgets to its departments and the Devolved Administrations. The taxes generated within Northern Ireland are considerably less than the level of funding received from HM Treasury. This shortfall is known as the fiscal deficit and in 2013-14 it was estimated to be £9.2 billion[12].

4.3 As set out above, changes in the level of DEL funding for Northern Ireland are determined via the application of the Barnett Formula.

4.4 Allocations received through this mechanism are generally "unhypothecated" meaning that the Executive and Assembly can determine allocations for specific priorities and programmes regardless of the nature of the comparable spending in England that gave rise to the Barnett allocation.

[12] DFP Net Fiscal Balance Report
www.dfpni.gov.uk/publications/northern-ireland-net-fiscal-balance-report-2012-13-and-2013-14

2015 Spending Review Outcome for Northern Ireland

4.5 The Spending Review provided a 2016-17 envelope for the Executive's Budget as set out below:

Table 4.1: 2016-17 Spending Review Outcome

£million	2016-17
Non Ring-fenced Resource DEL	9,745.0
Capital DEL	1,009.6
Financial Transactions Capital DEL	113.6

4.6 Whilst this is the primary source of funding for the Executive, this funding envelope is supplemented with further sources of financing.

A Fresh Start – The Stormont Agreement and Implementation Plan

4.7 Following the agreement reached on the 17 November 2015, the Stormont Agreement and Implementation Plan provided the Executive with additional funding in 2016-17 for the following:

- £200 million of Reinvestment and Reform Initiative borrowing to fund a public sector Voluntary Exit Scheme;
- A further £100 million RRI borrowing for economically important Capital projects;
- £50 million Capital for Shared and Integrated Education and shared housing;
- £25 million from the Irish Government for upgrading the A5;
- £25 million to increase welfare fraud and error detection;
- The return of £20 million of Resource DEL in relation to the late implementation of welfare reform;
- £32 million for national security funding;
- £30 million for funding legacy bodies which deal with the Past;
- £5 million of funding to tackle paramilitary activity;
- £0.8 million to assist with paramilitary activity monitoring;
- £12 million of funding for Shared Future

4.8 This amounts to almost £500 million of potential funding that can be used to finance the Stormont Agreement commitments.

Annually Managed Expenditure

4.9 The Annually Managed Expenditure (AME) budget is used to fund expenditure which the Chief Secretary to the Treasury has agreed cannot be easily managed within multi-year spending limits, such as pensions and benefits. Due to the volatility involved, the AME budget is financed by HM Treasury and is managed on a yearly basis. By contrast, DEL includes expenditure that is generally within a department's control. The Executive has no control over the elements within the AME budget and does not have discretion to transfer funding from the AME budget to the DEL budget.

4.10 The table below sets out the projected AME spend for 2016-17, identified by programme/area of expenditure.

Table 4.2: Annually Managed Expenditure by Programme

£million

Programme	2016-17
Benefits	5,884.5
Pensions	1,849.6
Non Cash Costs	751.5
Student Loans	222.2
NI Renewable Heat Incentive Scheme	30.0
Arm's Length Bodies Corporation Tax Payments	14.0
Total Programme Allocations	**8,751.9**

Totals may not add due to rounding

Other Sources of Funding

4.11 Of course, the allocation from HM Treasury does not fully represent the spending power available to the Executive. There are currently two strategic ways in which the Executive can increase gross spending power above the allocations determined by HM Treasury. These are the Regional Rate and the borrowing power within the Reinvestment and Reform Initiative (RRI), although maximum levels of RRI borrowing are set as part of the UK Spending Review process. In addition, the Executive benefits from funding provided from the European Union as well as income generated from receipts.

Regional Rate

4.12 There are two elements to the rates bills paid by both households and the non-domestic sector in Northern Ireland. The district rate, set by each of the District Councils, is used to finance the services provided by those Councils. The Regional Rate, which is determined by the Executive, generates additional resources to support those central public services that are the responsibility of the Executive.

4.13 Aside from the UK Spending Round allocation for Northern Ireland, the most significant source of funding for the Executive is revenue generated locally through the Regional Rates.

4.14 Regional Rate revenue is also "unhypothecated" meaning that the revenue collected is not targeted on any specific public spending programme. Instead the revenue received is added to the total sums available for allocation by the Executive.

4.15 Since 2011 the Executive has agreed that both domestic and non-domestic Regional Rate should be uplifted in line with inflation. This was established because the Executive was mindful of not imposing undue additional burdens on households in the difficult economic climate that prevailed at the time.

4.16 The Executive's 2016-17 Budget is once again predicated on the continuation of this policy, with overall revenues from both the normal domestic and non-domestic Regional Rates being held in line with inflation. This, alongside the decision not to implement water charges, helps Northern Ireland maintain the lowest household taxes in the UK.

4.17 For 2016-17, both the domestic and non-domestic poundage rates (as expressed in pence per pound of rateable value) will continue to be frozen in real terms rising only by the current GDP deflator index (1.7 per cent). It is estimated that this will generate total Regional Rates of approximately £678.1 million.

4.18 In addition, the revenue forecasts associated with the Regional Rate for the Budget period assume that manufacturing rates will continue to apply at a level of 30 per cent liability until 31 March 2017. Given that economic development is a top priority of the Executive this approach will provide continued support for the manufacturing industry. This will continue to help safeguard employment during these difficult economic times and assist Northern Ireland in its economic recovery.

4.19 In relation to rating matters the Budget also proposes that the Small Business Rate Relief scheme should continue to operate for the additional year of the Budget period while the department researches potential alternative uses of the funding in light of the evaluation work undertaken by the Ulster University Centre for Economic Policy. Likewise 2016-17 will see a continuation of the empty shops rates concession and the rural ATM exemption.

4.20 There will also be a continuation of the provision put in place in 2015-16 to manage the process of district rate convergence by phasing in increases attributed to that convergence over an extended period of time. The Executive has already agreed to forgo Regional Rate revenue of up to £30 million over the life of the scheme, which began in April 2015.

RRI Borrowing

4.21 The Reinvestment and Reform Initiative, announced in May 2002, included a new borrowing power intended to support a substantial infrastructure investment programme in Northern Ireland. It provided access to borrowing from the National Loans Fund of £125 million in 2003-04 and, from 2004-05, a longer term borrowing facility initially capped at £200 million per annum. Although used to fund Capital DEL expenditure the borrowing itself counts as AME and therefore provides funding over and above the Northern Ireland Executive's DEL.

4.22 The borrowing power and arrangements are broadly, although not exactly, equivalent to the prudential borrowing regime available to local authorities in GB. Borrowing must be to finance spending deemed to be capital in nature. The purpose of the programme is to increase capital investment over and above increases in DEL agreed with HM Treasury in Spending Reviews.

4.23 Borrowing under the Reinvestment and Reform Initiative (RRI borrowing) is covered by the Northern Ireland (Loans) Act 1975.

This had a limit on outstanding debt of £2 billion, which was raised to £3 billion by the Northern Ireland (Misc Provision) Act 2006. This limit also covers loans drawn by the Northern Ireland Consolidated Fund to facilitate onward lending to local councils.

4.24 The formal RRI borrowing limit is agreed by HM Treasury as part of the Spending Review process. In Spending Review 2015 it was maintained at £200 million. In addition, under Together: Building a United Community (T:BUC), announced in 2013, the Executive is able to access an additional £100 million to use on shared education or housing projects.

4.25 The Stormont House Agreement provided the Executive with the flexibility to use £700 million of capital borrowing to fund a Voluntary Exit Scheme over a period of four years, with £200 million in 2015-16, £200 million in 2016-17, £200 million in 2017-18 and £100 million in 2018-19.

4.26 It is considered that this remains an effective way to deliver a Voluntary Exit Scheme. Each £100 million of borrowing will cost between £3 million and £4 million a year in loan repayments, but will yield annual savings in excess of £50 million. These are savings that can be used to deliver other priorities.

4.27 To address concerns that this approach would limit access to borrowing for important capital projects, the Stormont House Agreement also provided for up to £350 million of additional borrowing to support important capital investment projects. The spending profile is across four years with £100 million in 2015-16, £100 million in 2016-17, £100 million in 2017-18 and £50 million in 2018-19. This therefore increases the 2016-17 RRI borrowing limit to £357.8 million, when borrowing for T:BUC is factored in.

4.28 Table 4.3 sets out actual and planned borrowing from the introduction of the RRI borrowing facility to the end of the 2016-17 period.

4.29 The table includes RRI borrowing used for on-balance sheet Private Finance Initiative (PFI). In 2007 HM Treasury granted the Executive a concession in respect of PFI projects. This allows the value of an on-balance sheet PFI project (which would otherwise be a direct charge to the Capital DEL) to be substituted for RRI borrowing on the basis that it essentially represents 'borrowing', although from a different source.

4.30 This has had the advantage of minimising the interest costs compared to the original agreement, where the Executive incurred the interest costs of both projects funded under RRI borrowing and those arising from a PFI contract. However, a change in the guidance used to assess PFI projects from 2009-10 has resulted in less PFI projects being regarded as 'on' balance sheet in the intervening years.

Table 4.3: Actual and Planned Use of RRI Borrowing Facility

£million

	NLF Borrowing	On-Balance Sheet PFI	Total Use of RRI Borrowing Facility [3]
2003-04	79.4	-	79.4
2004-05	168.7	-	168.7
2005-06	162.9	-	162.9
2006-07	214.6	-	214.6
2007-08	97.6	-	97.6
2008-09	16.6	243.4	260.0
2009-10	113.1	132.9	246.0
2010-11	[1] 36.9	200.0	236.9
2011-12	[2] 375.0	-	375.0
2012-13	150.9	-	150.9
2013-14	195.9	-	195.9
2014-15	259.2	-	259.2
2015-16 *(plans)*	296.5	-	296.5
2016-17 *(plans)*	357.8	-	357.8
TOTAL	**2,525.3**	**576.3**	**3,101.6**

[1] 2010-11 includes borrowing to fund NICS Equal Pay claim – funded from previously undrawn borrowing
[2] 2011-12 includes £175 million additional borrowing power iro Presbyterian Mutual Society rescue package
[3] In any other year total use of borrowing in excess of £200 million is due to HM Treasury approved access to previously undrawn borrowing, or new borrowing under T:BUC or the Stormont House Agreement

4.31 Based on the outturn and plans shown in Table 4.3, the Executive has set aside £59.6 million to cover the forecast annual interest repayment on RRI loans for 2016-17.

4.32 The level of outstanding debt (i.e. loans drawn less principal repaid) in respect of these RRI loans will be an estimated £2,094 million at the end of 2016-17.

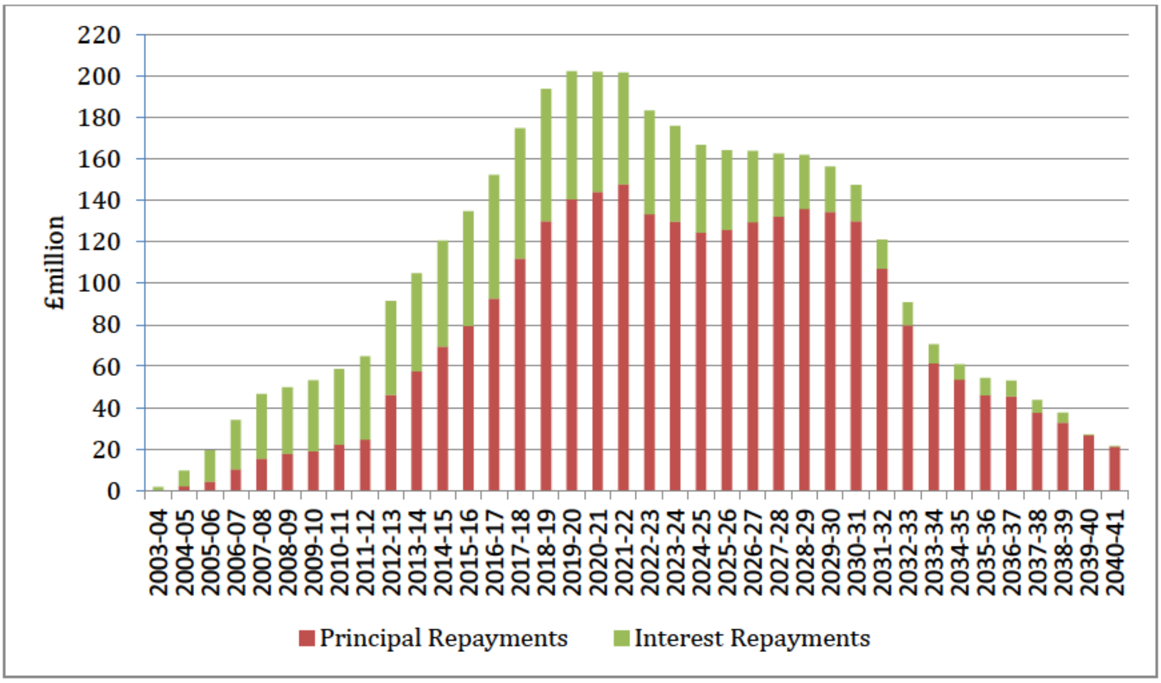
Cost of Borrowing

4.33 The Executive considers it important to give due regard to the total level of indebtedness in respect of RRI borrowing. Although predicted levels of outstanding debt at the end of 2016-17 are below the total £3 billion permitted by legislation, incurring large levels of debt that future generations will be responsible for servicing must be carefully managed.

4.34 The RRI borrowing facility will still have allowed £3.1 billion of additional expenditure in Northern Ireland by the end of 2016-17. Therefore it has already contributed significantly to addressing the infrastructure deficit inherited by the Devolved Administration.

4.35 Our projected level of indebtedness in 2016-17 of £2.1 billion equates to £1,138 per head of population. However, as highlighted above, it is important to remember that the Executive has been addressing a significant legacy of under investment.

Chart 4.1: Estimated Annual Costs of Borrowing



4.36 Costs of borrowing incurred in respect of RRI borrowing reduce the level of funding available for other services. Although interest repayments reduce over the term of the loan, the annual interest repayment based on the loans planned to the end of 2018-19, i.e. the borrowing under the Stormont Agreement and Implementation Plan, will still be approximately £26.0 million in 2028-29. These forecasts are based on interest rates remaining at around the current level until the end of 2018-19. Should interest rates rise significantly before the end of 2018-19 then the forecast interest repayments will also rise.

4.37 For 2016-17, the £59.6 million budget for interest payments in respect of RRI borrowing equates to 0.6 per cent of the Executive's overall non ring-fenced Resource DEL Spending Review outcome of £9.7 billion. This would appear to be a relatively small proportion but it exceeds the non ring-fenced Resource DEL budget of each of the non-Ministerial departments, with, for example, the Northern Ireland Assembly's non ring-fenced Resource DEL budget in 2016-17 being £39.4 million.

RRI Borrowing Strategy

4.38 It is clear that the Stormont House Agreement has changed the nature of the Executive's approach to RRI borrowing. The agreement that the Executive may use most of its borrowing power over the next four years to fund a Voluntary Exit Scheme provides a useful and necessary vehicle for workforce planning and will generate significant long term resource savings that will more than cover the associated borrowing costs. In addition, the provision of £350 million of additional borrowing over four years will provide funding for important capital projects that will support economic growth. These two factors combined mean it is likely that the Executive's strategy will be to maximise the use of borrowing in the short term.

4.39 For this reason the 2016-17 Budget is predicated on the full drawdown of available RRI borrowing. However, given the need to be mindful of the overall level of indebtedness that results from RRI borrowing, the Executive will consider mechanisms for capping RRI borrowing in advance of this flexibility arrangement coming to an end in 2019. This will ensure that the overall level of borrowing remains within manageable limits.

EU Funding

4.40 Departmental expenditure in 2016-17 will include spending that will take place under the 2014-20 EU Structural and Investment (ESI) Funds Programmes, the Northern Ireland Rural Development Programme (RDP), and the UK wide European Maritime and Fisheries Fund (EMFF) Programme. In addition Northern Ireland will also receive EU income from its 2007-13 EU Programmes all of which are in closure mode and working towards meeting the regulatory closure targets set by the European Commission.

4.41 EU funding provided through the ESI Fund Programmes requires a matched funding element that Member States may provide or, in a change for the 2014-20 programme period, may be provided from external private sources. Where the EU income is matched by national resources it provides the Executive with additional spending power, however any national match funding contributions come from within the DEL Budget.

4.42 Funding cover for national match funding contributions in respect of the PEACE IV and INTERREG VA Programmes, is held centrally and will be allocated as part of the In-year Monitoring process.

Receipts

4.43 In addition to the above funding the Executive is able to avail of funding generated by the provision of cost recovery services, the sale of assets and certain levies. These all provide additional spending power to the Executive to provide public services.

Centrally Held Funds

4.44 The Budget includes a number of key strategic allocations to centrally held funds. These Central Funds are listed in Table 4.4 and more detail is provided below.

Table 4.4: Centrally Held Funds

£million

	Resource DEL	Capital DEL	Financial Transactions Capital
Delivering Social Change	14.0	15.0	-
Change Fund	7.1	-	-
EU Match Funding	1.0	-	-
Atlantic Philanthropies	8.0	-	-
Air Passenger Duty	2.4	-	-
Unallocated Tax Credit Funding	30.0	-	-
Paramilitary Monitoring	0.8	-	-
Funding for Addressing Paramilitary Activity	10.0	-	-
Dealing with the Past	30.0	-	-
Shared Future	12.0	-	-
Northern Ireland Investment Fund	-	-	55.8
Shared/Integrated Education & Shared Housing	-	50.0	-
Total	**115.2**	**65.0**	**55.8**

Delivering Social Change

4.45 In recognition of the Executive's Delivering Social Change agenda funding is again maintained at the previous level. Previously this funding was provided under the Social Investment Fund and Child Care Strategy, in 2016-17 this will be amalgamated under the Delivering Social Change banner thereby ensuring the best use of the £14 million Resource DEL and £15 million Capital DEL available in this year.

Change Fund

4.46 The Change Fund will continue to finance upfront investment in cross-cutting reform initiatives and preventative measures that are expected to generate savings in the longer term. The introduction of new innovative ways of working will be central to assisting transform and change in the public sector.

4.47 In 2015-16 £30 million was set aside for this purpose, and while a full assessment of the projects financed by this fund will only be possible upon their completion, initial indications are this funding achieves worthwhile results. In 2016-17 departments face significant pressures, and in recognition of this the Executive agreed to limit the funding held to £7.1 million Resource DEL for the purposes noted in Table 4.5. Allocations to further Change Fund projects will however be considered in-year from the funding available under the Budget Exchange Scheme.

Table 4.5: 2016-17 Change Fund

Projects	£million Resource DEL
Asset Management Unit – Estate Rationalisation	1.5
Cross Cutting Reform Projects	4.5
Small Business Research Initiative Challenge Fund	1.1
Total	**7.1**

EU Match Funding

4.48 Resource DEL funding of £1 million has been set aside to provide match funding for EU Peace and INTERREG programmes. This level of funding is lower than in previous years reflecting the fact that spending in this area has been slow due to the transition to new programmes.

Atlantic Philanthropies

4.49 In 2014 the First Minister and deputy First Minister announced a £58 million joint investment with Atlantic Philanthropies to deliver improved services to parents, shared education and support for people with dementia and their carers. Delivery is led by the Department of Health, on the dementia and Early Intervention Programmes and by the Department of Education on the Shared Education Programme. £8 million Resource DEL is held centrally for allocation to departments.

Air Passenger Duty

4.50 The cost of the Executive funded concession in relation to Air Passenger Duty (APD) is forecast to cost £2.4 million in 2016-17 and HM Treasury will deduct this amount from the Executive's Resource DEL. This amount is held centrally to cover this cost.

The Stormont Agreement and Implementation Plan

4.51 The ‘Fresh Start’ Agreement provided significant additional funding in 2016-17 which has been enhanced by Executive funding for welfare and tackling paramilitary activity.

4.52 While some of this additional funding has been allocated to departments for specific purposes, other elements are held centrally.

- **£30 million** Resource DEL of unallocated Tax Credit Funding is held centrally pending the outcome of Professor Evason’s work and Executive agreement on its use;
- **£10 million** of Resource DEL funding for tackling paramilitary activity along with **£0.8 million** of Resource DEL funding to establish and fund the new Monitoring and Implementation Body is held centrally pending publication of the required strategy;
- **£30 million** Resource DEL funding for bodies to deal with the Past will be held centrally until agreement is reached on how this issue will be addressed;
- **£12 million** of Resource DEL additional funding for ‘A Shared Future’ is held centrally until appropriate allocations are identified; and
- **£50 million** Capital DEL funding for shared/integrated education and shared housing is held centrally pending approval of specific projects.

Northern Ireland Investment Fund

4.53 Significant progress has been made on the establishment of a Northern Ireland Investment Fund and this work is ongoing.

4.54 The indicative timescale suggests that the fund manager procurement process should commence early in the 2016-17 financial year. This will take up to six months to complete, which means that the Fund will not be operational until the autumn of 2016-17.

4.55 The Executive has now formally agreed the establishment of this Fund with the allocation of £100 million of Financial Transactions Capital for this purpose; £55.8 million in 2016-17 and the balance in later years.

Voluntary Exit Scheme

4.56 As part of the Stormont House Agreement (SHA), the Executive agreed a comprehensive programme of public sector reform, including up to £700 million of capital borrowing to fund Voluntary Exit Schemes (VES) across the public sector. This money is to be available over 4 years with £200 million in 2015-16, £200 million in 2016-17, £200 million in 2017-18 and £100 million in 2018-19. Not all of the money may be required as the scheme is entirely voluntary and drawdown will depend on demand by public sector organisations.

4.57 A group has been created by the Executive to oversee the process for allocating funding, known as the Public Sector Restructuring Steering Group (PSRSG). It is chaired by the Head of the Civil Service and is made up of a representative from each department or one of its significant arm's length bodies (ALBs).

4.58 In 2015-16 £109.3 million was allocated to the NI Civil Service scheme with the remaining £90.7 million being allocated to departments for schemes relating to arm's length bodies. The total amount of staff exits, the compensation costs, and the savings will be finalised after the end of the 2015-16 financial year.

4.59 The Stormont Agreement and Implementation Plan confirmed the flexibility to use up to £200 million of borrowing in 2016-17 to fund voluntary exit schemes. Allocations have been made to departments in Budget 2016-17 in respect of their proposed schemes and are set out in Table 4.6.

Table 4.6: Public Sector Transformation Fund Allocations

£million

Department	Scheme	2016-17
Dept for Communities	Sport NI	0.2
	National Museums NI	1.9
	Libraries NI	2.7
	Arts Council NI	0.2
	Armagh Observatory & Planetarium	0.2
	NI Housing Executive	9.1
	Charity Commission NI	0.0
	NI Commissioner for Children and Young People	0.1
	NI Screen	0.1
Total DfC		**14.5**
Dept for the Economy	Consumer Council NI	0.1
	Invest NI	0.5
	Tourism NI	0.3
	FE Colleges	15.7
	Stranmillis College	0.2
	Construction Industry Training Board	0.1
Total DfE		**16.9**
Dept of Education	Non-Teaching	23.4
	Teaching and Teaching Workforce	47.3
Total DE		**70.7**
Dept for Infrastructure	Translink (NITHCo)	1.4
	NI Water	0.5
Total DfI		**1.9**
Dept of Justice	PACWAC	0.2
	PSNI	12.0
	Police Rehabilitation & Retraining Trust	0.2
	Criminal Justice Inspection	0.1
Total DoJ		**12.4**
NI Assembly Commission	NI Assembly Commission	0.4
NI Assembly Commission	Northern Ireland Audit Office	0.6
The Executive Office	Equality Commission NI	0.4
TOTAL		**117.6**

4.60 There will be further opportunity for departments to submit bids in respect of the Fund with allocations for the second tranche being made as part of the 2016-17 In-year Monitoring process.

Capital

4.61 For 2016-17 the 2015 Spending Review provided the Executive with £1,009.6 million of conventional Capital DEL and £113.6 million of Financial Transactions Capital. This is supplemented by the additional £100 million of borrowing provided under the Stormont House Agreement for investment in projects to support economic growth. There is also an additional £25 million of borrowing available due to the requirements of the Public Sector Transformation Fund being less than anticipated.

4.62 Departmental Capital allocations were determined on a zero-based approach informed by an assessment of the capital requirements of individual departments. Departmental Ministers will have the flexibility to allocate funding to individual projects.

Flagship Projects

4.63 Although the Executive is only agreeing a single year budget for 2016-17 the nature of some capital projects means it is important to provide funding certainty beyond that time span. Therefore the Executive has agreed to identify a number of flagship projects where funding will be agreed now for future periods. The table below shows these allocations.

Table 4.7: Flagship Projects

£million

	2016-17	2017-18	2018-19	2019-20	2020-21
A5 Road	13.2	40.0	53.0	55.0	68.0
A6 Road	21.0	57.0	60.0	60.0	60.0
Belfast Rapid Transport	17.0	9.0	20.0	12.9	-
Belfast Transport Hub	5.8	16.0	40.0	60.0	-
Mother and Children's Hospital	16.0	29.3	62.8	73.0	61.6
Desertcreat	3.9	0.3	18.3	28.2	28.7
Regional & Sub Regional Stadia	9.8	27.0	30.0	15.0	9.0
Total	**86.7**	**178.6**	**284.1**	**304.1**	**227.3**

4.64 The following tables set out the baselines and Resource and Capital DEL Budget outcomes for the new departments:

2016-17 NON RING-FENCED RESOURCE DEL

£million

	Baseline	Budget	% Change
Agriculture, Environment and Rural Affairs	209.8	197.9	*-5.7*
Communities	820.6	871.2	*6.2*
Economy	814.3	790.0	*-3.0*
Education	1,947.3	1,947.5	*0.0*
Finance	141.5	140.1	*-1.0*
Health	4,751.4	4,880.1	*2.7*
Infrastructure	372.0	372.8	*0.2*
Justice	1,023.9	1,050.5	*2.6*
The Executive Office	62.2	59.1	*-5.0*
Non Ministerial Departments			
Assembly Ombudsman/Commissioner for Complaints	2.3	2.3	-
Food Standards Agency	8.6	8.1	*-5.7*
NI Assembly Commission	39.0	39.4	*0.9*
NI Audit Office	7.7	7.9	*2.3*
NI Authority for Utility Regulation	0.2	0.2	*-6.0*
Public Prosecution Service	32.8	31.0	*-5.7*
Total Planned Spend	**10,233.7**	**10,398.0**	***1.6***

Totals may not add due to rounding
The baseline shown is that constructed as part of the Restructure process as noted in paragraph 3.31

2016-17 CAPITAL DEL (NET OF RECEIPTS)

£million

	Conventional Capital	Financial Transactions Capital	Total Capital
Agriculture, Environment and Rural Affairs	48.8	-	48.8
Communities	148.7	11.0	159.7
Economy	60.1	30.8	90.9
Education	193.7	-	193.7
Finance	33.6	-	33.6
Health	222.6	10.0	232.6
Infrastructure	384.1	-	384.1
Justice	58.0	-	58.0
The Executive Office	5.0	6.0	11.0
Non Ministerial Departments			
Assembly Ombudsman/Commissioner for Complaints	0.0	-	0.0
Food Standards Agency	0.1	-	0.1
NI Assembly Commission	2.0	-	2.0
NI Audit Office	0.0	-	0.0
NI Authority for Utility Regulation	0.0	-	0.0
Public Prosecution Service	1.5	-	1.5
Total Planned Spend	**1,158.2**	**57.8**	**1,216.0**

Totals may not add due to rounding

CHAPTER FIVE: DEPARTMENTAL OUTCOMES

Introduction

5.1 This chapter outlines the roles and responsibilities of the future nine Northern Ireland departments along with detail of their Budget settlements.

5.2 Departmental sections provide detail on the key issues and challenges departments are facing in 2016-17 as well as detail on their Resource and Capital Budget outcomes.

Department of Agriculture, Environment and Rural Affairs (DAERA)

The following sets out the latest position in relation to the projected Vision and Strategic Goals for DAERA. This will continue to be refined over the coming months and will be considered and confirmed by the new Minister following the creation of the new Department in May.

Vision
A thriving economy and sustainable environment for all

Strategic Goals
To work with stakeholders and partners to:

- develop sustainable agricultural, fisheries and industrial sectors;
- protect and improve the environment; and
- champion rural needs

Key Issues/Challenges in 2016-17

In common with all public sector organisations, the Department faces unprecedented financial pressures. The Budget settlement for DAERA represents a significant challenge, particularly given the ambitious programme of work ahead in areas such as RDP, relocation and Going for Growth. A further reduction of £11.9 million in 2016-17 on top of the reductions experienced by the three former departments in recent years means that difficult decisions have had to be made to balance the budget. In order to meet this challenge the Department is undertaking a fundamental change to the services it delivers and how it delivers them. To meet customer expectations and generate ever greater efficiency savings DAERA will be become a more modern, leaner and digital department.

HQ Relocation
Having successfully relocated both Fisheries Division and Forest Service to South Down and County Fermanagh respectively, DAERA will continue to progress the work necessary to relocate the Department’s headquarters to Ballykelly by December 2017 and Rivers Agency to the Loughry Campus at Cookstown by August 2016.

Implementation of Going for Growth

The Department has an important role to play in addressing the wider economic challenge to grow and re-balance the local economy. In conjunction with the industry and stakeholders DAERA will seek to provide an integrated and balanced approach to investment that supports the development of the economy and improves profitability, job creation and access to the global market place. This will be a key aim as DAERA takes forward implementation of the Executive's response to '*Going for Growth*' (GfG). The Executive has agreed to prioritise the agri-food sector for support and to make up to £250 million available to implement the key GfG recommendation addressed to DAERA, namely a Farm Business Improvement Scheme (FBIS).

Rural Development

The support available under the Rural Development Programme (RDP) is vitally important in delivering the Department's Strategic Goals. It is planned that the programme will be a key vehicle for delivering many of the actions falling to DAERA within the Executive's response to GfG. Management of natural resources to improve biodiversity and to mitigate climate change will also remain a high priority through the agri-environment and forestry schemes. Through Priority 6 of the Programme the Department will develop rural areas through support for rural businesses, and rural tourism.

DAERA will also actively pursue and highlight the needs of rural dwellers within the Executive and wider public sector. The Rural Needs Bill, when enacted, will introduce a statutory duty on public authorities to consider rural needs in the development of policies, strategies and plans and in the design and delivery of public services. In addition, the Department will seek to promote social inclusion, poverty reduction and economic development in rural areas through delivery of a revised Tackling Rural Poverty and Social Isolation (TRPSI) Framework.

Animal Health and Welfare

The Department will continue to maintain partnerships to help improve animal health and welfare. DAERA will also continue to promote a proactive, risk-based and preventive approach. Stakeholders will take more responsibility for improving standards, and for protecting society and the economy from the risks of animal disease and contamination of the food chain.

The Department will continue to support industry-led herd health programmes to eradicate and/or control production diseases such as Bovine Viral Diarrhoea. It will also continue to work with and support the independent TB Strategic Partnership Group charged with developing a Government/Industry long term strategy to eradicate tuberculosis.

Digital Services

Around 11,000 farmers and their agents used the Department's online services in 2015-16 representing approximately 50 per cent of transactions related to the Single Application Form, farm maps and livestock registrations. DAERA plans to build on the progress made so far in delivering services electronically to the benefit of customers and the Department.

Illegal Dumping

The Department, through the Northern Ireland Environment Agency, will continue to address key environmental issues such as the illegal dumping of toxic wastes arising from fuel laundering and the significant levels of criminality in the waste industry across the region.

Protection of the Natural Environment

DAERA will continue to progress the implementation of EU and international commitments relating to the protection of the natural environment. Progressing our EU commitments on nature conservation, including the Habitats and Birds Directives, will deliver improved biodiversity.

There will be key challenges associated with EU Air Quality legislation to protect public health and the environment. Work is planned to develop the north's first Air Quality Strategy to enable a strategic approach to be taken to protect our health and well-being from the threat of poor air quality. There will also be the continued development of legislation and changes to operational practice to provide a more streamlined and effective regulatory system for businesses and regulators.

Environment Fund

The income from the carrier bag levy will be allocated to organisations and schemes to ensure our continued adherence to environmental obligations focusing on activities and projects which leverage additional voluntary and community action thereby providing additional value for money. In particular the new Environment Fund will enable eligible organisations to continue to protect our landscape, habitats and species.

Coastal Communities
A further allocation for the Coastal Communities Fund will allow the programme to continue to support the economic development of coastal communities across the region.

Plant Health and Forestry
DAERA will continue to safeguard the high plant health status of the north, through surveillance and action for quarantine pest and disease risks to grassland, arable crops, horticulture and forestry. The Department will continue to work with partners to support private woodland expansion, supply industrial timber, improve access and facilities for the public to recreational pursuits in the forestry estate, and improve the environmental quality of forests.

North/South Co-operation
DAERA will continue to work with the Department of Agriculture, Food and the Marine (DAFM) to implement the actions in the All-Island Animal Health & Welfare Strategy Action Plan. Officials in both jurisdictions will also liaise during the tertiary legislation negotiations on the EU Animal Health Regulation in order to aid alignment of animal health polices in accordance with risk, as envisaged by the All-island Animal Health and Welfare Strategy. In addition support and funding opportunities will be provided through Priority 6 of the Rural Development Programme in order to promote closer north/south co-operation.

Budget 2016-17 Outcomes

Resource Budget

The Department has been allocated a non-ring-fenced Resource DEL budget of £197.9 million in 2016-17. This is a 5.7 per cent reduction on the 2015-16 opening position.

Although the Budget allocation will allow DAERA to continue to take forward the majority of its existing schemes and programmes, the level of the Resource DEL reductions will present many challenges as the Department seeks to maintain the delivery of priority services. In addition to seeking to optimise the use of resources, the measures DAERA has identified to live within its reduced budget involve taking forward full year savings from 2015-16's Voluntary Exit Scheme (£6.5 million), further cost reductions measures (£0.9 million) and scaling back programmes (£4.5 million).

Capital Budget

The Capital Investment allocations will allow the Department to continue to take forward the majority of DAERA's existing schemes and programmes as well as managing the issues and challenges set out above. The £48.8 million allocation will allow DAERA to take forward priority investment in Programmes (£21.1 million), IT Systems (£11.3 million) and recurring capital (£16.4 million).

The Programme capital allocation includes:

- progressing the Headquarters Relocations (£10.4 million);
- extending the TRPSI programme into 2016-17 (£2.2 million);
- taking forward schemes under the new RDP such as the FBIS (£5.0 million);
- progressing the Re-think Waste recycling scheme with councils (£3.0 million);
- continuing to promote a fisheries industry under the EMFF programme (£0.2 million); and
- allowing the Loughs Agency of the Foyle, Carlingford and Irish Lights Commission (FCILC) to take forward its capital programmes (£0.3 million).

The IT Systems capital allocation includes:

- delivering essential ICT to support developments required for CAP Reform (£8.6 million); and
- replacing the existing APHIS system by the ICT element of the NI Food Animal Information System (NIFAIS) Programme (£2.7 million).

The recurring capital allocation includes:

- improving buildings, supporting Research & Development and refreshing obsolete plant, vehicles & machinery across the College of Agriculture, Food and Rural Enterprise (CAFRE) estate (£3.2 million);
- updating the Agri-Food and Biosciences Institute's (AFBI) aging asset base in order to continue to be able to deliver the Approved Work Programme, undertake its statutory and legal testing regime and support its Research & Development (£9.9 million);

- allowing Forest Service to develop its infrastructure on its estate and replace its obsolete plant, vehicles and machinery (£0.9 million);
- improving the facilities at country parks and nature reserves (£1.2 million);
- renovating the visitor centre at the Exploris facility including the continued operation of the seal sanctuary (£0.9 million); and
- updating facilities and replacing vehicles/boats to maintain inland waterways (£0.3 million).

European Funding

The EU Common Agricultural Policy (CAP) is a critical funding source to support farming and the wider rural economy. It consists of two Pillars with the main farm support scheme Direct Payments located in Pillar 1. Pillar 2 Rural Development has a focus on improving the competitiveness of farm businesses, delivering environmental outcomes and providing assistance to rural areas. Approximately £300 million of EU funds are processed by the Department each year. DAERA will seek to optimise all contributions from Europe.

<u>CAP Reform</u>

Reform of the CAP is having a significant impact on how the Department operates. The political agreement reached between the European Parliament and Council was finalised in September 2013, when outstanding CAP related EU budget issues were resolved. CAP Reform is effecting a significant change to how area-based schemes are delivered by the Department, impacting on its arrangements for administration, for payment and importantly for control. The new arrangements are more complex and require major structural changes to procedures/systems. This means that scheme delivery arrangements are being designed to optimise the efficient and effective use of an electronic channel rather than paper. A new environmental farming scheme is to be introduced in 2016.

<u>Fisheries</u>

The new Common Fisheries Policy, which has been in place since 1 January 2014, provides greater opportunities for a regionalised approach to fisheries management. The landings obligation poses the most significant challenge to the local fishing fleet. The Department will be providing financial support through the new European Maritime and Fisheries Fund to the catching sector and other businesses in the seafood supply chain. The Department will also maintain and enhance the Public Angling Estate in the current constrained budgetary environment.

Equality and Good Relations Impacts

DAERA remains fully committed to the fulfilment of its statutory equality obligations, and in line with the requirements of Section 75 of the Northern Ireland Act 1998 will ensure that all new policies and proposals are subject to a rigorous equality screening process. All of the Department's savings, Resource and Capital expenditure proposals requiring equality assessment have been subject to scrutiny through the process of completing a High Level Impact Assessment (HLIA). DAERA considers that the majority of its proposals may have neutral or positive equality implications. The Department also considers that there may be some negative implications. At this stage there is not enough information to assess the full implications. Where this initial assessment signals the need for further work, the Department will undertake Equality Impact Assessments (EQIA).

Department of Agriculture, Environment and Rural Affairs - Non Ring-fenced Resource DEL

£million

Objective and Spending Area	2016-17 Baseline[1]	2016-17 Budget[2]
Objective A		
European Programmes and Agricultural Education	86.1	82.2
Veterinary Service	39.8	37.3
Animal Welfare, Agrifood, Research and Fisheries	47.2	44.0
Foyle, Carlingford and Irish Lights Commission	1.8	1.8
Environment	29.2	27.5
Forest Service Agency	5.7	5.1
Total Objective A	**209.8**	**197.9**
Total	**209.8**	**197.9**

Totals may not add due to roundings

[1] The baseline shown is that constructed as part of the Restructure process as noted in paragraph 3.31

[2] The outcome at Spending Area level is indicative at this stage as noted in paragraph 3.33

Department of Agriculture, Environment and Rural Affairs - Capital DEL

£million

Objective and Spending Area	2016-17 Budget[1]
Objective A	
European Programmes and Agricultural Education	18.3
Veterinary Service	7.6
Animal Welfare, Agrifood, Research and Fisheries	11.6
Foyle, Carlingford and Irish Lights Commission	0.2
Environment	8.3
Forest Service Agency	2.7
Total Objective A	**48.8**
Total	**48.8**

Totals may not add due to roundings

[1] The outcome at Spending Area level is indicative at this stage as noted in paragraph 3.33

Department for Communities (DfC)

The Department for Communities will bring together a range of functions and budgets that will provide new opportunities for delivering greater social change and tackling disadvantage within communities by targeting those most in need.

The restructuring of the Northern Ireland departments provides increased opportunities for the new department to integrate work areas across government and between sectors in order to achieve improved policy outcomes by aligning complementary functions, activities and budgets.

The DfC project team has worked up a draft Emerging Vision for the new Department which will be presented to the new DfC Minister in May. The draft Emerging Vision reflects all of the functions and responsibilities coming into DfC as outlined in the NI Executive's 'Fresh Start' Agreement with key themes centring on supported people, strengthened communities and improved lives.

Key Issues/Challenges in 2016-17

There are a number of emerging aims, objectives and which the Minister will consider in establishing his/her priorities utilising the available resources in 2016-17 including:

- How to best discharge its statutory responsibilities;
- How best to implement Welfare Reform whilst developing an integrated customer centric service that supports those seeking employment by bringing together the functions previously delivered by the Social Security Agency and Employment Service;
- How to continue to support vulnerable members of society through joined up service delivery;
- How to support and develop vibrant communities through providing access to decent affordable homes, and creating urban centres which are sustainable, welcoming and accessible;
- How to sustain and enhance community outreach through culture, arts and leisure programmes and by realising the significant ongoing value of our historic environment;
- How to best support Older People, those Aging, Disabled or in Poverty including Child Poverty;
- How to enable access to debt advice and tackle economic inactivity; and

- How to best support the consolidation of new local government structures.

Budget 2016-17 Outcome

Resource Budget

The first budget for the DfC will be difficult with immediate financial constraints being applied in order that the NI Executive can live within budget and protect other priority public services including health and education.

In addition to the specific allocations agreed in "A Fresh Start" the 2016-17 Budget process requires a baseline reductions of 5.7 per cent to unprotected areas of the DfC baseline, this equates to a reduction of £38.5 million and provides an overall resource outcome of £871.2 million.

The incoming DfC Minister will decide how best to allocate spending reductions across business areas to best meet his/her priorities.

The top priority for DfC In 2016-17 will be to deliver the agreed reform of the Welfare system, incorporating an expanded range of services while maintaining service delivery standards to both new and existing customers. Key challenges will include:

- Other priorities will be to manage staffing levels to deliver required cost reductions while ensuring business continuity including other areas of housing reform; and

- It will also be important to ensure continuity of service to the community through voluntary sector, culture, arts & sports and the regeneration of public spaces including built heritage.

Capital Budget

The proposed capital allocation for 2016-17 is £159.7 million including £9.8 million for the flagship Regional and Sub-regional Stadia.

Including the capital receipts of £94 million brings the total capital spending power of the Department to £253.6 million.

Key areas for capital investment include:

- Progress the delivery the final regional stadium, Casement Park;
- Commence work on the sub-regional programme;
- In Housing, striking a balance between meeting the needs of new and existing housing tenants;
- Continue to invest in seeking to address fuel poverty;
- Continue to explore the potential for other funding sources (e.g. Financial Transactions Capital);
- Sustain urban regeneration investment as far as possible; and
- Continue to invest in Heritage Led Development

Equality Obligations

The Department is committed to the fulfilment of its statutory equality obligations, and in line with the requirements of Section 75 of the NI Act 1998 will ensure that all new policies and proposals are subject to a rigorous equality screening process.

Department for Communities - Non Ring-fenced Resource DEL

£million

Objective and Spending Area	2016-17 Baseline[1]	2016-17 Budget[2]
Objective A		
Employment and Social Security	448.1	504.7
Child Maintenance Service	19.6	18.6
Housing	155.6	156.4
Culture Arts & Leisure	82.5	83.3
Community Cohesion and Regeneration	108.5	102.2
North South Language Body	6.4	6.0
Total Objective A	**820.6**	**871.2**
Total	**820.6**	**871.2**

Totals may not add due to roundings

[1] The baseline shown is that constructed as part of the Restructure process as noted in paragraph 3.31

[2] The outcome at Spending Area level is indicative at this stage as noted in paragraph 3.33

Department for Communities - Capital DEL

£million

Objective and Spending Area	2016-17 Budget Conventional Capital	Financial Transactions Capital	Total Capital[1]
Objective A			
Employment and Social Security	11.4	-	11.4
Housing	96.5	11.0	107.5
Culture Arts & Leisure	20.8	-	20.8
Community Cohesion and Regeneration	20.0	-	20.0
Total Objective A	**148.7**	**11.0**	**159.7**
Total	**148.7**	**11.0**	**159.7**

Totals may not add due to roundings

[1] The outcome at Spending Area level is indicative at this stage as noted in paragraph 3.33

Department for the Economy (DfE)

The aim of achieving long term economic growth by improving competitiveness, and to build a larger and more export-driven private sector continues to be a priority for the Executive. The Executive's Economic Strategy details how sustainable economic growth and prosperity will be delivered across Government through rebalancing the economy through private sector led growth. The establishment of the new Department for the Economy presents an excellent opportunity to deliver key economic development policies in a collaborative, cohesive and targeted manner.

Key Issues/Challenges in 2016-17

Challenges include delivery of initiatives to rebalance the Northern Ireland economy in the medium to longer term in the following key areas:

- Champion economic, social and personal development by providing relevant high quality learning, research and skills;
- Stimulate research & development, innovation and creativity;
- Increasing collaboration between business, Higher Education/Further Education and public sector;
- Preparing for the skills implications of the introduction of lower rate of Corporation Tax;
- Addressing the widening Higher Education funding gap;
- The implementation of the new Youth Training Strategy *Generating Our Success*;
- The implementation of the new, employer-led Apprenticeships Strategy *Securing Our Success*;
- Continued delivery of the Higher Education Strategy *Graduating to Success;*
- The implementation of a refreshed strategy for the further education sector;
- Continued delivery of the Northern Ireland European Social Fund (ESF) programme 2014-2020 to support projects for people who need assistance in accessing the labour market and securing employment;
- Support the development of businesses, including through our plans to lower corporation tax, to compete successfully in the local and global economies and to create employment;
- Secure investment from world-class businesses;

- Invest in the economic infrastructure to provide a strong foundation for economic growth;
- Deliver a regulatory environment which encourages business and commerce, while also protecting consumers and workers;
- Work in partnership with others to support economic growth; and
- Enhance air connectivity as a driver for economic growth and develop the Economy through prioritising business travel and inbound tourism connectivity for Northern Ireland.

The Department will lead, on behalf of the Executive, on a review and refocus of the economic strategy in order reflect current economic conditions and developments in key policy areas. This will include an assessment of Corporation Tax as a policy lever and set out how to maximise the economic benefits from a lower rate. The refocused Economic Strategy will include a detailed analysis of the performance of the Northern Ireland economy and will set out the key drivers for growing the Northern Ireland economy moving forward.

A key challenge for the Department in 2016-17 will be to make sure that there is an adequate investment in skills to ensure economic success in a lower Corporation Tax environment. While the lower rate of Corporation Tax does not come into effect until April 2018, there does need to be a lead-in time. Invest NI is already selling Northern Ireland as an investment location based on this revised context. This narrative cannot simply be around a lower rate of Corporation Tax; rather should be based around a range of factors that have now been enhanced by a lower rate of Corporation Tax. We need to build skills, and any further reductions in local skills provision would have a damaging effect when Foreign Direct Investments are being sought.

The Executive's Economy Strategy clearly outlines that the path to economic success is through export-led economic growth and this will remain a key priority going forward. The Department will launch an Exports Action Plan which will be aimed at creating a supportive environment to encourage and support more of our businesses to engage and compete globally and grow their exports. The *Exports Matters* Strategy outlines a framework to be implemented across central/local government and the private sector in order to encourage a strong export culture and develop a global reputation for Northern Ireland as an open and competitive trading nation.

The Department will continue to invest in Innovation and Research and Development initiatives, which are key drivers of future growth and increased productivity. We will continue to build on research to date and develop our innovation ecosystem with investment, fresh ideas and skills. The goal will be to increase the number of Northern Ireland companies engaging in innovation and that we strengthen linkages between business and key knowledge bases.

Over the last number of years, a clear funding gap has emerged and widened between our own universities and those in other parts of these islands. With tuition fees frozen and grant funding reducing, we have been overseeing a reduction in the unit funding provided per student. The challenge for Northern Ireland universities is to compete in a very competitive global higher education marketplace. If we cannot maintain competitive funding levels, the quality of provision in Northern Ireland will diminish in relation to other parts of the UK and we will end up with a second rate higher education system.

The new Youth Training and Apprenticeship Strategies for Northern Ireland 'Generating our Success' and 'Securing our Success' set out an ambitious programme of work that has the potential to radically transform how traineeships and apprenticeships are viewed and delivered in Northern Ireland. The need to prevent youth unemployment, through the provision of relevant professional and technical education and training, and the requirement to address the skills requirements of employers were central to the thinking behind the development of these new systems.

Budget 2016-17 Outcomes

Resource Budget

The Department has been allocated a non-ring-fenced Resource DEL budget of £790.0 million in 2016-17. This is a 3.0 per cent reduction on the 2015-16 opening position and includes a £16.9 million allocation from the Public Sector Transformation Fund along with a £5.0 million allocation to address the skills enhancement agenda.

Capital Budget

The Capital DEL allocation will support the Department's activities and projects across a number of investment measures. The allocation would provide funding for:

- Invest NI's existing capital commitments and the provision of Selective Financial Assistance (SFA) support to new projects on an ongoing basis;
- Tourism NI capital investment on HMS Caroline, a key heritage and tourism asset of National and International significance;
- Continued work on a telecoms superfast broadband extension programme; and
- Continual investment in Higher and Further Education.

FTC will be used by Invest NI to support a range of projects including an Agri-food Loan Scheme, Access to Finance programmes and to develop projects for the sustainable use of poultry litter. The department will also use this funding stream to support the planned expansion of the Northern Ireland Science Park and other Higher Education related projects.

European Union Funding

The 2014-2020 Investment for Growth and Jobs Programmes is now fully operational and will continue to provide invaluable financial support in particular for Invest NI. There is a renewed and concentrated focus on research and innovation and enhancing the competiveness of the Northern Ireland SME business base. This support will be provided through the provision of advice, grants, and equity investment.

As we face increasing pressure on public expenditure it is also important that companies and researchers succeed in securing R&D funding from outside Northern Ireland. In line with the Executive's priority to drawn down additional elective funding from Europe, the Department has have put in place a network of research experts to help businesses and researchers successfully compete for funding from Horizon 2020, the European Union's flagship Research and Innovation Programme.

The Department will also commence draw down of funding from the Interreg Va programme in support of Research and Innovation activity. This investment will seek to facilitate growth in the number of SME's across the region engaging in research and innovation activity on a cross-border collaborative basis, complemented with support focused on increased cross-border R&D competence building within the Life and Health Sciences and Renewable Energy sectors.

The Department is also the Managing Authority for the Northern Ireland ESF Programme 2014-2020, which has a European funding allocation equivalent to £144 million and a total value of £360 million. The strategic aim of the ESF Programme 2014-2020 is to combat poverty and enhance social inclusion by reducing economic inactivity and to increase the skills base of those currently in work and future potential participants in the workforce.

Equality and Good Relations Impact

In overall terms the Budget outcome for the Department has the potential to positively impact on each of the Section 75 groupings. It will assist in delivering economic growth, employment opportunities, wealth creation, and tourism activity.

The Budget however also applies cuts to the Department's overall Resource baseline, and reductions will be applied across the Department and its arms length bodies. Whilst there is potential for negative impacts on each Section 75 grouping, the Department will act to mitigate negative impacts where possible.

The Department's policies promote equality of opportunity for Section 75 groupings. At this stage there is no indication that there would be a differential impact within the Section 75 Groups of the potential positive and negative impacts noted above.

Department for the Economy - Non Ring-fenced Resource DEL

£million

Objective and Spending Area	2016-17	
	Baseline[1]	Budget[2]
Objective A		
Economic Development & Infrastructure	19.1	20.0
Invest NI & Tourism	147.7	137.8
Employment and Skills	294.9	292.6
Higher Education & Student Support & Postgraduate	317.4	305.6
Tourism Ireland Ltd.	12.0	11.6
InterTradeIreland	2.7	2.6
Representation & Regulatory Services	20.5	19.8
Total Objective A	**814.3**	**790.0**
Total	**814.3**	**790.0**

Totals may not add due to roundings

[1] The baseline shown is that constructed as part of the Restructure process as noted in paragraph 3.31

[2] The outcome at Spending Area level is indicative at this stage as noted in paragraph 3.33

Department for the Economy - Capital DEL

£million

Objective and Spending Area	2016-17 Budget		
	Conventional Capital	Financial Transactions Capital	Total Capital[1]
Objective A			
Economic Development & Infrastructure	-5.9	7.1	1.2
Invest NI & Tourism	24.0	12.5	36.4
Employment and Skills	15.3	-	15.3
Higher Education & Student Support & Postgraduate	25.6	11.2	36.8
Representation & Regulatory Services	1.1	-	1.1
Total Objective A	**60.1**	**30.8**	**90.9**
Total	**60.1**	**30.8**	**90.9**

Totals may not add due to roundings

[1] The outcome at Spending Area level is indicative at this stage as noted in paragraph 3.33

Department of Education (DE)

Under its current structure DE's vision is for "an education system that is recognised internationally for the quality of its teaching and learning and for the achievements of its young people, and of an education service that has at its centre a focus on the needs of children and young people".

The Department wants to see every young person achieving to his or her full potential at each stage of his or her development. This is currently supported by the following five goals:

- Raising standards for all;
- Closing the performance gap, increasing access and equity;
- Developing the education workforce;
- Improving the learning environment; and
- Transforming the governance and management of education.

Following the Fresh Start Agreement children's services will transfer to a new Department of Education in May 2016 from the Office of the First Minister and Deputy First Minister (OFMDFM). This means that the Department will have a new and wider remit from 2016-17 onwards.

The functions transferring are:

Childcare Strategy - this has two high level aims:

- To promote child development; and
- To enable parents to join the workforce.

Each of these will, in turn, contribute to enhanced levels of economic activity, greater equality and social inclusion, and reduced child poverty, thereby delivering social change.

Other functions relating to Children and Young People - support the following aims:

- To ensure that the best interests and well being of children and young people are central to every policy decision made by Government which impacts on their lives;
- To work with departments and stakeholders to identify gaps, additional actions and alternative ways of working across policy areas and services being delivered; and

- To address the challenge of linage and alignment of a significant number of strategies across departments, agencies and children's authorities which impact on children's lives.

The above changes present the Department with a fresh challenge to create a new organisation which has children's services fully integrated into its vision, strategic planning framework, target setting and governance arrangements. The change also creates a much wider range of stakeholders which has obvious implications for future communication, involvement and engagement.

Moving forward the Department will continue to retain a clear focus on ensuring that every young person is supported to achieve to their full potential at each stage of their development. It will also ensure that there is a strategic and co-ordinated approach to improving the wellbeing of children and young people. Further work will be undertaken to develop a revised vision and supporting strategic planning framework for the new organisation prior to May 2016

Key Issues/Challenges in 2016-17

The Budget 2016-17 outcome for Education is challenging, partly as a result of the real terms reduction to the Executive's Resource DEL position imposed by the Westminster Government.

Supporting our children and young people to achieve to their full potential makes sound economic sense and is good for both individuals and society. Getting the best possible start is key to achieving good educational outcomes; these in turn are a key determinant in achieving sustainable, long-term economic growth in the region and promoting wealth and job-creation to the benefit of all citizens. Delivering a stable economic base and re-balancing our economy will only be possible with increased education and skills levels among the current and future workforce by ensuring better outcomes for all children.

The future success of our economy and of society in general depends on there being high quality children's services, including of course an education service that can compete with the best internationally. Equally, all of our young people have the right to a quality education that enables them to reach their full potential, a right enshrined not only in our own legislation but in the UN Convention on the Rights of the Child.

The education system is meeting its strategic objectives and continues to realise improvement. The survey of annual exam results published in December 2015 confirmed real progress. This was only possible with the increased focus upon improving outcomes, as well as a focus on literacy and numeracy.

The key challenge for the Department in 2016-17 will be to continue this success and realise further improvements in educational outcomes, delivered within the context of a highly challenging budget settlement.

Budget 2016-17 Outcome

Resource Budget

The Department's Resource Budget allocation covers funding associated with providing education, youth and children's services. This includes funding for programmes under the Executive's Delivering Social Change agenda, including those designed to give children the best start in life and to encourage greater sharing across community and socio-economic boundaries as well as to help young people overcome barriers to achieving to their full potential.

In 2016-17, the Department has received an allocation of £70.7 million from the Public Sector Transformation Fund (PSTF); and a further allocation of £40 million.

It is expected that the £70.7 million allocated by the Executive from the PSTF will be used as part of a dual approach to enable schools and Arms Length Bodies within the Education Sector, who are managing a challenging financial position, to reduce their cost base. This will be achieved through a combination of voluntary exit schemes for both teaching and non teaching staff to bring about a reduction in full-time equivalent numbers and an innovative initiative to reshape the teaching workforce whilst at the same time providing employment opportunities for recently qualified teachers. The resulting boost to the local economy cannot be underestimated.

Capital Budget

Capital allocations support investments in facilities that provide education and other children's services, including School and Youth facilities, ICT and school transport which will provide or underpin services in the longer term.

The Department's Capital Budget allocation for 2016-17 has increased significantly. This increased allocation will enable the major works and School Enhancement Programmes (SEP) to be accelerated. The Department would anticipate that the proposed capital allocation will allow a further five major works and 12 SEP projects to be released to construction during 2016-17. Furthermore, it is anticipated that the Department will be in position to make significant inroads into the mounting backlog of minor works applications. This will not only materially improve schools facilities but also provide a much needed boost to the local construction sector.

Equality and Good Relations Impact

In determining its budget allocation the Department will have due regard to its equality duties under Section 75 of the Northern Ireland Act 1998. This requires public authorities to carry out all of their functions with due regard to the need to promote equality of opportunity:

- Between persons of different religious belief, political opinion, racial group, age, marital status or sexual orientation;
- Between men and women generally;
- Between persons with a disability and persons without; and
- Between persons with dependants and persons without.

The Department will also have due regard to the desirability of promoting good relations between persons of different religious belief, political opinion or racial group.

Our approach is an iterative process of assessing the equality impacts of budget decisions at an overall education sector level and at a more detailed budget line level. This process will help inform decisions made by the Minister by providing assessments of likely equality impacts, suggestions regarding mitigation and the consideration of alternative courses of action where appropriate.

Department of Education - Non Ring-fenced Resource DEL

£million

Objective and Spending Area	2016-17 Baseline[1]	2016-17 Budget[2,3]
Objective A		
Schools Mainstream	1,905.3	1,907.9
Schools Infrastructure	7.3	6.9
Total Objective A	**1,912.6**	**1,914.8**
Objective B		
Youth and Other Children's Services	34.6	32.7
Total Objective B	**34.6**	**32.7**
Total	**1,947.3**	**1,947.5**

Totals may not add due to roundings

[1] The baseline shown is that constructed as part of the Restructure process as noted in paragraph 3.31

[2] The outcome at Spending Area level is indicative at this stage as noted in paragraph 3.33

[3] In the absence of information from Department of Education, and in line with Budget guidance, prior to the publication of this document DFP have applied the agreed level of reductions across Spending Areas on a pro-rata basis. DFP has also applied allocations to Objective A. This does not reflect decisions taken by the DE Minister.

Department of Education - Capital DEL

£million

Objective and Spending Area	2016-17 Budget[12]
Objective A	
Schools Mainstream	-
Schools Infrastructure	193.7
Total Objective A	**193.7**
Objective B	
Youth and Other Children's Services	-
Total Objective B	**-**
Total	**193.7**

Totals may not add due to roundings

[1] The outcome at Spending Area level is indicative at this stage as noted in paragraph 3.33

[2]DFP has applied allocations to Objective A. This does not reflect decisions taken by the DE Minister.

Department of Finance (DoF)

The overall aim of the Department is "to help the Executive secure the most appropriate and effective use of resources and services for the benefit of the community".

In pursuing this aim the key objective of the Department is to deliver quality, cost effective and efficient public services and administration in the department's areas of executive responsibility.

DoF has a critical role in working with departments to ensure value for money, sound financial management and accountability in line with the financial processes set by the Executive and has a responsibility to ensure that corporate Northern Ireland Civil Service (NICS) human resource policies and services support Departments in meeting their business aims. The Department also has a vital role to play in providing momentum, focus and structure to public sector reform. The rating system is the main financial flexibility currently available to the Executive and DoF has responsibility for both policy and operational delivery.

A significant part of the Department's resources are utilised in providing a range of common corporate services, primarily to NICS departments, in the areas of HR, training, finance, ICT, property management, legal and statistical services, and procurement.

In addition to this, DoF provides a range of frontline services, for example, in the areas of civil registration, rates collection, valuation, land registration and mapping information and is responsible for NI Direct services and the digital transformation programme.

Key Issues/Challenges in 2016-17

The priorities for DoF in 2016-17 will be:

- Managing and monitoring public expenditure in line with the Executive's priorities;
- Delivering sufficient cost reductions to ensure the Department does not exceed its expenditure allocation;
- Supporting departments in meeting their staffing requirements through effective NICS workforce planning;
- Facilitating reform across the NICS and wider public sector;
- Delivering, high quality, effective services to NICS departments and the wider public sector;

- Maximising the collection of rates revenue;
- Driving a comprehensive programme of digital transformation of citizen facing services;
- Improving the commissioning and delivery of infrastructure projects;
- Preparing for the introduction of a Northern Ireland rate of Corporation Tax for profits generated by certain trading activities; and
- Developing effective rating policy that ensures that sufficient revenue is available to supplement public expenditure and help pay for essential services/investment, but ensuring that reliefs concentrate on households least able to pay and businesses that are worth supporting.

The key focus will be on the need to maintain service delivery levels across the Department as far as possible, whilst pursuing a significant programme of measures to both reduce costs and increase income to ensure the Department can manage within its budget allocation.

It is important that in addressing the short term challenges that the 2016-17 budget brings, that consideration is still given to the need to drive longer term measures that will assist both DoF and the wider public sector in meeting our budget challenges in future years.

In particular, the Public Sector Reform Division will work collaboratively with departments, business areas and frontline staff, as a catalyst and an enabler of reform and Enterprise Shared Services will work with other public sector organisations to facilitate them in benefitting from the economies of scale that using our shared services brings.

Subject to allocations as part of the cross cutting review, the Department will also continue to play its role in delivering the Executive's Asset Management Strategy, by delivering the strands relating to collaborative procurement and the Reform of Property Management – further driving savings through effective management of our contracts and office estate.

In 2016-17 the Department will implement policy changes on rates support for working age households to complement wider changes occurring under Welfare Reform.

Land & Property Services will continue to work vigorously to deliver its portfolio of services to customers, and in particular increase the level of collectable rates and to reduce the amount of year end debt, whilst recognising the difficult economic situation which is impacting on the rate payers' ability to pay. LPS will also strive to optimise the strategic use of Northern Ireland land and property data/information.

Budget 2016-17 Outcome

Resource Budget

The Department has been allocated a non-ring-fenced resource DEL budget of £140.1 million for 2016-17. This is a 1 per cent reduction on the 2015-16 opening position, and includes a £4.3 million allocation to fund the systems development in relation to the introduction of a Northern Ireland rate of Corporation Tax.

The Northern Ireland Executive has committed to a commencement date for the Northern Ireland Corporation Tax regime of April 2018, and to a rate of 12.5 per cent. In order that preparatory work can progress further to allow for the transfer of Corporation Tax powers, the 2016-17 budget allocation will enable the necessary additional IT and operational systems to be developed.

The department will be required to make some difficult and challenging decisions to enable us to live within the allocated budget while maintaining business critical services.

Capital Budget

The Department's capital allocation of £33.6 million will enable DoF to invest in refurbishment work to facilitate lease consolidation and provide modern, open plan office space. This will not only reduce the overall footprint and operational costs associated with the NI government office estate but also transfer staff into more acceptable working environments.

NICS shared services will continue to maintain and develop the systems which support the essential accounting, human resources and ICT services that it provides to its customers. Other line of business IT system developments will also be supported.

Equality and Good Relations Impact

Due to the nature of the Department's activities the majority of cost reduction options and capital investment proposals will have a neutral impact on section 75 groups.

Equality Impacts will be considered in full once the final decision on allocations has been identified and agreed.

Department of Finance - Non Ring-fenced Resource DEL

£million

Objective and Spending Area	2016-17 Baseline[1]	2016-17 Budget[2]
Objective A		
Finance & Personnel Policy & Other Services	19.4	22.3
NICS Shared Services	40.1	39.3
NI Statistics & Research Agency	9.1	8.2
Land & Property Services	19.6	17.0
EU Programmes	0.1	-
Special EU Programmes Body	1.4	1.4
NICS Accommodation Services	51.8	51.8
Total Objective A	**141.5**	**140.1**
Total	**141.5**	**140.1**

Totals may not add due to roundings

[1] The baseline shown is that constructed as part of the Restructure process as noted in paragraph 3.31

[2] The outcome at Spending Area level is indicative at this stage as noted in paragraph 3.33

Department of Finance - Capital DEL

£million

Objective and Spending Area	2016-17 Budget[1]
Objective A	
Finance & Personnel Policy & Other Services	0.4
NICS Shared Services	11.5
NI Statistics & Research Agency	0.9
Land & Property Services	3.9
EU Programmes	-
Special EU Programmes Body	0.0
NICS Accommodation Services	16.9
Total Objective A	**33.6**
Total	**33.6**

Totals may not add due to roundings

[1] The outcome at Spending Area level is indicative at this stage as noted in paragraph 3.33

Department of Health (DoH)

The Department of Health has three main business responsibilities:

- **Health and Social Care (HSC)**, which includes policy and legislation for hospitals, family practitioner services and community health and personal social services; and
- **Public Health**, which covers policy, legislation and administrative action to promote and protect the health and well-being of the population; and
- **Public Safety,** which covers policy and legislation for fire and rescue services.

The Minister for Health's overall aim and vision is to build a world-class health and social care service for the people of Northern Ireland. This includes a strong focus on reform and transformation initiatives in order to improve the health and wellbeing of the people of Northern Ireland, drive up the quality of health and social care for patients, clients and carers, to improve outcomes, to safeguard the vulnerable, and to ensure that patients, clients and carers have the best possible experience in every aspect of their treatment, care and support. The Minister is also committed to ensuring the delivery of an effective Fire and Rescue Service across Northern Ireland, contributing to the safety and wellbeing of the community.

Key Issues/Challenges in 2016-17

The rapid development of medicine in recent years means that the diseases and illnesses that would once have killed, can now be effectively managed. People live longer and the age profile of the population is becoming older. This is a hugely welcome development but brings with it pressures and increased costs in delivering primary, secondary and social care services. The population therefore needs to be actively engaged in looking after its own health and wellbeing. Whilst this will help to alleviate some of the strain placed on services, challenges will remain in providing patient centred care and high quality services.

The extent of the cost pressures facing the Department continue to increase each year. The cost pressures over the previous Budget period represented some 5 to 6 per cent of the total budget each year, and have typically been in relation to pay and non-pay inflation, and the costs of meeting the healthcare needs of an aging population, including continued developments in healthcare technologies and treatments. This trend is expected to continue into 2016-17 and beyond. In addition, the current waiting times for elective care assessments and treatments will be a challenge as we progress into 2016-17. In recognition of these challenges, the Executive has protected health and social care through its Budget allocation for 2016-17. Whilst this is very welcome, the Department and its arm's length bodies will also have to identify substantial savings in order to supplement the additional budget allocation and deliver services within the available budget, underlining the importance of the reform agenda.

Budget 2016-17 Outcome

Resource Budget

In determining the distribution of resources across the key spending areas within the DoH's budget, a key focus will be to ensure that resources are allocated efficiently to secure the best possible value from all available funding.

Improving and protecting population health and wellbeing and reducing inequalities

A key aim of the entire health and social care system in Northern Ireland for 2016-17 will be to improve the overall health and wellbeing of the population and to prevent ill-health. This means supporting people to take control of their own lives, and enabling them to make healthy choices about how they live their lives. It also means working with other partners to tackle the root causes of ill-health and reduce health inequalities. The health and social care service has an important role in addressing this, but it cannot do so in isolation. It will therefore work with partners across government and other sectors in 2016-17 to address the social, economic and environmental factors that impact on people's health and wellbeing.

In 2016-17, the Department will also work to ensure that prevention and early intervention are embedded in the commissioning of primary, community and secondary care services.

Work will continue in 2016-17 on the implementation of *Making Life Better,* the Department's 10-year public health strategic framework, which sets a clear direction for actions to improve health and reduce inequalities. Through this strategic framework, the Northern Ireland Executive has committed to creating the conditions for individuals, families and communities to take greater control over their lives and be enabled and supported to lead healthy lives. A key focus of *Making Life Better* is to strengthen co-ordination and collaboration in a whole of society, whole system approach.

Maintaining and strengthening inter-sectoral working will remain a focus in 2016-17, particularly working with local government and participating in community planning to maximise the potential for improving the health and wellbeing of communities and tackling health inequalities at the local level.

<u>Providing high quality, safe and effective care; listening to and learning from patient and client experiences; and ensuring high levels of patient and client satisfaction</u>

It is vital that all users of the health and social care system are able to access high quality services in the most appropriate setting. In 2016-17, the Department will continue to implement Quality 2020, the Department's 10-year strategy to protect and improve quality in health and social care. This includes working to ensure that services are safe – the care, treatment and support the HSC provides should never result in avoidable or preventable harm; that they are effective – everyone accessing HSC services should have the most appropriate treatment or care, in the most appropriate setting, with the best possible outcome; and they must be centred on the needs of the patient/client.

The Department remains committed to the strategic vision set out in *Transforming Your Care*, and will seek in 2016-17 to ensure that services are provided at home or as close to home as possible, where appropriate to a person's needs. Our primary care services perform a key role in this regard. When admission to hospital is required, the Department will work to ensure that patients are treated safely and effectively, discharged home as quickly as possible, and supported back to health in the community. While it is recognised that some variations may be necessary to respond to specific local needs, work will continue to standardise services as far as practicable across Northern Ireland, so that everyone, regardless of where they live, can expect the same level of care and treatment.

Everyone who uses HSC services should have a positive experience of the care or treatment they receive. Where things go wrong, it is important that the HSC listens to and learns from those mistakes and strives to continually improve the services offered to the NI population. In 2016-17, work will continue to ensure that patients and clients are at the centre of service planning and design.

<u>Ensuring that services are efficient and provide value for money in terms of outcomes achieved and costs incurred.</u>
HSC services must operate as efficiently as possible, making the best use of available resources including the HSC estate. It means that all interventions must be effective and result in the best possible outcomes for patients. In 2016-17, there will be a focus on ensuring that innovative approaches, including the use of technology and the implementation of best practice in relation to medicines optimisation, are enabling services to be provided more efficiently and effectively. The Department will seek to facilitate this through a dedicated Transformation Fund.

In 2016-17, the Department will continue the process of rationalising the structures of the commissioning of health and social care services in Northern Ireland, subject to the current consultation processes. This will include the Department starting to take firmer, strategic control of the health and social care system, with the HSC Trusts starting to take responsibility for the planning of care in their areas and the operational independence to deliver it. The Department will also consider the outcome of the expert panel that will be appointed to consider, and lead debate on, the best configuration of Health and Social Care services in Northern Ireland.

An important area of focus for the HSC in 2016-17 will be to continue to address the large numbers of people waiting for outpatient assessment, diagnosis and treatment. As the HSC works to improve waiting times, it will be important to ensure that processes are in place to maximise throughput of elective patients. In addition, there will be a continued focus on unscheduled care, ensuring that everyone knows how to access the most appropriate service for their needs and minimising the time spent waiting for that care, whatever the setting.

The most valuable resource the HSC has is its people. Everyone working in the sector makes an essential contribution to the health and wellbeing of the population, and it is vital that their own health and wellbeing is valued and protected. In 2016-17, the Department will work to ensure that staff are provided with the skills and training necessary to perform their roles well and are supported to develop those skills throughout their working lives. In addition, the Department will work to ensure that the workforce is sufficiently stable to meet the demands placed on it and to continue to provide safe, high quality services. The Department is committed to ensuring that the workforce meets the needs of today's patients whilst delivering the future workforce in a way that not only maintains safe staffing levels but supports the service transformation necessary to improve quality of care.

Ensuring the delivery of an effective and efficient Fire and Rescue Service across Northern Ireland
The Northern Ireland Fire and Rescue Service will continue to face considerable financial challenges in 2016-17. In ensuring the delivery of an effective and efficient Fire and Rescue Service, the safety of both the Northern Ireland public and the frontline firefighters is a key priority. During 2016-17 the focus will be on the identification, management and mitigation of fire and rescue risks across Northern Ireland, while also making progress on improving the efficiency and effectiveness of services.

Capital Budget

The 2016-17 capital budget allocation of £232.6 million will enable the Department to implement a capital investment programme that effectively maintains and develops the estate and other assets in support of service delivery and reform objectives.

2016-17 will see the completion of the new North West Regional Cancer Centre at Altnagelvin and two new primary and community care facilities at Banbridge and Ballymena. The allocation will also allow the Department to continue with important infrastructure schemes like the redevelopment of the Ulster Hospital and Altnagelvin Area Hospital, as well as the new build local hospital in Omagh and the new paediatric facilities at Craigavon and Daisy Hill Hospitals. The NI Executive has also ring fenced and committed itself to the long term funding of the new Regional Children's Hospital at the Royal site.

The available budget will also finance important investments in ICT, in medical equipment and in the fleet and estate of the Ambulance and Fire services, whilst the £10 million Financial Transactions Capital allocation will allow further investment in GP infrastructure.

Equality and Good Relations Impact

Addressing inequalities has long been integral to the business of the Department and its associated bodies. Section 75 of the Northern Ireland Act 1998 creates specific duties for the Department, HSC Board, Public Health Agency, Trusts and executive Non-Departmental Public Bodies

(NDPBs) and other HSC bodies with regard to equality and good relations. The Department's established mechanisms for allocating resources, for example via its capitation and local equity arrangements, ensure that available health and social care is accessible to those in need of it.

In accordance with their Equality Schemes, the Department and its arm's length bodies (ALBs) will use the tools of screening and equality impact assessment to assess the likely impact of policy decisions on the promotion of equality of opportunity and good relations. In carrying out these assessments the Department and its ALBs will relate them to the intended outcomes of the policy in question and will also follow Equality Commission guidance as appropriate.

Department of Health - Non Ring-fenced Resource DEL

£million

Objective and Spending Area	2016-17 Baseline[1]	2016-17 Budget[2]
Objective A		
Hospital Services	2676.7	2734.7
Social Care Services	983.1	982.6
FHS - General Medical Services	242.4	251.3
FHS - Pharmaceutical Services	464.8	479.8
FHS - Dental Services	104.9	104.7
FHS - Ophthalmic Services	22.3	22.4
Health Support Services	98.9	102.5
Public Health Services	24.1	67.4
Paramedic Services	59.1	63.8
Food Safety Promotion Board (N/S Body)	1.9	1.8
Total Objective A	**4,678.2**	**4,811.0**
Objective B		
Fire and Rescue Services	73.2	69.1
Total Objective B	**73.2**	**69.1**
Total	**4,751.4**	**4,880.1**

Totals may not add due to roundings

[1] The baseline shown is that constructed as part of the Restructure process as noted in paragraph 3.31

[2] The outcome at Spending Area level is indicative at this stage as noted in paragraph 3.33

Department of Health - Capital DEL

£million

Objective and Spending Area	2016-17 Budget Conventional Capital	Financial Transactions Capital	Total Capital[1]
Objective A			
Hospital Services	195.0	-	195.0
FHS - General Medical Services	3.9	10.0	13.9
Health Support Services	9.5	-	9.5
Paramedic Services	6.0	-	6.0
Total Objective A	**214.4**	**10.0**	**224.4**
Objective B			
Fire and Rescue Services	8.2	-	8.2
Total Objective B	**8.2**	**-**	**8.2**
Total	**222.6**	**10.0**	**232.6**

Totals may not add due to roundings

[1] The outcome at Spending Area level is indicative at this stage as noted in paragraph 3.33

Department for Infrastructure (DfI)

The functions of the Department for Infrastructure (DfI) were set out in A Fresh Start: the Stormont Agreement and Implementation Plan. The Department will be responsible for:

- All functions currently provided by DRD – including responsibility for transportation networks, water and sewerage, and public transport;
- Vehicle regulation, road safety and the Driver and Vehicle Agency from DOE;
- Strategic Planning from DOE;
- Rivers Agency from DARD;
- Inland waterways from DCAL;
- Crumlin Road Gaol Programme-Project management from OFMDFM; and
- St Lucia ex-MOD site from OFMDFM.

Bringing together this portfolio of infrastructure responsibilities will result in a range of benefits to the citizen, which will support economic growth and prosperity, develop safe and sustainable infrastructure and build a region fit for future generations.

DfI will be established in May 2016 and the incoming Minister will have an opportunity to review the budget allocations and priorities for the new Department in line with the Executive's Programme for Government.

Key Issues/Challenges in 2016-17

DfI and its arm length bodies will aim to prioritise frontline services within the budget available. This will be challenging and will put a focus on improving efficiency and effectiveness as well as exploiting opportunities for co-operation across the family of DfI businesses. This will be facilitated by the reduction in staff numbers through the Voluntary Exit Scheme (VES) but then it will be imperative to explore new ways of working to provide vital frontline services.

Budget 2016-17 Allocations

Resource Budget

The baseline position is indicative and does not exactly reflect the final 2015-16 spending plans for Roads, Water and Transport. Specifically, funding for NI Water, remains at a similar level in 2016-17 as in 2015-16, although this is still some 5 per cent below the Utility Regulator's Price Control 15 recommendation.

In relation to the proposed budget reductions across a number of business areas these will be partially mitigated through savings which will accrue to each area as a consequence of the Voluntary Exit Scheme.

The Executive's Budget provides an allocation of £372.8 million in resource expenditure, which will allow the DFI to take forward a number of programmes and services in public transport, water and sewerage, flood defences and drainage systems, roads activities and planning.

A decision has been taken to protect Rivers Agency from budget reductions in 2016-17 to ensure flood risk management activities continue across Northern Ireland

Capital Budget

The Capital allocation for DfI is £384.1 million. The allocation will allow the DfI and its ALBs to take forward a programme of infrastructure investment and progress a number of key projects including:

- The A5 and A6 roads projects;
- Belfast Rapid Transit; and
- The Belfast Transport Hub project.

European Funding

In 2015-16 DRD secured £17.6 million (€24.1 million) from the Connecting Europe Facility (CEF) towards the upgrade of the Coleraine to Londonderry and Knockmore to Lurgan rail projects which will bring associated budgetary commitments for match funding.
DfI will continue to try and access EU competitive funds including CEF and Horizon 2020 (H2020), any success in relation to these activities will

require a commitment for co-financing/match funding as a condition of offer.

During 2016-17 DfI will apply for £14.5 million from the £29.2 million (€40 million) allocated to the Transport Thematic objective of the 2014-2020 INTERREG VA Programme to help support strategic cross border co-operation.

Equality and Good Relations Impact

Section 75 of the Northern Ireland Act 1998 requires DfI in carrying out its functions to have due regard to the need to promote equality of opportunity between specified groups and to have regard to the desirability of promoting good relations between these groups. The majority of the responsibilities of DfI will apply to all citizens of Northern Ireland; however, as individual decisions are taken in relation to budget allocations, these will be considered in the context of our equality obligations and the need to assess the potential for adverse differential impacts.

Department for Infrastructure - Non Ring-fenced Resource DEL

£million

Objective and Spending Area	**2016-17 Baseline[1]**	**2016-17 Budget[2]**
Objective A		
Roads	150.8	144.2
Rivers	16.0	16.0
Road Safety and Policy	11.3	10.7
Transport	83.7	82.4
Inland Waterways	0.6	0.5
N/S Body - Waterways Ireland	3.9	3.7
Strategic Planning and Policy	5.6	5.2
Total Objective A	**271.7**	**262.6**
Objective B		
Water and Sewerage	100.3	110.2
Total Objective B	**100.3**	**110.2**
Total	**372.0**	**372.8**

Totals may not add due to roundings

[1] The baseline shown is that constructed as part of the Restructure process as noted in paragraph 3.31

[2] The outcome at Spending Area level is indicative at this stage as noted in paragraph 3.33

Department for Infrastructure - Capital DEL

£million

Objective and Spending Area	2016-17 Budget[1]
Objective A	
Roads	138.0
Rivers	8.6
Road Safety and Policy	1.7
Transport	88.5
Inland Waterways	0.1
Strategic Planning and Policy	0.6
Total Objective A	**237.4**
Objective B	
Water and Sewerage	146.7
Total Objective B	**146.7**
Total	**384.1**

Totals may not add due to roundings

[1] The outcome at Spending Area level is indicative at this stage as noted in paragraph 3.33

Department of Justice (DoJ)

DoJ supports the Minister of Justice in building a fair, just and safer community in Northern Ireland. In addition to its statutory functions, the Department provides resources and a legislative framework for its agencies and arm's length bodies which jointly constitute most of the justice system in Northern Ireland. Together with these organisations, the Department is responsible for ensuring there is a fair and effective justice system in Northern Ireland and for increasing public confidence in that system.

The Department's priorities are:

- **Safer, Shared Communities** – to promote and contribute to Safer Communities through partnership working with statutory organisations, communities, the third sector and businesses.

- **Faster, Fairer Justice** – to promote faster, fairer justice through cross cutting policy, procedural and structural reforms.

- **Rehabilitating Offenders** – to have a prisons delivery model that is capable of withstanding changes in both prisoner population size and needs.

Key issues/Challenges in 2016-17

There are a range of challenges facing the Department in 2016-17. Whilst the Department has sought to protect front line areas as far as possible within the total funding envelope available, difficult funding and prioritisation decisions have been required that will impact on the wider justice system and the services the Department provides.

The core Department, including Compensation Services (formerly the Compensation Agency) accounts for approximately 5 per cent of the total budget, with 95 per cent of funding allocated to agencies and Non Departmental Public Bodies (NDPBs).

In allocating Resource DEL budgets across the Department for 2016-17, the Justice Minister's high level priorities were as follows:

- protecting frontline policing as far as possible and ensuring PSNI has adequate security funding;

- protecting other frontline areas across the Department as far as possible, with the aim of protecting outcomes for the public; and
- protecting the voluntary and community sector and Policing and Community Safety Partnerships as far as possible.

These priorities, together with an assessment of the impact of savings, have been used to set budget allocations and savings targets for each DoJ spending area.

Budget 2016-17 outcome

Resource Budget

The 2016-17 Budget outcome for the Department is summarised below:

- with the exception of PSNI, the starting point for all DoJ spending areas is a reduction of 5.7 per cent from 2015-16 opening baselines;
- the reduction to the core PSNI budget is limited to 2 per cent;
- £32 million of additional security funding for the PSNI has been provided from the 'Fresh Start' Agreement;
- in recognition of the ongoing pressures facing the Department in respect of legal aid, an allocation of £15 million has been provided by the Executive;
- additional Voluntary Exit Scheme (VES) funding of £12.4 million has been allocated to schemes for PSNI, Police Rehabilitation and Retraining Trust, Criminal Justice Inspection and Planning Appeals Commission and Water Appeals Commission (PACWAC);

The Department will also seek to access other funding contained within the 'Fresh Start' Agreement when the mechanisms to access funding are firmed up, including:

- £10 million for tackling paramilitary activity;
- £12 million for 'A Shared Future'; and
- £30 million funding for bodies to deal with the Past.

The protection of PSNI to a 2 per cent cut will ensure that front line policing can be protected as far as possible.

The PSNI’s budget allocation will allow the Chief Constable to take forward necessary recruitment in 2016-17 and will avoid some of the more severe impacts on policing and public safety.

The £32 million of additional security funding as part of the ‘Fresh Start’ Agreement is a particular package of funding for a specific purpose and is treated separately from the PSNI’s baseline funding.

The NI Prison Service (NIPS), Probation Board and Youth Justice Agency and other critical services, have been protected as far as possible. The NIPS savings target takes into account the fact that the Service’s baseline budget reduced by 15 per cent over the four years of the Budget 2011-15 period, delivering significant savings through a Staff Exit Scheme, followed by baseline reduction of 8.4 per cent in 2015-16.

The Justice Minister has introduced significant reforms and savings in the area of legal aid since the devolution of justice. However, legal aid is demand led and historically the available budget has not been sufficient to meet this demand. This will continue to be the case next year and the additional funding provided by the Executive will help to address this pressure. The Justice Minister will continue to bring forward legal aid reform measures to the NI Assembly for agreement.

Legacy related costs facing DoJ in 2016-17 and beyond, including related litigation costs continue to grow. Following the Fresh Start Agreement legacy issues remain unresolved however we look forward to a resolution and funding being made available for relevant bodies to deal with the past.

Although the Budget will allow DoJ to continue to deliver the majority of its existing objectives, the level of Resource expenditure reductions will present many challenges as the Department seeks to maintain priority services.

In addition, to optimise the use of resources and to protect the NI Prison Service, the Probation Board and Youth Justice Agency and other critical services, the measures DoJ has identified to live within its reduced budget include:

- the Core Department is planning for baseline cuts of over 7 per cent so that funding can be released to front line priorities;
- further Legal Aid reforms focussing particularly on Civil Legal Aid; and

- savings targets across the Department, its agencies and NDPBs, with reduced savings targets to protect front line areas as far as possible.

Capital Budget

The 2016-17 Budget provides capital funding totalling £58 million. The Department will prioritise and rephase capital projects to make best use of this allocation.

As part of the 2016-17, the Executive has agreed a number of "flagship" projects and has committed funding now and for future periods. The NI Community Safety College is one of the flagship projects and £3.9 million of the £58 million has been allocated to allow this project to proceed in 2016-17, subject to Executive approval.

The Department has allocated £10 million to meet PSNI's 2016-17 security funding capital requirement in full and the remaining allocation will allow for significant investment in the NIPS estate and a range of other capital projects across the Department, its agencies and NDPBs.

Equality and Good Relations Impact

The Department is committed to ensuring that it fulfils its duties under Section 75 of the Northern Ireland Act in relation to having due regard to the need to promote equality of opportunity and to have regard to promoting good relations.

As part of the scenario planning process for 2016-17 budgets, the Department undertook a high level impact screening of the impact of cuts on Section 75 groups. This identified potential equality impacts across a number of groups. As part of the process of developing final savings plans, each spending area will further consider Section 75 implications so that these can be taken into account in setting final budget allocations across the Department and impacts are minimised as far as possible.

Department of Justice - Non Ring-fenced Resource DEL

£million

Objective and Spending Area	**2016-17 Baseline[1]**	**2016-17 Budget[2]**
Objective A		
Forensic Science Northern Ireland	0.5	0.5
Access to Justice	17.6	15.0
Compensation Services	17.5	15.2
Safer Communities	713.7	746.0
Northern Ireland Prison Service	97.2	93.3
Youth Justice Agency	18.0	16.2
Police Ombudsman NI	8.7	8.6
Probation Board for Northern Ireland	16.7	16.3
Northern Ireland Policing Board	6.3	6.2
Criminal Justice Inspectorate	1.1	1.1
NI Courts & Tribunals Service	39.7	38.6
Legal Services Agency NI	86.8	93.5
Total Objective A	**1,023.9**	**1,050.5**
Total	**1,023.9**	**1,050.5**

Totals may not add due to roundings

[1] The baseline shown is that constructed as part of the Restructure process as noted in paragraph 3.31

[2] The outcome at Spending Area level is indicative at this stage as noted in paragraph 3.33

Department of Justice - Capital DEL

£million

Objective and Spending Area	2016-17 Budget[1]
Objective A	
Forensic Science Northern Ireland	0.8
Access to Justice	2.7
Compensation Services	0.8
Safer Communities	30.0
Northern Ireland Prison Service	17.0
Youth Justice Agency	0.2
Police Ombudsman NI	-
Probation Board for Northern Ireland	-
Northern Ireland Policing Board	-
Criminal Justice Inspectorate	-
NI Courts & Tribunals Service	1.8
Legal Services Agency NI	4.7
Total Objective A	**58.0**
Total	**58.0**

Totals may not add due to roundings

[1] The outcome at Spending Area level is indicative at this stage as noted in paragraph 3.33

The Executive Office (TEO)

TEO's overall aim, carried forward from OFMDFM, is to build a peaceful and prosperous society with respect for the rule of law where everyone can enjoy a better quality of life now and in years to come. This vision will be refined during the 2016-17 financial year following the full implementation of TEO.

Growing the economy, securing investment, creating opportunity and tackling disadvantage are key priorities for the Executive in the Budget period. TEO contributes to these priorities through lead or shared responsibility for the following Programme for Government commitments:

- Growing a Sustainable Economy and Investing in the Future;
- Creating Opportunities, Tackling Disadvantage and Improving Health and Wellbeing;
- Building a Strong and Shared Community;
- Delivering High Quality and Efficient Public Services.

In pursuing the overall aim the Department's key interlinked objectives are:

- Driving investment and sustainable development: through regeneration of strategic former military sites; promoting effective long-term capital planning and delivery; and, promoting the Executive's policy interests internationally;

- The effective operation of the institutions of government in the delivery of an agreed Programme for Government: by providing a central source of information, co-ordination and

- advice to departments on Executive, Assembly, and legislative procedures; co-ordinating and reviewing the Programme for Government; driving more efficient and sustainable use of capital assets across Government; and, ensuring the structure of public administration is efficient, effective and sustainable.

- Tackling Disadvantage and Promoting Equality of Opportunity: by driving a programme across Government to promote and protect the interests of victims and survivors, and other socially excluded groups; addressing inequality and disadvantage; Building a united, shared and reconciled community and improving community relations by delivering a strategic approach to good relations through the delivery of the Together: Building a United Community (T:BUC) programme. The strategy outlines 7 headline actions essential to make this happen in addition to a range of supporting actions and commitments – working towards making tangible improvements in good relations across four strategic priorities:

- Our Children and Young People;
- Our Shared Community;
- Our Safe Community; and
- Our Cultural Expression.

Key Issues/Challenges in 2016-17

The key challenge in 2016-17 will be to maintain service delivery during a period of significant change in respect of the development of a new Programme for Government identifying the actions the new Executive will take to deliver its priorities within the new nine-departmental structure.

The Department will continue to focus on key policy areas such as:

- Strategic Policy to Deliver Social Change - creating opportunities and tackling disadvantage to ensure that disadvantaged areas and vulnerable groups will continue to be targeted to address persistent patterns of poverty and disadvantage through the implementation of the Social Investment Fund (SIF) and the Delivering Social Change (DSC) Signature Programmes.

- Together: Building a United Community - the strategy outlines a vision of "a united community, based on equality of opportunity, the desirability of good relations and reconciliation - one which is strengthened by its diversity, where cultural expression is celebrated and embraced and where everyone can live, learn, work and socialise together, free from prejudice, hate and intolerance." A key element of the strategy is the investment in Urban Village initiative which aims to foster a positive community identity, build community capacity and improve the physical environment in 5 areas with a history of violence, dereliction and decay. This is a key objective of the Department in 2016-17.

- Our new Racial Equality Strategy which was launched late last year establishes an up-to-date framework for government departments (and others) to tackle racial inequalities, to eradicate racism and hate crime and along with Together: Building a United Community, to promote good race relations and social cohesion. Among other things it commits Government to ethnic monitoring and reviewing our racial equality legislation. It also reaffirms our commitment to the Minority Ethnic Development Fund to develop capacity within the minority ethnic sector and to a Crisis Fund for those who face destitution.

- Historical Institutional Abuse Inquiry - to examine if there were systemic failings by the state or institutions in their duties towards children under 18 in their residential care between 1922 and 1995. Oral hearings will continue until June 2016 with the Chairperson's report completed by January 2017.

- Victims and Survivors - addressing the needs of victims and survivors is a priority area for both the Department and the Executive. In 2016-17 the Department will continue to provide a more comprehensive and responsive solution to meeting the needs of individual victims and survivors and supporting the groups and organisations which work in this sector.

- International Relations - TEO will continue to drive implementation of the Executive's International Relations Strategy. The NI Bureau in Beijing will help develop links with the Chinese Government and realise key targets in the economic, education and tourism sectors. The Executive offices in Washington DC and in Brussels will ensure that our profile remains high and our interests continue to be promoted in these influential locations.

- Infrastructure Investment - in addition to the capital works detailed below, in 2016-17 the Department will progress the disposal of the former military site at Shackleton.

The resources provided through the 2016-17 Budget settlement will support the activities of government departments, including TEO, in continuing the achievement of the Executive's Programme for Government commitments. In the current constrained financial climate, there is a clear requirement to work efficiently and innovatively to ensure that we continue to deliver within available resources. The accountability and management structures for the Programme for Government, for which TEO has primary responsibility, will support the efforts of Departments to achieve this, helping to ensure a focus on delivery as well as necessary financial discipline in programme management.

Budget 2016-17 Outcome

Resource Budget

The Budget settlement for 2016-17 provides TEO with a total Resource allocation of £59.1 million. This is a reduction of 5.0 per cent on the opening 2015-16 baseline. Within this total, £0.4 million is to be allocated to the Department to fund ALB Voluntary Exit Schemes from the Public Sector Transformation Fund.

The Budget provides an allocation for the DSC initiatives of £14 million Resource DEL which will support the continued roll-out of the SIF, DSC Signature Projects and the Childcare Strategy. The Budget settlement also provides £12 million Resource DEL in 2016-17 in respect of a Shared Future which is currently held centrally.

Capital Budget

The Department has been allocated a budget of £5 million conventional Capital DEL for 2016-17 which will allow the Department to complete four buildings on the Ebrington site and will also progress essential maintenance and infrastructure works.

The Department will also progress the development of Grade A Office accommodation on Ebrington. Capital allocations will also be made to progress infrastructure development in Urban Village areas to support the delivery of key shared future objectives.

The Budget also provides £15 million Capital DEL for Delivering Social Change initiatives.

European Union Funding

The European Commission formally adopted the EU Peace IV Programme on 30th November. The Peace Four Programme will deliver almost €270 million of funding, including nearly €230 million provided by the European Regional Development Fund.

This funding will be provided across four thematic objectives:

- Shared Education;
- Children and Young People;
- Shared Spaces and Services; and
- Building Positive Relations at a local level.

The Peace IV programme will also complement work being taken forward under the Executive's T:BUC strategy, and in particular the commitment under Peace IV to invest over €100 million in our children and young people, including the delivery of shared education projects.

Equality and Good Relations Impact

The Department is committed to ensuring that it fulfils its duties under Section 75 (1) and (2) of the NI Act 1998 in relation to the promotion of equality and the desirability of promoting good relations.

As decisions on allocations are made and measures implemented, potential equality implications will be monitored across all Section 75 groups. The programmes funded through the Budget allocation will be subjected to Equality Screening and where appropriate, full Equality Impact Assessment, in line with statutory duties.

The Executive Office - Non Ring-fenced Resource DEL

£million

Objective and Spending Area	2016-17	
	Baseline[1]	**Budget[2]**
Objective A		
Executive Support & Policy Development	62.2	59.1
Total Objective A	**62.2**	**59.1**
Total	**62.2**	**59.1**

Totals may not add due to roundings

[1] The baseline shown is that constructed as part of the Restructure process as noted in paragraph 3.31

[2] The outcome at Spending Area level is indicative at this stage as noted in paragraph 3.33

The Executive Office - Capital DEL

£million

Objective and Spending Area	2016-17 Budget		
	Conventional Capital	**Financial Transactions Capital**	**Total Capital[1]**
Objective A			
Executive Support & Policy Development	5.0	6.0	11.0
Total Objective A	**5.0**	**6.0**	**11.0**
Total	**5.0**	**6.0**	**11.0**

Totals may not add due to roundings

[1] The outcome at Spending Area level is indicative at this stage as noted in paragraph 3.33

Northern Ireland Assembly Commission (NIA)

Established in 1998, the Northern Ireland Assembly holds Ministers and their departments to account in carrying out executive functions. It has legislative authority for policy in such areas as education, health, agriculture and environment.

Within the Assembly, there is an Assembly Commission (the Commission) whose role is defined by the Northern Ireland Act 1998. The Commission ensures the Assembly is provided with the property, staff and services required for the Assembly to carry out its work and engage with the public. It sets the Assembly Secretariat's (its administrative body) strategic direction and purpose to ensure the efficient and effective operation of the Assembly and to support members in fulfilling their Assembly, constituency and office-holder duties. The Northern Ireland Assembly Commission is not represented by a Minister.

NI Assembly - Non Ring-fenced Resource DEL

£million

Objective and Spending Area	2016-17 Baseline	2016-17 Budget
Objective A		
Northern Ireland Assembly	39.0	39.4
Total Objective A	**39.0**	**39.4**
Total	**39.0**	**39.4**

Totals may not add due to roundings

NI Assembly - Capital DEL

£million

Objective and Spending Area	2016-17 Budget
Objective A	
Northern Ireland Assembly	2.0
Total Objective A	**2.0**
Total	**2.0**

Totals may not add due to roundings

Other Departments

The following departments are also not represented by a Minister. The Budget for these departments, although relatively small, must still be found from within the Northern Ireland Executive's DEL.

Assembly Ombudsman/Commissioner for Complaints (AOCC) *(Northern Ireland Public Sector Ombudsman wef 1 April 2016)*

The Assembly Ombudsman for Northern Ireland and the Northern Ireland Commissioner for Complaints provides for the independent investigation of complaints by people who claim to have suffered injustice through maladministration by Northern Ireland government departments, their agencies and public bodies. It provides an independent investigative resource to support the work of the Committee on Standards and Privileges in dealing with complaints against Members of the Assembly.

The Assembly Ombudsman for Northern Ireland and the Northern Ireland Commissioner for Complaints provides for the independent investigation of complaints by people who claim to have suffered injustice through maladministration by Northern Ireland government departments, their agencies and other public bodies. It also provides an independent investigative and adjudication resource for local government ethical standards complaints against councillors.

Under legislative proposals that completed Final Stage in the Northern Ireland Assembly in December 2015 and are proceeding for Royal Assent at the time of publication, the AOCC is due to be replaced by the office of Northern Ireland Public Services Ombudsman (NIPSO). From 1 April 2016, it is expected that NIPSO will progressively assume an additional range of functions and bodies under jurisdiction. Additional budgetary resources to support the extended remit of NIPSO will be sought in the course of in-year monitoring rounds.

Food Standards Agency (FSA)

The Food Standards Agency aims to protect public health from risks arising in connection with the consumption of food and the interests of consumers in relation to food. In doing this it aims to ensure that:

- Food is safe;
- Food is what it says it is;
- Consumers can make informed choices about what to eat; and
- Consumers have access to an affordable healthy diet, now and in the future.

Northern Ireland Audit Office (NIAO)

The Northern Ireland Audit Office seeks to hold public bodies to account for the way they use public money. It also seeks to promote accountability and the best use of public money. It aims to provide objective information, advice and assurance on how public funds have been used and to encourage high standards in financial management, good governance and propriety in the conduct of public business.

Northern Ireland Authority for Utility Regulation (NIAUR)

The Northern Ireland Authority for Utility Regulation (the Utility Regulator) regulates the electricity, gas and water industries and its mission is to protect the short and long term interests of consumers of electricity, gas and water. As well as protecting the interests of both business and domestic consumers, the UR aims to promote effective and efficient monopolies and promote competitive and efficient markets.

The UR is largely funded by electricity, gas and water licence holders and retains only a small amount of PE funding for the administration of renewable schemes in Northern Ireland. One of UR's top priorities in 2016-17 will be to progress the design and implementation of a new all island wholesale electricity market (I-SEM).

Funding in 2016-17 will enable the UR to administer the Climate Change Levy (CCL) exemption scheme which allows renewable electricity generators to claim exemption from a tax due on the supply of electricity to commercial customers. Through this scheme, local businesses secure savings on electricity in the region of £5 million to £8million each year. The 2016-17 allocation will also enable UR to administer the Renewable Energy

Guarantee of Origin (REGO) scheme that provides guarantees of origin certificates for electricity from renewable sources, which are used as evidence for the Fuel Mix Disclosure information that electricity suppliers are now required to disclose.

Public Prosecution Service for Northern Ireland (PPS)

The PPS is the principal prosecuting authority in Northern Ireland. The primary role of the PPS is to reach decisions to prosecute or not to prosecute and to have responsibility for the conduct of criminal proceedings.

The PPS is statutorily obliged to take decisions as to prosecution in cases investigated by the Police Service of Northern Ireland (PSNI) and thereafter to take proceedings. While not required to, it has also historically considered cases investigated by other statutory authorities, such as HM Revenue and Customs and NICS Departments.

The workload of the PPS is driven by the general level of crime and the numbers of cases transferred to it by the PSNI. The progress of cases at court is administered by the NI courts and Tribunals Service (NICTS) who are responsible for listing cases.

The strategic priorities of PPS are:

- Delivering an efficient and effective prosecution service;
- Building the confidence and trust of the community we serve;
- Strengthening our capability to deliver; and
- Building the capability of our people.

The achievement of these aims and maintaining momentum in improvements is made more difficult as PPS is faced with continued budget reductions.

Key Issues/Challenges in 2016-17

The PPS faces the following key challenges over the budget period:

- To provide an enhanced level of service to the victims and witnesses of crime under the Victim Charter;

- To consider the means to implement the range of measures set out under the Justice Act (Northern Ireland) 2015, including direct committals;
- To maintain focus on reducing avoidable delay, responding to proposals for the introduction of statutory time limits;
- To redesign the structure, staffing and processes of the PPS so that it continue to operate effectively with Police and the Northern Ireland Courts and Tribunals Service after the implementation of their restructuring initiatives; and
- To realign staffing levels in light of the outcome of the Voluntary Exit Scheme which saw approximately 15 per cent of experienced staff leave the Service during 2015-16.

Budget 2016-17 Outcome

Resource Budget

These key challenges are to be delivered in the context of a 5.7 per cent in-year budget reduction. While the Service has taken steps to protect front-line services, the scale of the savings necessary are such that all business areas must contribute.

In delivering cash releasing efficiencies in expenditure the Department developed a Transformation Plan focused on:

- reducing staff numbers through the concentration of functions at a smaller number of sites and streamlining administration;
- reducing premises costs through the rationalisation of the PPS estate;
- exploiting the benefits offered by greater digital working; and
- reducing fees paid to independent counsel in line with rates payable in England and Wales.

In spite of the measures outlined above, the funding reductions applied will mean that the Service will be operating under significant pressure.

Capital Budget

The PPS capital settlement of £1.5 million will allow PPS to complete the accommodation modifications required to deliver the Transformation Plan, to build IT capacity for the new criminal justice structures and meet the capital implementation costs in relation to initiatives under the Justice Act, as they arise.

Equality and Good Relations Impact

Section 75 of the Northern Ireland Act 1998 requires the Service, in carrying out its functions to have due regard to the need to promote equality of opportunity between specified groups and to have regard to the desirability of promoting good relations between these groups.

A high level impact assessment of the Service's savings proposals has been prepared and shows that the plans are expected to have a neutral impact on these groups.

Other Departments - Non Ring-fenced Resource DEL

£million

	2016-17	
	Baseline	**Budget**
Assembly Ombudsman/Commissioner for Complaints	2.3	2.3
Food Standards Agency	8.6	8.1
NI Audit Office	7.7	7.9
NI Authority for Utility Regulation	0.2	0.2
Public Prosecution Service	32.8	31.0
Total	**51.6**	**49.4**

Totals may not add due to roundings

Other Departments - Capital DEL

£million

	2016-17 Budget
Assembly Ombudsman/Commissioner for Complaints	0.0
Food Standards Agency	0.1
NI Audit Office	0.0
NI Authority for Utility Regulation	0.0
Public Prosecution Service	1.5
Total	**1.7**

Totals may not add due to roundings

CHAPTER SIX: EQUALITY CONSIDERATIONS

Background

6.1 In line with Equality Commission guidance that equality considerations should be mainstreamed into the policy decision process, there remains an onus on the departments responsible for spending proposals to ensure that the equality and sustainable development impacts are considered in the appropriate manner.

Statutory Equality Obligations

6.2 Section 75 and Schedule 9 to the Northern Ireland Act 1998 came into force on 1 January 2000. It placed a statutory obligation on public authorities to ensure that they carry out their various functions relating to Northern Ireland with due regard to the need to promote equality of opportunity between:

- Persons of different religious belief;
- Persons of different political opinion;
- Persons of different racial group;
- Persons of different age;
- Persons of different marital status;
- Persons of different sexual orientation;
- Men and women generally;
- Persons with a disability and persons without; and
- Persons with dependants and persons without.

6.3 In addition, public authorities are also required to have regard to the desirability of promoting good relations between persons of different religious belief, political opinion, and racial group.

6.4 From January 2007 public authorities are also required to have due regard to the need to promote positive attitudes towards people with a disability and to encourage participation in public life by people with a disability.

6.5 The Delivering Social Change framework was set up by the Northern Ireland Executive to tackle poverty and social exclusion. It represents a new level of joined-up working by Ministers and senior officials across Executive departments to drive through initiatives which have a genuine impact on the ground. Delivering Social Change is a new way of doing business, moving away from plans with long lists of existing activities towards a smaller number of actions which can really make a difference. This framework provides departments with an outline for cross-cutting policy development in the context of reducing poverty and social exclusion.

6.6 The 2016-17 Budget sets out a framework of resources that will underpin the Executive's priorities and help achieve the overall aim of a peaceful, fair and prosperous society in Northern Ireland. Due to the economic context, we are dealing with a Budget that once again represents a real terms decline in public spending.

6.7 In this context, whilst setting the overall Northern Ireland Budget the Executive took into account a number of factors including existing inequalities and that is reflected in the protections offered for Health and Social Care and elements of welfare reform mitigation.

6.8 The key decisions on individual projects and their related equality impacts are not taken at the macro level, but rather at individual department level.

6.9 Those departmental decisions will continue to be subject to specific equality screening and, where appropriate, full Equality Impact Assessments (EQIAs) by departments, their agencies and relevant statutory authorities, as part of their respective equality schemes and in accordance with the criteria set out in the guidance produced by the Equality Commission for Northern Ireland.

6.10 In that context, the Executive will ensure that departments, government agencies and relevant statutory authorities continue to meet their obligations under Section 75 and Schedule 9.

6.11 Details of departmental Equality Screening and EQIAs on relevant programmes and projects will be available from individual departments. Departmental contact information can be found in the contact section of www.nidirect.gov.uk