



Department for the  
**Economy**  
[www.economy-ni.gov.uk](http://www.economy-ni.gov.uk)

# DEPARTMENT FOR ECONOMY IMPACT OF 2021/22

**DRAFT BUDGET  
SETTLEMENT**

## Contents

1. Introduction	<b>Page 3</b>
2. Summary	<b>Page 4</b>
3. DfE 2021/22 Baseline Budget	<b>Pages 5-6</b>
4. Budgetary Pressures	<b>Pages 7-8</b>
5. Consultation	<b>Page 9</b>

## 1. Introduction

The work of the Department for Economy (DfE) is crucial to building a globally competitive economy that works for everyone. This has never been more important as we assisting people and businesses to adjust to the changing economic fundamentals caused by Covid-19 and EU Exit.

DfE's Mission is to develop and implement agile policies and programmes which promote a competitive, sustainable and inclusive economy through investment in:

- Skills;
- Economic infrastructure;
- Research and innovation; and
- Business development.

DfE pursues its strategic objectives through the following areas of activity:

- Accelerate innovation and research;
- Enhance education, skills and employability;
- Drive inclusive, sustainable growth;
- Succeed in global markets;
- Build the best economic infrastructure;
- Deliver a regulatory environment that optimises economic opportunities for business and commerce, while also protecting consumers and workers; and
- Ensure the Department has effective governance, including programme and project management, and manages its resources, both financial and staff.

DfE will contribute to the following Draft PfG 2021 Outcomes:

- Our children and young people have the best start in life;
- We live and work sustainably – protecting the environment;
- We all enjoy long, healthy, active, fulfilled lives;
- Everyone can reach their potential;
- Our economy is globally competitive, regionally balanced and carbon-neutral;
- We have a caring society that supports people throughout their lives; and
- People want to live, work, and visit here.

## 2. Summary

This is an extremely challenging time for the NI economy. 2021/22 will see Northern Ireland reposition itself following EU Exit while dealing with the economic consequences of Covid-19. Continued and increased investment in the economy is vital to stimulate economic growth. A key part of that growth is investment in skills and this is in the context of a major deficit that currently exists in skills and education funding with HM Treasury information show a real terms decline of 14% from 2010/11.

The Draft Budget position is based on DfE living within its current baseline. The Resource DEL baseline is inadequate for the Department to progress its current portfolio of work to meet PfG commitments and rebuild a stronger economy as it recovers from the impact of Covid-19 and repositions from EU Exit.

With no certainty in respect of Covid-19 funding and EU Replacement funding for 2021/22 there is an increased pressure on the DfE baseline with a number of inescapable commitments. Equally, funding for EU Exit and the NI Protocol has only been confirmed for 2021/22 and is not baselined, meaning that the department cannot plan for this work beyond 2021/22.

### 3. DfE 2021/22 Baseline Budget

As outlined in Table 1 below, there has been no increase in the DfE Baseline budget it remains the same as last year at £805.4 million. £15.8 million of additional non-baseline funding has been provided for specific initiatives, but this was also received last year, so it is not an increase in funding.

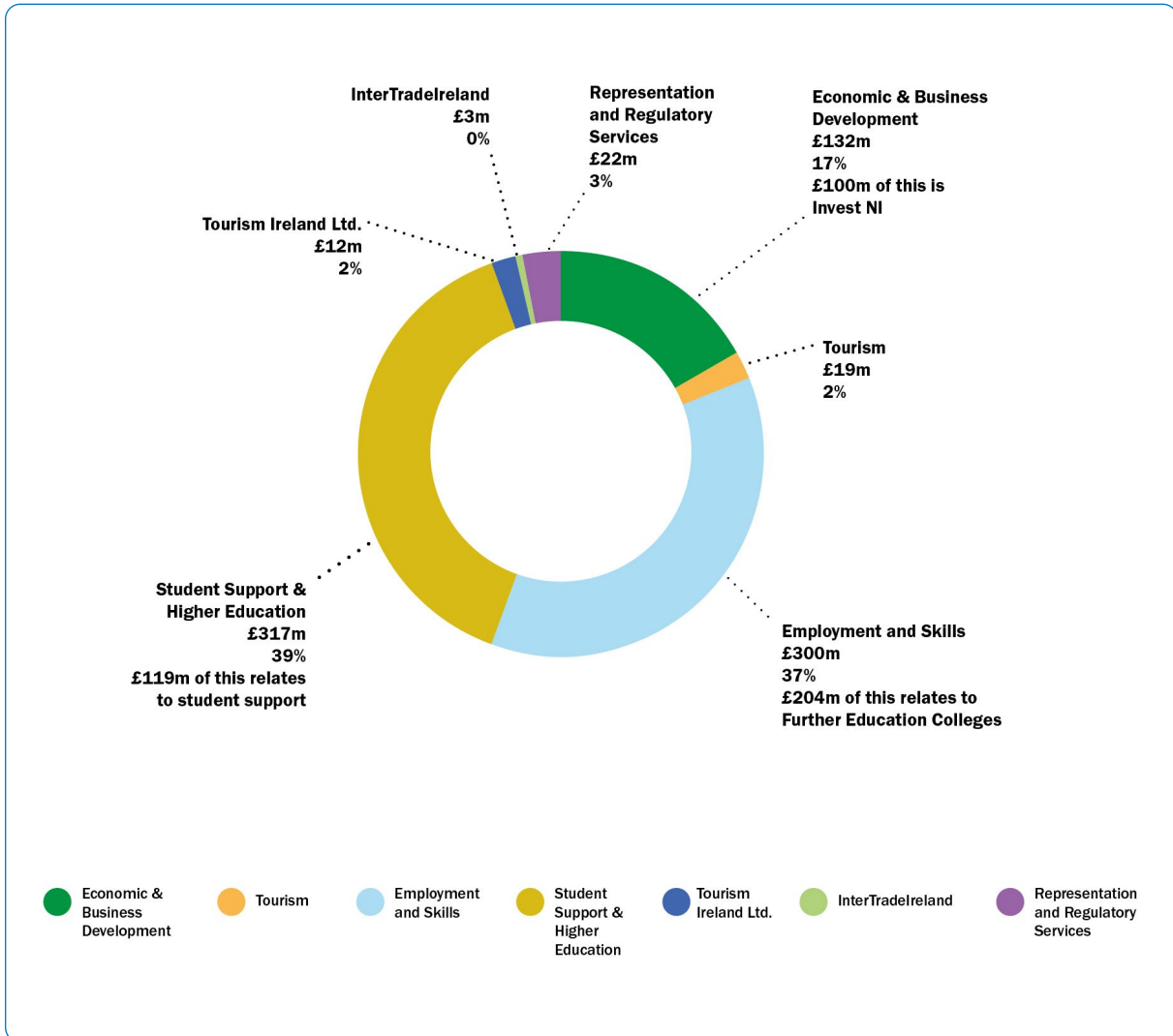
**Table 1 – DfE Baseline 2021-22**

<b>Non Ring-fenced Resource DEL Baseline</b>	<b>£'million</b>
Non Ring-fenced Resource DEL Planning Baseline 2020-21	805.4
Non Ring-fenced Resource DEL Planning Baseline 2021-22	805.4
<b>Baseline Charge</b>	<b>0</b>
<u>Non-Baseline Funding</u>	
EU Exit	12.3
EU Matched Funding	2.8
Change in A-Level Policy (Executive Commitment)	0.7
<b>Non Baseline Funding</b>	<b>15.8</b>
<b>Non Ring-fenced Resource DEL Draft Budget 2021-22</b>	<b>821.3</b>
Funding for Operation of NI Protocol	<b>12.2</b>

To manage and deliver DfE's core activities alone within a flat line basis will be extremely challenging due to the high levels of funding already committed for 2021-22.

Chart 1 below illustrates how the baseline of £805m is split across DfE, with over 39% (£317 million) allocated to High Education, 37% (£300 million) allocated to Skills and Learning of which £204m relates to Further Education College.

**Chart 1 - 2021-22 Breakdown (£805.4 million)**



## 4. Budgetary pressures

The Department estimates that it needs an additional £18 million to maintain core existing services. The costs associated with running an organisation do not stand still, a flat line settlement is in effect a cut of 2% for DfE. Unfunded budgetary pressures in 2021/22 include:

- £5.5 million in Further Education;
- £8.5 million of historic pay and other expenditure pressures
- a £2.3 million 2021/22 pay pressure;
- a £2 million baseline shortfall in EU Matched Funding; and
- £1.5 million in respect of the Public Service Obligation for the City of Derry Airport.

The potential impact of meeting these pressures include:

- a reduction in the number of FE student enrolments and services to meet inescapable pressures. This is contrary to the departmental priority to invest in Skills and Education, however with costs within FE colleges mostly fixed (88%) options are limited for absorption of increasing costs.
- vacancies across DfE and its Arm's Length Bodies will not be filled resulting in reduced resources to deliver vital initiatives to support economic recovery including Skills and Learning.
- other vital support to businesses will have to be reduced if the cost relating to the Public Service Obligation for City of Derry Airport is not funded by the NI Executive, this is at a time when focus should be on investing in economic recovery.

### EU Exit

While some steps have been taken in the 2021/22 financial year to mitigate immediate pressures uncertainty on EU Replacement remains.

A longer-term solution for all EU structural funding needs to be found early in 2021/22 to ensure there is a sustainable source of funding to replace the circa £65m per annum previously provided through European Social Fund (ESF) and European Regional Development Fund (ERDF).

## COVID-19

It is anticipated there will be additional funding to address the impact of Covid 19, however the amount remains unknown so allocations have not yet been made. DfE has been tasked with providing vital support to businesses since the onset of the pandemic in March 2020. Some of these initiatives are multi-year, creating an immediate funding requirement of circa £32m in 2021/22.

Support cannot stop on 1 April 2021, it is vital that DfE is adequately funded to properly support the Northern Ireland economy as it recovers from the impact of Covid-19. The Department is developing a Recovery Action Plan which will be the framework to support economic recovery. It is imperative that funding is provided to deliver it, this will require a commitment for funding above the baseline set out in the draft 2021/22 budget. Supporting a Highly Skilled & Agile Workforce will be a vital pillar of the Recovery Action Plan, **Northern Ireland must invest in skills and training, to provide citizens with the tools they need to secure employment.**

**It is essential that substantial additional funding is confirmed and made available at the earliest possible opportunity to have the maximum possible impact in driving economic recovery.**



## 5. Consultation

This short document should be read together with the 2021-22 draft Budget document setting out the Executive's draft spending plans for the period from April 2021 to March 2022 which can be found at <https://www.finance-ni.gov.uk/publications/2021-22-draft-budget>. Any comments on the DfE draft Budget for 2021/22 should be submitted through [Budget Consultation - NI Direct - Citizen Space](#).