Northern Ireland Assembly

Research and Information Service
Briefing Paper

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Northern Ireland Economy & the Budget: initial considerations for 2025/26

Finance and Economics Research Team

This Briefing Paper aims to facilitate the Committee for Economy, to help inform its deliberations on boosting the Northern Ireland economy in 2025/26, within the challenging budgetary and economic contexts and existing/planned Department for Economy policies and implementation strategies, plans, programmes and initiatives arising under the Department's Economic Vision and other.

Introduction

The Committee for the Economy (CfE) commissioned this Briefing Paper to, to help inform its deliberations on boosting the Northern Ireland economy within the context of:

- The 2025/26 Draft Executive Budget – in particular the proposed allocation for the Department for the Economy (DfE)
- Northern Ireland Executive and DfE policies and implementation strategies, plans, programmes and initiatives, including those arising under DfE's Economic Vision
- International and domestic economic trends

This Paper is not exhaustive. Ultimately, it seeks to increase openness and transparency, and thereby facilitate the Assembly – via its plenaries and committees – in holding the Executive and its departments to account. Divided into six sections, the Paper draws on a range of available sources, to outline:

1. Timeline of key government events relevant to 2025/26 Executive Budget and Northern Ireland economy
2. Refresher on economic theory and practice, from Northern Ireland perspective
3. International economic considerations
4. Northern Ireland economy - key metrics and challenges
5. DfE budgeting and spending: 2024/25 observations, to inform 2025/26
6. Initial considerations on boosting the Northern Ireland economy

Throughout sections 4 - 6, some potential scrutiny points are highlighted where issues arise from currently available sources.[1]

[1] This is the online published version of this Paper. Some minor presentational changes were made following presentation of this Paper to the Committee for Economy on 12 February 2025.

1 Timeline of key government events relevant to 2025/26 Draft Executive Budget and Northern Ireland economy

Over the past 12 months, there have been a considerable number of government developments relating to this island, which are relevant to CfE's deliberations on boosting the Northern Ireland economy. Key amongst them are those arising in the United Kingdom - including Northern Ireland-specific and United Kingdom-wide – as well as those arising in the Republic of Ireland. Table 1 below sets them out:

Table 1: Timeline of key government events relevant to 2025/25 Draft Executive Budget and Northern Ireland economy

Date	Key development(s)
5 Feb 2024	**United Kingdom Government announced spending settlement**, following on from Dec 2023 political agreement to restore fully functioning devolution in Northern Ireland • Totalled over £3.3 billion • Committed the Executive to **raising £113 million of** "**locally generated income**", as well as other measures - such as the implementation of a **Budget Sustainability Plan** to support Northern Ireland's long-term fiscal stability
13 Feb 2024	**Publication of financial support package entitled Summary: Financial Settlement between the United Kingdom Government and the Northern Ireland Executive** - specified the individual provisions contained in the package, including specified conditions and related timings: • Funding of £584 million to provide public sector pay awards for 2023/24 • Funding of over £1 billion for stabilisation over two years (2024/25 and 2025/26): £34 million in 2024/25 to tackle waiting lists; £708 million of reallocated and new funding over 5 years (to include £235 million of ringfenced funding for transformation – subject to establishment of the Public Sector Transformation Board) • Debt forgiveness of £559 million – subject to: publication and implementation of the Budget Sustainability Plan; a balanced budget for 2024/25; and, revenue raising a minimum of £113 million • Increased Northern Ireland Executive annual capital borrowing limit by 10% in 2024/25, and then annual increases in line with inflation

	• Commitment to open discussions between the United Kingdom Government and the Executive about the new Fiscal Framework for Northern Ireland • Commitment to provide a needs-based factor in the Barnett formula of 24% from 2024/25 - expected to generate £785 million of funding over five years • Finance Minister that day sent a letter to His Majesty's (HM) Treasury's Chief Secretary, responding to that above and noting a number of "serious concerns"
19 Feb 2024	**Economic Strategy (Economic Vision) – launched by Department for Economy** • Limited resources and devolved powers, so strategic focus critical • **Four key objectives** to the new Economic Mission: (1.) **Increase the proportion of working-age people in Good Jobs in Northern Ireland,** by: investing in affordable childcare and fair pay for childcare workers; creating more and better paid apprenticeships and skills academies; replacing zero hour contracts with contracts that provide flexibility and protect workers' rights; strengthening the role of trade unions, particularly in low-paying sectors; altering our economic structure by supporting industries that provide Good Jobs; harnessing the unrealised potential of the Social Economy; and, improving careers advice, including in schools, so that people are fully informed about the opportunities available to them (2.) **Promote regional balance in the Northern Ireland economy**, by: settling local economic targets and funding local economic strategies that are designed in partnership with councils and local enterprise agencies, and that are based on local strengths and potential; offering greater financial incentives for inward investors and for indigenous companies that are expanding, to located in areas that are underdeveloped; developing industries with a strong sub-regional presence, such as tourism, hospitality and manufacturing; building the portfolio of land and property for business development in disadvantaged areas; and, driving forward delivery of projects that improve regional balance, such as the expansion of the Magee Campus, and City and Growth Deal projects (3.) **Raise productivity in the Northern Ireland economy**, by: using dual market access to grow domestic exports and to attract highly productive Foreign Direct Investment (FDI); developing all-Ireland clusters in high-productivity sectors; improving work-relevant skills, including through upskilling workers and increasing the number of students in further and higher education; working with business to adopt productivity-improving technology such as Artificial Intelligence (AI) and robotics; supporting Research & Development (R&D); driving innovation through collaboration across government, academia and the private sector; and, improving management practices

	(4.) **Reduce carbon emissions in Northern Ireland,** by: increasing Northern Ireland's energy efficiency; becoming self-sufficient in, and even an exporter of affordable renewable energy (have resources including wind, biomethane and geothermal); breaking the link with global commodity prices and ensuring that people and businesses pay a fair price for energy produced locally; collaborating strategically on the opportunities and investments needed to realise our energy aspirations on the island of Ireland within the Single Electricity Market; establishing a Net Zero Accelerator Fund to help plug the funding gap for projects that are not fully financed by private sources; developing the circular economy and taking advantage of the opportunities that exist to reduce waste, reduce cost and increase both collaboration and competitiveness across the island; and, using Investment Zone funding to support green technologies and the skills needed for a green economy • **Vision underpinning new Economic Mission,** by: (1.) using the Windsor Framework to grow local exports and attract better FDI; (2.) taking full advantage of the all-Ireland economy; (3.) collaborating genuinely across business representatives, trade unions and academia; (4.) strategically using conditions and incentives as part of its work in business; and, (5.) developing clusters of businesses, rather than just individual companies in isolation • **Invest Northern Ireland reform**, by: (1.) attaching stronger conditions and incentives to support business in line with the new Economic Mission; (2.) establishing a new regional structure dedicated to home-grown Small and Medium Sized Enterprises (SMEs) and start-ups; and, (3.) developing industries as well as individual firm
20 Feb 2024	**Over €800 million funding to Northern Ireland under the Irish Government's "Shared Island Initiative"** – part of its commitments set out in the 2020 New Decade, New Approach Agreement for a number of significant cross-border investments
Apr 2024	**Launch of Land and Property Service (LPS) revaluation exercise for Non-Domestic Rates in Northern Ireland:** • Businesses were issued a questionnaire to be completed by December 2024 • New valuations expected to inform Non-Domestic Rates bills in April 2026
9 May 2024	**Interim Public Sector Transformation Board established in Northern Ireland** and: • Northern Ireland Executive to receive £235 million of ring-fenced funding over five years for transformation, if Public Sector Transformation Board established, as required by the United Kingdom Government

21 May 2024	Northern Ireland Executive Interim Fiscal Framework, including: (1.) 24% needs-based top-up to Barnett consequentials when Block Grant overall lies below 24% premium over English spending-per-head (2.) Agreement to review funding for 2026-27 onwards (3.) Specified scope for Budget Sustainability Plan for Treasury to write-off overspends, including need to raise £113 million in revenue in 2025/26 (4.) Confirmation of increased capital borrowing limit to £220 million in 2024/25 (5.) 2024/25 Barnett consequentials in the amount of £24 million RDEL as 24% needs-based factor has been applied to Barnett consequentials arising from the Chancellor's Spring Budget 2024
9 Jul 2024	**United Kingdom Chancellor of the Exechequer's Statement on public spending inheritance**: • Highlighted Treasury spending audit finding that £22 billion of unfunded pledges this year, which had been inherited from the previous Government • Noted Chancellor's "difficult decisions" to find £5.5 billion of savings this financial year, and £8.1 billion next • Specified a set of non-negotiable fiscal rules are to be confirmed 30 October 2024 vis Autumn Statement on the Budget, alongside further difficult decisions to be taken on tax and spending • Finalised 2024/25 departmental budgets • Explained 2025/26 is to be confirmed in October • Indicated a multi-year Spending Review is to conclude in Spring 2025, which is to embed mission-led government and transform public services
5 Aug 2024	**DoF urgent in-year 2024/25 Budget Information Gathering Exercise:** • In reply, departments **reported £767 million pressures**, above their existing budgets
22 Aug 2024	**DoF Budget 2025-28 Information Gathering Exercise** – commissioned by DoF and requiring departmental returns by 4 Oct 2024 – marking the start of the Northern Ireland Executive Budget cycle 2025/26 planning stage
5 Sep 2024	**Northern Ireland Executive draft Programme for Government (PfG) 2024-2027**: Our Plan: Doing What Matters Most, with public

	consultation open from 9 Sept – 4 Nov 2024 – and departments to align bids for Budget 2025-28 with draft PfG
9 Sep 2024	DfE Business Plan 2024/25 issued, including key projects and actions, including Invest Northern Ireland restructuring so that it is more focussed on: • Regional economic development • Renewable Electricity Support Scheme • New electricity and connection policy • Aviation and Route Development Policy • Improved support for people with special educational needs (SEN) after they leave school • A circular economy strategy
13 Sep 2024	His Majesty's Treasury pause some City and Growth Deals funding commitments - Causeway Coast and Glens and Mid-South West Growth Deals - **but** Belfast Region, Derry and Strabane District Council City Deals to proceed as planned
Sept 2024	DoF analysis of Nov 2023 Rating public consultation responses – key respondent revenue-raising themes: • Broad support for maintaining the range of available supports and reliefs for: Industrial De-rating; Non-Domestic Vacant Rates; and, Freight Transport rates • Mixed response for removing Halls of Residence exemption
1 Oct 2024	DfE Sub-Regional Economic Plan issued: • Set out a new strategic approach to economic policy, which is local led • Placed regional balance at its heart • Enshrined local partnership working, with a co-design approach • Involves central government, Invest Northern Ireland, Councils and Northern Ireland's network of education providers and civic society • Aims to support local clusters, investment in skills programmes and quicker planning decisions • May provide additional DfE funding support
3 Oct 2024	Executive's Budget Sustainability Plan **-** to enable Executive to benefit from Treasury's debt forgiveness of up to £559 million -

	amongst other things, such as the Executive's acknowledgement that: • Regional Rates are the Executive's "…*primary lever for revenue generation…",* and any increase in income through the Regional Rates would form an important component of the Executive's sustainable funding of public services • A multi-faceted strategy is therefore required to ensure a sustainable and equitable increase in regional revenue • Sharp rate increases in rates may have a negative effect on the expansion of the taxable base, and therefore may be detrimental to the Plan's ultimate aim – that is, increasing available Executive funding in a sustainable way in order to deliver key public services
30 Oct 2024	Chancellor's Autumn Budget 2024 - including confirmation of: • Final Northern Ireland Executive settlement for 2024/25 • **Chancellor's spending plans for 2025/26**, including: (1.) Northern Ireland Executive to receive Barnett consequentials for 2024/25 of £609.3 million DEL (2.) £30.4 million CDEL Northern Ireland Executive to receive £18.2 billion funding envelope in 2025/26 (£16.0 billion RDEL and £2.2 billion CDEL), which includes: £1.5 billion top-up through the Barnett formula (£1.2 billion RDEL and £270 million CDEL) (3.) £760 million of targeted funding (£670 million RDEL and £90 million CDEL) City and Growth Deals to resume, subject to a benefit cost analysis (4.) Above provides basis for **single year Northern Ireland Executive Budget 2025/26**
19 Nov 2024	Invest Northern Ireland Business Strategy 2024-27 - including following commitments: • Building regional balance and supporting a globally competitive economy • Supporting investments in green technologies and sustainability initiatives and helping businesses to put in place a Sustainable Development Plan • Expanding opportunities to drivee R&D, create high-quality jobs and improve productivity • Making it easier for businesses, especially micro and small enterprises, to navigate our resources and to find the right path for growth • Providing a Regional Property Programme to create an environment where all regions can thrive • Enhancing collaboration with local stakeholders to align our resources effectively
9 Dec 2024	The (then) Minister of Finance made an Oral Statement to the Assembly on Rating Policy, including her Strategic Roadmap

	on Rating Policy - setting out, amongst other things, a number of proposals for the reform and refinement of Rating in Northern Ireland over the short and medium to long term, including: • Comprehensive review of the Small Business Rate Relief • Review of the Non-Domestic Vacant Rating • Implementation of First Occupier Discounts
19 Dec 2024	**Public consultation issued on 2025/26 Draft Executive Budget:** • Following on from Executive agreement to consult; opened 19 Dec 2024 and closes 13 May 2025 • Echoing that Regional Rates are the most significant source of revenue-raising for Northern Ireland • Proposing a Regional Rate uplift of 3% for Non-Domestic Properties from Apr 2025 - Mar 2026 • Projecting the proposed uplift would generate a further £42.6 million; helping to meet one of the February 2024 Restoration Package requirements – that is, the Executive raising £113 million of additional income from local funding streams
23 Jan 2025	**New Irish Government issued its Programme for Government 2025** – "Securing Ireland's Future", which featured a range of new cooperation and investment commitments relating to Northern Ireland – namely: • *This Government will foster collaboration with Northern Ireland on healthcare, research, training and education to achieve improved health outcomes for everyone on the island of Ireland.* • *This Government will: … Continue to fund and support Waterways Ireland in co-operation with the Northern Ireland Executive.* • *Those who are processed under the border procedure will not be authorised to enter Ireland. Their applications, appeals and removal decisions must be processed within three months. This will include people who have arrived by crossing the land border with Northern Ireland* • *Boost funding for the Touring of Work Scheme to facilitate regional presentations of professional productions and extend access to arts organisations and venues in Northern Ireland* • *Under Building our Shared Island Strand - Fund Northern Ireland students to participate in the Erasmus programme in Ireland and across the EU.* • *Improve connectivity with the Northwest by working with the Northern Ireland Executive to deliver the A5 road upgrade. Further enhance road connectivity to and from the North-West.* • Commits a further one billion euros, up to 2035, to foster reconciliation, mutual respect and growth on the Island of Ireland through the Shared Island Initiative and Fund; ring-fencing funding to enable all-island

	investment commitments and objectives, and working through all-island partnerships with the Northern Ireland Executive, the United Kingdom Government, Local Authorities, education institutions and through island-wide funded schemes • Backed by a total all-island investment commitment of more than 3.5 billion euros to 2030, throughout the Government's Shared Island Fund, Project Ireland 2040 funding, resourcing for North/South cooperation, and, the PEACEPLUS programme delivered with the European Union, the United Kingdom Government and the Northern Ireland Executive • Will continue to invest in future for North/South and East/West cooperation for the island of Ireland • Allocated to date from the Shared Island Fund is almost 500 million euros
29 Jan 2025	**Chancellor's Statement**: • Confirmed the Chancellor's Spring Statement on 26 Mar 2025, which is to include latest Office for Budget Responsibility (OBR) and be accompanied by economic and fiscal forecasts • Reiterated the Chancellor's commitment to holding on major annual fiscal event • Announced the multi-year Spending Review (SR): (1.) Scheduled to conclude in Jun 2025 (2.) Will shape spending plans for at least three years and will influence the United Kingdom's fiscal policies and future priorities (3.) Will aim to: a. Provide stability and certainty for businesses and families b. Support the current United Kingdom Government's long-term economic growth mission c. Enhance use of technology in service delivery
31 Jan 2025	**DfE Delivering the Economic Vision – Year one progress report** – stating: • Extremely challenging financial situation – for example, between 2020/21 and 2025/26 DfE's RDEL baseline decreased by over 5%, before inflation factored in • Significant progress had been made in the f**our key objectives** to the new Economic Mission: increasing the proportion of working-age people in Good Jobs in Northern Ireland; promoting regional balance in the Northern Ireland economy; raising productivity in the Northern Ireland economy; and, raising productivity in the Northern Ireland economy • Increased use of co-design, strong foundations laid, momentum built up to continue to drive delivery for rest of mandate (next two years)

2 Refresher on economic theory and practice, from Northern Ireland perspective

For a basic overview of economic theory and practice from a Northern Ireland perspective, refer to the online Public Finance Scrutiny Unit Workshop Series; published by RaISe's Public Finance Scrutiny Unit (PFSU), within the Finance and Economics Research Team. Collectively, the individual modules in the Series explain fundamental economic principles and outline why such principles are important and relevant to economic development in Northern Ireland:

1. Economic Performance: Why measure economic performance (overall economic output and growth) in Northern Ireland, and how is that done?

2. The Labour Market: Why be aware of Northern Ireland's labour market performance?

3. Sectors and Productivity: What are key groups of institutions in the Northern Ireland economy and how is their economic activity categorised?

4. Economic Impact: What are key impacts of individual economic events; and how do those impacts subsequently affect the wider economy?

3 International economic considerations

At the time of writing, a number of international economic considerations that cause unpredictability and instability should be factored into Northern Ireland policy and budgetary decision-making. Some of them are highlighted below:

- 3.1 Potential American tariffs and trade wars
- 3.2 Persistent wars and other conflicts disrupting global economy
- 3.3 Accelerating use of digital technologies

3.1 Potential American tariffs and trade wars

Pledges made by the new American President during his campaign and since taking office would impact the international trading system, if implemented. For example, tariffs on European Union exports into the United States would impact Members States of the European Union, including the Republic of Ireland, and could trigger a trade war. Recently, European leaders have indicated to the media that they would respond firmly if the President of the United States enters a new trade war with the 27-Member bloc.

If such a trade war did arise, the University of Sussex Centre for Inclusive Trade Policy (CITP) has highlighted different impacts that would arise for Great Britain and for Northern Ireland, given prevailing arrangements post United Kingdom exit from the European Union. For Northern Ireland, CITP explained that any economic impacts that would arise under the Protocol/Windsor Framework currently governing trade between Great Britain, Northern Ireland and the European Union, which defines Northern Ireland's trade regime and its place within the United Kingdom internal market.[2] And in that scenario, the CITP said:[3]

- Any retaliatory tariffs imposed by the European Union on United States goods would apply in Northern Ireland because Northern Ireland remains subject to the European Union's trade remedies regime under the Protocol/Windsor Framework.
- Such measures would affect American imports that would be moved from Great Britain into Northern Ireland; effectively subjecting them to European Union tariffs within the United Kingdom internal market.

In early February 2025, a Belfast-based trade expert was reported in the media to have said that the Framework could present a unique dynamic if the United Kingdom would avoid the expected tariffs on European Union countries. He maintained that:[4]

> *Northern Ireland's position within the EU Customs Union and UK internal market will be interesting…*
>
> *…If different US tariffs apply to the EU and UK, there could be an economic opportunity to position Northern Ireland as an attractive base for EU exporters…*

[2] Msn. Trump's tariffs could present economic opportunity for the north, says trade expert (5 February 2025) For background on the Protocol/Windsor Framework, see: Assembly Research and Information Service Briefing Paper - Northern Ireland external trade in goods and services - 2013 - 22 governmental data. NIAR 44-24 (12 Apr 2024)

[3] University of Sussex, Centre for Inclusive Trade Policy (CITP). US trade policy under Trump: Potential implications for the Windsor Framework and Northern Ireland (13 Nov 2024)

[4] The noted consultant highlighted a very recent example of this; pointing to when the European Union decided to impose countervailing measures on Chinese electric vehicles, which led some to accuse the European Union of creating an EV border between GB and NI. See: Msn, Trump's tariffs could present economic opportunity for the north, says trade expert (5 Feb 2025)

> *…This would make good on the promise that the region would enjoy the best of both worlds...*

However, the expert also stated such tariffs could further complicate the trade arrangements relating to Northern Ireland, pointing out that:[5]

> *The US might seek to clarify its stance on Northern Ireland goods and there could easily be confusion about what tariffs apply where, creating costs and red tape for local exporters and potentially importers.*

Moreover, previously, in its November 2024 analysis, the CITP at the University of Sussex Centre stated that if any aggressive increase in American tariffs on European Union goods, then the European Union could decide retaliate and target American imports. In terms of costs, the CITP also suggested a £22 billion cost for United Kingdom exports, assuming the United States imposed a blanket 20% tariff on all imports. It further suggested that United Kingdom exports to the world could fall more than 2.6%, due to lower trade with the United States and knock-on effects globally, if the now American President (then President elect) went through with his repeated campaign promise to levy a 20% tax on all imports, and a 60% tariff on Chinese imports. Moreover, it suggested that the noted decline in trade would be the equivalent of an annual hit to United Kingdom economic output of 0.8%. It is important to note that the quoted CITP numbers assumed only the United States setting tariffs on the world, not a trade retaliation from Europe or Asia.[6]

It also was reported in November 2024 that the main United Kingdom sectors likely to be hit by such American tariffs would be fishing, petroleum, and mining, which could see exports fall by around a fifth. The pharmaceutical and electrical sectors would also be hit. Even businesses that are not exporters themselves could be affected. For example, firms supplying transportation services, which rely on strong trade flows, would take a hit. Insurance and finance services also support the underlying goods trade. But some sectors could benefit from reduced China exports to the United States. For example, textiles and clothing could see gains due to reduced competition, if Chinese exports were hit by much higher Trump tariffs.[7]

Moreover, the International Monetary Fund (IMF) in November 2024 stated any large-scale trade war would drive up inflation and projected that it would lead the

[5] Msn. Trump's tariffs could present economic opportunity for the north, says trade expert (5 Feb 2025)

[6] University of Sussex, Centre for Inclusive Trad Policy (CITP). US trade policy under Trump: Potential implications for the Windsor Framework and Northern Ireland (13 Nov 2024)

[7] BBC News. Trump tariffs could cost UK £22bn of exports (8 Nov 2024)

world economy to shrink 7%; effectively equating to the size of the French and German economies combined.[8]

3.2 Persistent wars and other conflicts disrupting global economy

Recently, the IMF observed that the global economy also has faced disruption from wars in the Ukraine and in Gaza, which has disrupted global economic recovery and growth following the 2020 COVID pandemic. In addition, there are many examples over the last decade of on-going conflict and civil unrest, contributing to food insecurity and immigration, amongst other things, which all have contributed to disrupted global economic recovery and growth.[9]

The January 2025 edition of the World Economic Forum's Chief Economists Outlook observed that the global economy was under considerable strain. The Outlook stated that while inflation is easing in most regions, uncertainty remains elevated and regional growth disparities shape an overall subdued outlook. It also highlighted that American policy is expected to have a significant impact on the global economy in the years ahead, inducing a long-term shift to its trajectory. Moreover, it revealed intensifying pressures on the world's economic interconnectedness, with fragmentation trends expected to accelerate in goods and services trade, labour mobility, technology and data, and to a lesser degree in finance. And it further speculated that while global trade remains resilient, tensions nonetheless are expected to intensify both between major powers and more widely.[10]

Similarly, the Organisation for Economic Cooperation and Development (OECD) in its latest Economic Outlook (December 2024)[11] pointed to challenges in potential rising trade tensions, protectionism, escalation of geopolitical conflicts, alongside challenging government budgets in some countries – see recent video.[12]

3.3 Accelerating use of digital technologies

According to a recent IMF study, the accelerating pace of digitisation development and integration, including Artificial Intelligence (AI), into the home and

[8] BBC News. Trump tariffs could cost UK £22bn of exports (8 Nov 2024)

[9] IMF Annual Report 2024. High Uncertainty and the Unknown

[10] Chief Economists Outlook World Economic Forum (Jan 2025)

[11] OECD Economic Outlook, Volume 2024 Issue 2 (Dec 2024)

[12] Video: OECD Economic Outlook - Resilience in uncertain times (Dec 2024)

business/industry presents economies around the world, with both advantages and challenges that governments need to factor into their policy and budgetary decision-making – such as the following:[13]

- Advantages - for example: improved effectiveness and efficiencies in service delivery; increased productivity; boosted growth; raised incomes; ultimately all serving to enhance peoples' socio-economic circumstances
- Challenges - such as: digital divide disadvantaging those disconnected; job displacement; increased cyberattacks resulting in financial problems threatening insolvencies; ultimately all serving to deepen inequalities in societies.

4 Northern Ireland economy – key metrics and challenges

Northern Ireland's economic performance is examined below across key metrics, to highlight both strengths and the many challenges that will test government policy and budgetary decisions aiming to address economic growth, employment, unemployment, inflation and other ongoing economic challenges persistently facing Northern Ireland, such as its productivity gap, economic inactivity and inclusion in the labour market. This section is not intended to provide an exhaustive study.

It is presented as follows:

- 4.1 Recent economic performance: economic growth; labour market; and, inflation
- 4.2 Key challenges facing Northern Ireland economy
- 4.3 Summary table

4.1 Recent economic performance

Below are data to highlight Northern Ireland's recent economic performance in key areas, to outline the context in which the 2025/26 Draft Executive Budget has been formulated, and if adopted, implemented. It does so looking at the following metric data:

- 4.1.1 Economic growth

[13] IMF Annual Report 2024. High Uncertainty and the Unknown

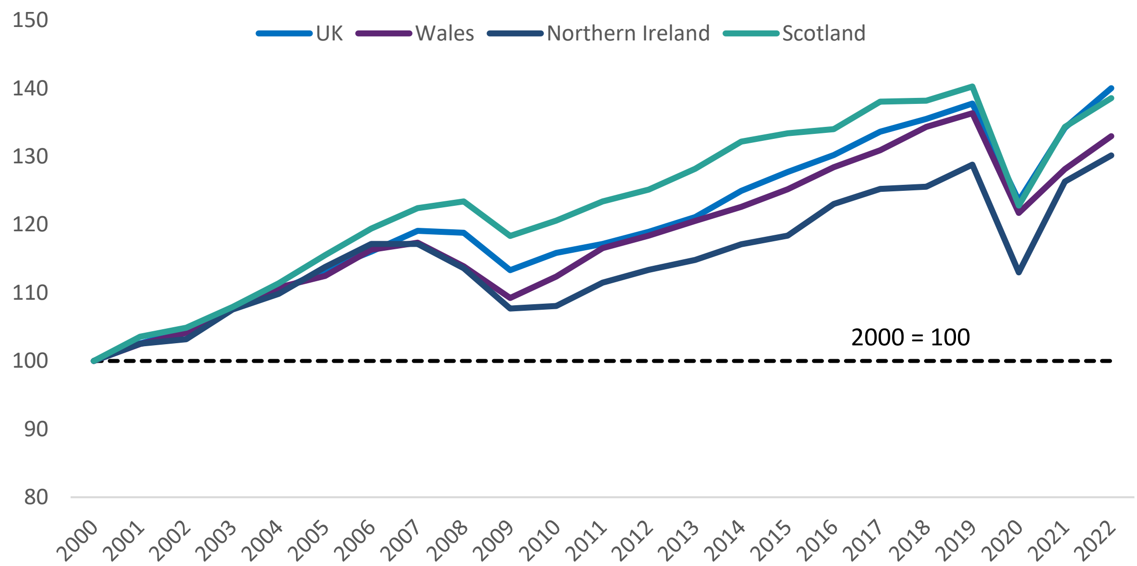
- 4.1.2 Labour market (employment and unemployment)
- 4.1.3 Inflation

4.1.1 Economic growth

Gross Domestic Product (GDP) is a measure of the value of the goods and services produced in a country or region, and estimates the size and growth of the economy.

As illustrated in Figure 1 below, annual figures published by the Office for National Statistics (ONS) show that Northern Ireland's economy has grown by just over 30% in real terms[14] since 2000. This is lower than the United Kingdom average (40%) and the other devolved nations of Scotland (38.6%) and Wales (33%):

Figure 1: GDP growth, United Kingdom and Devolved Nations, 2000-2022, (2019 prices)



Source: ONS (Apr 2024)

GDP in the United Kingdom and all devolved nations fell sharply in 2020 as a consequence of the pandemic and the restrictions that followed – but returned to growth in 2021 as the recovery began. The Northern Ireland economy grew by almost 12% in 2021, followed by 3% in 2022.

14 "Real terms" data do not include the effects of inflation over time. Current (or "nominal") terms data do factor in those effects.

As of 2022, Northern Ireland's economy was 1.1% larger in real terms than it was in 2019, before the pandemic. By comparison, the economies of Scotland and Wales were 1.2% and 2.5% smaller, respectively.

Other data sources provide a more current picture of how both the United Kingdom; and Northern Ireland economies have been performing.

The latest monthly GDP data published by the ONS in January 2025 (available at the United Kingdom – but not regional – level) show that the United Kingdom economy grew by 0.1% in Nov 2024.

The Ulster Bank Regional Growth Tracker for Dec 2024 showed that December marked the first monthly decrease in business activity for 13-months. The overall reduction was driven by declines in the retail and construction sectors.

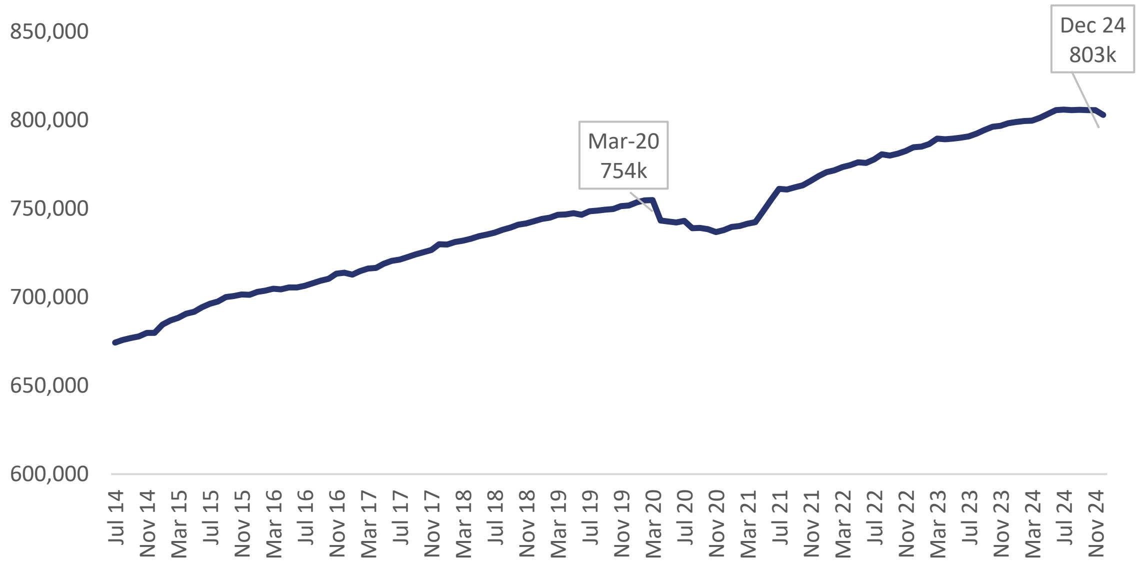
4.1.2 Labour market

This sub-section briefly outlines the performance of Northern Ireland's labour market in two key metrics: employment; and, unemployment. Economic inactivity is addressed separately in sub-section 4.2.1 below addressing "Challenges".

Employment

The latest labour market data from the Northern Ireland Statistics and Research Agency (NISRA) show that the number of employees receiving pay through His Majesty's Revenue and Customs (HMRC) Pay As You Earn (PAYE) in December 2024 was 802,998. That represents a very slight decrease of 0.3% over the month, but an increase of 0.6% over the year. July 2024 was the highest level on record. Employee numbers have been back above pre-pandemic levels since June 2021. This is shown below in Figure 2 below:

Figure 2: Total pay-rolled employees, Northern Ireland, Jul 2014 – Dec 2024



Source: NISRA (Jan 2025)

This headline employee jobs figure conceals some variation across sectors of the economy. According to the most recent sector-level data from NISRA up to October 2024, employee jobs are above their pre-pandemic level in all sectors of the economy. However, in October 2024, the majority of sectors saw a small decrease relative to September 2024.

Over the year to October 2024, the financial services (+4.0%), public administration (+3.3%) and education (+3.3%) have had the largest increases. Over the same time, the majority of sectors have seen a decrease in employee jobs in the same time period notably: ICT (-2.3%); and, Professional Services service (-2.3%).

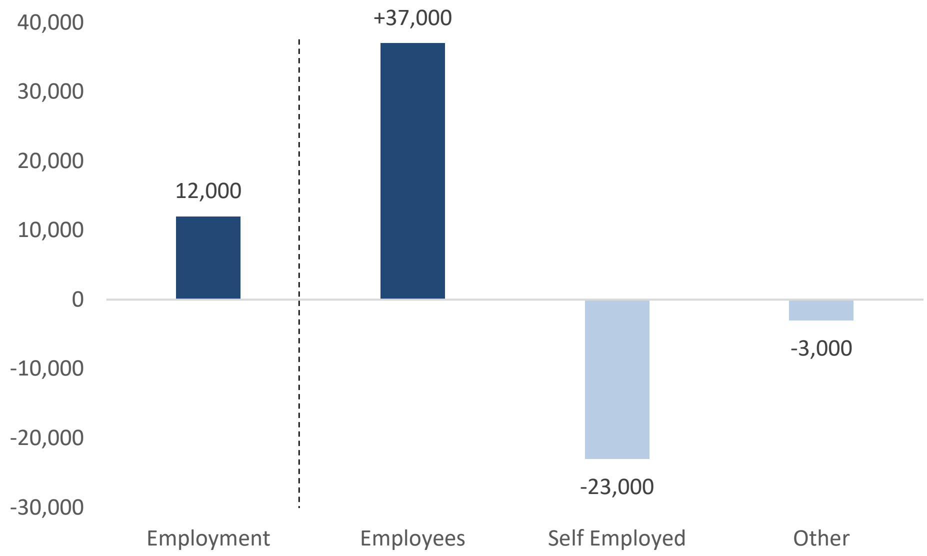
It is worth noting that despite the strong growth in the number of payrolled employees; the latest NISRA Labour Force Survey (LFS) data show that **total employment**[15] has continued to increase above pre-pandemic levels. ("Total employment" includes figures for the number of people who are self-employed.)

Total employment (of those aged 16+) is above (+12,000) its pre-pandemic level (in the period of December 2019 - February 2020). However, although there has been a large increase of +37,000 in the number of employees; the number of people who

[15] Total employment = employee jobs + self-employed

are self-employed or “other”[16] employees have seen a significant decrease. This is shown in Figure 3 below:

Figure 3: Drivers of employment change (age 16+), Feb 2020 – Nov 2024



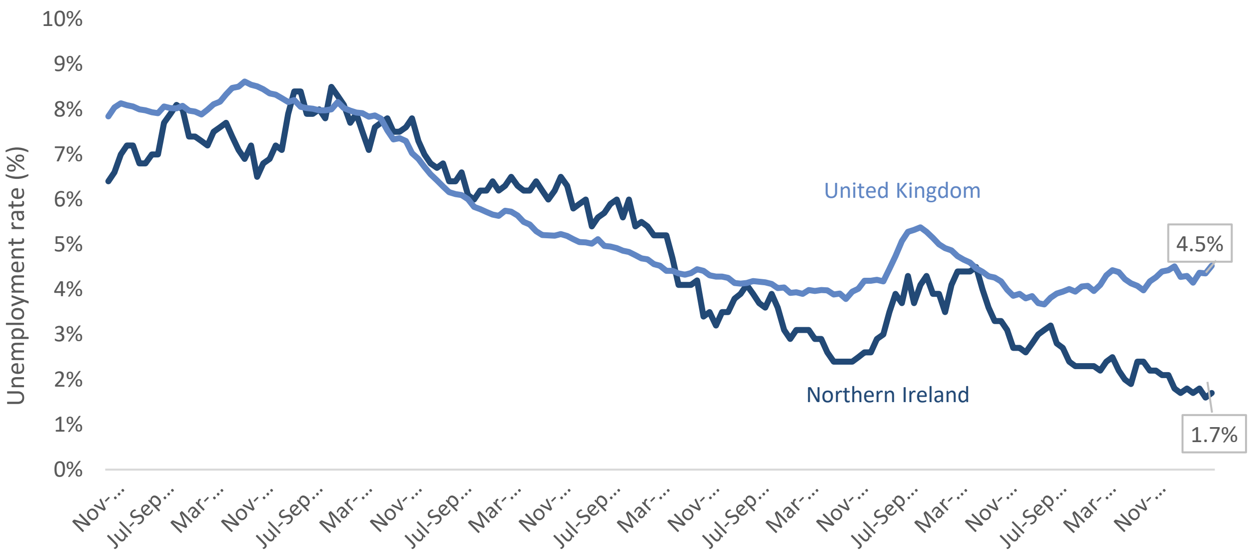
Source: NISRA (Jan 2025)

Unemployment

In addition to high employment levels, the unemployment rate in Northern Ireland is now at a historic low. The rate in the period of September - November 2024 was just 1.7% – below the United Kingdom average of 4.5% – as shown in Figure 4 below. A low unemployment rate indicates that there is a large number of the working age population that are not unemployed – meaning they instead could either be employed or economically inactive. In Northern Ireland, it is largely a consequence of a high economic inactivity rate (see sub-section 4.2.1):

[16] The “other” category includes those on government training schemes and unpaid family workers

Figure 4: Unemployment rate (age 16+), Northern Ireland and United Kingdom, Jan 2010 – Nov 2024



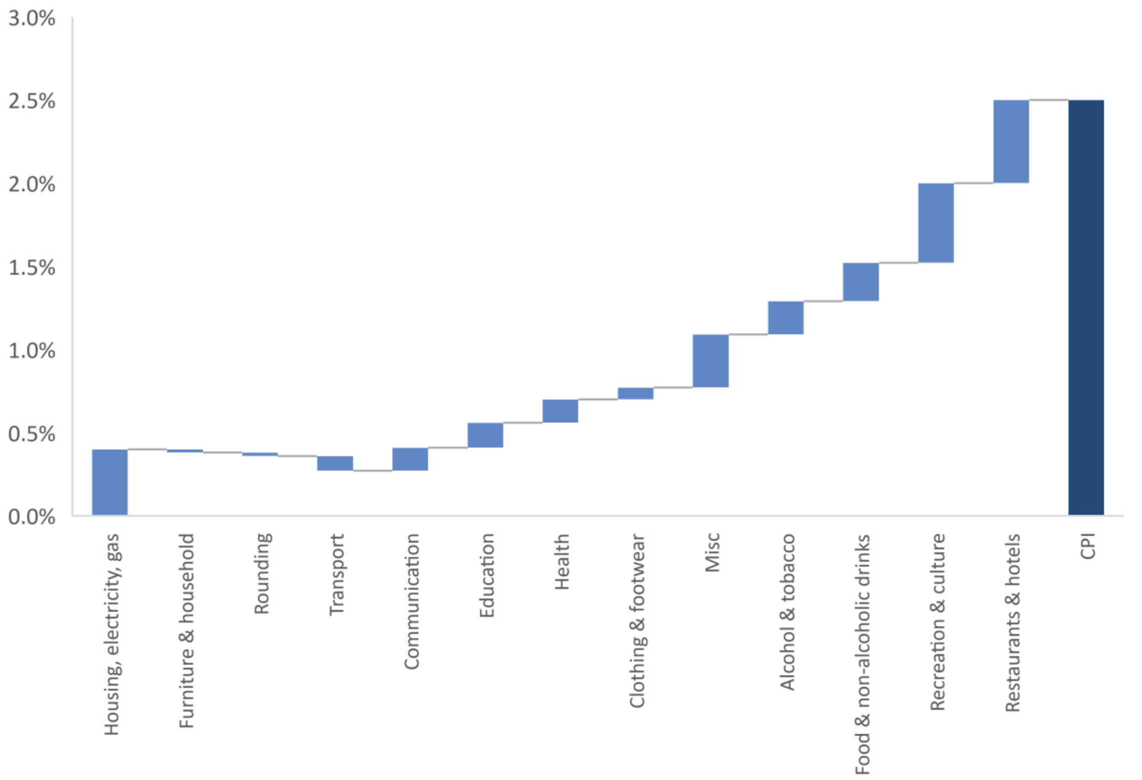
Sources: [ONS](#) and [NISRA](#) (Jan 2025)

4.1.3 Inflation

High Consumer Price Inflation (CPI) has been one of the United Kingdom's (and Northern Ireland's) biggest challenges in the years following the 2020 pandemic. CPI, however, has improved significantly in recent months. As of December 2024, the CPI rate was 2.5% – a fall from the previous month – but above the [Bank of England's target of 2%](#). This was a significant rise from the 1.7% inflation low during the year seen in September 2024. On 6 February 2025, the Bank of England's (BoE's) Quarterly Monetary Policy Report noted that it expected inflation to rise to 3.7% during 2025, before falling in line with the 2% target. The BoE also noted that "higher interest rates had been working to slow down prices rises over the past year". As a result, the BoE made the decision to cut interest rates to 4.5%.

The main contributions to December's 2.5% headline rate of CPI inflation were: housing, electricity and gas (0.4%); restaurants and hotels (0.5%); and, recreation and culture (0.5%). This is illustrated in Figure 5 below:

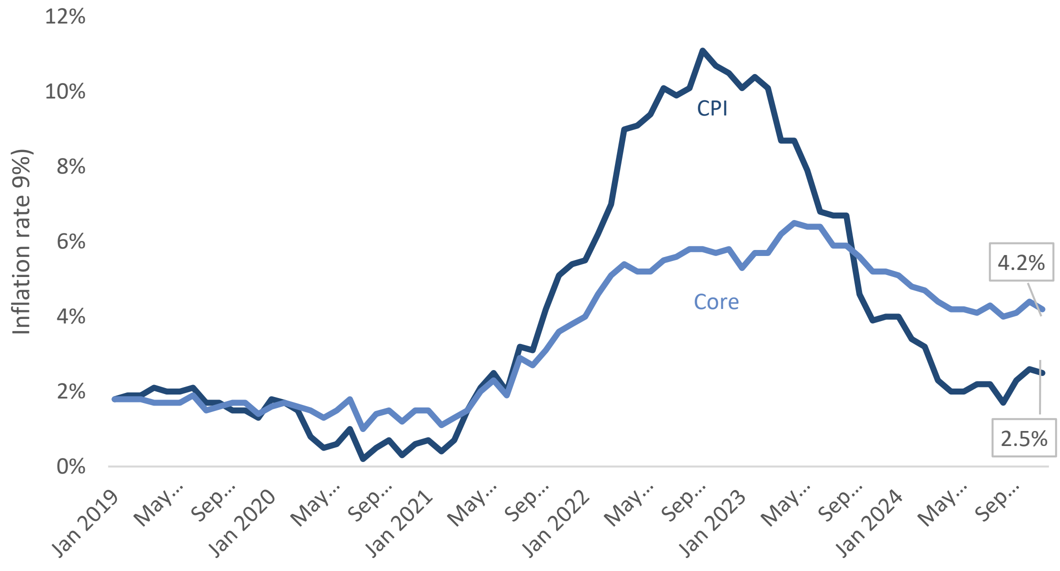
Figure 5: Components of CPI inflation, Apr 2024



Source: ONS (Jan 2025)

Core inflation (which excludes energy, food, alcohol and tobacco) has remained more stubbornly high. It has fallen each month over the past year, and was 4.2% in December 2024 – down only slightly from 4.4% in March 2024. This is shown in Figure 6 below. In this context, it is worth noting that whilst inflation is falling, that does not mean price levels are falling. In fact, they are still increasing, but at **a slower rate of increase**:

Figure 6: CPI and "core" inflation, Jan 2019 – Dec 2024



Source: ONS (May 2025)

4.2 Challenges

This sub-section focuses on some of key challenges facing Northern Ireland's economy. Those include: persistently high economic inactivity; lower productivity than the United Kingdom average; potentially weak labour supply growth; and, poor inclusion performance.

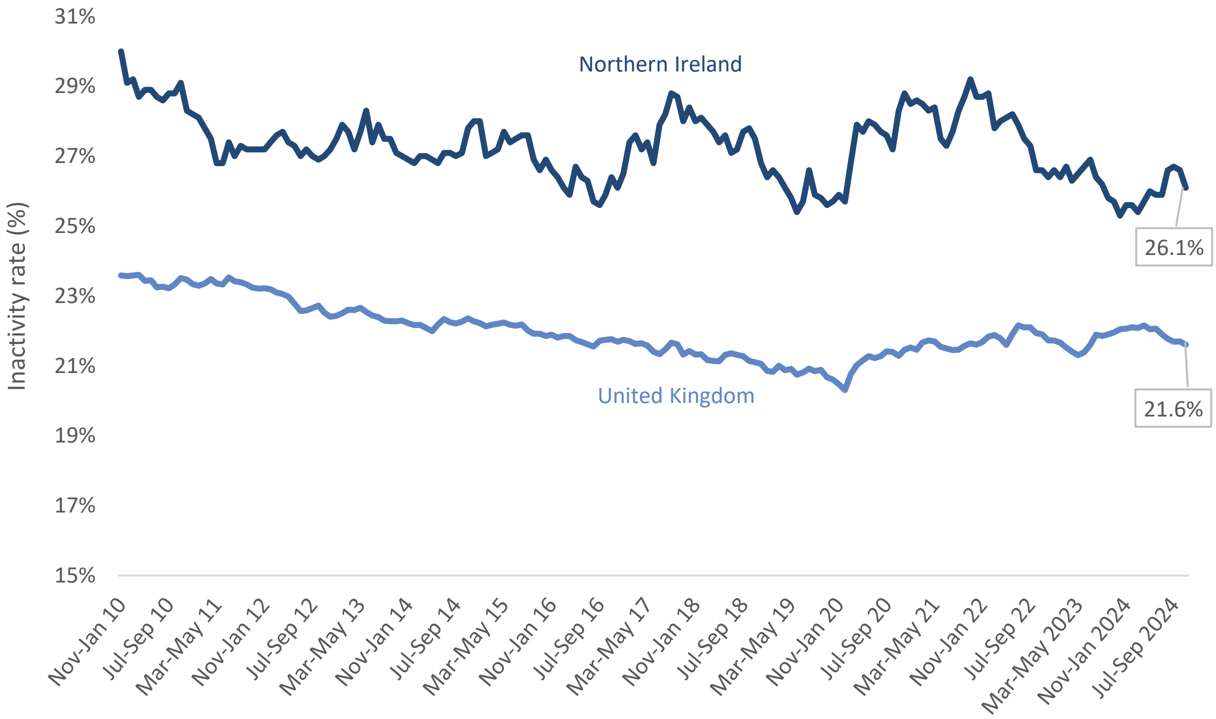
In the current budgetary context, it is important to understand the challenges facing the Northern Ireland economy, and the economic environment in which the 2025/26 Draft Executive Budget has been formulated, as discussed below:

- 4.2.1 Economic inactivity
- 4.2.2 Productivity gap
- 4.2.3 Labour supply
- 4.2.4 Inclusion
- 4.2.5 Summary table

4.2.1 Economic inactivity

High economic inactivity is a significant, long-term issue for Northern Ireland. The headline rate has been much higher than the United Kingdom average for decades, and has remained stubbornly high. As of November 2024, the headline rate in Northern Ireland was 26.1%, relative to 21.6% in the United Kingdom. Figure 7 below highlights this trend:

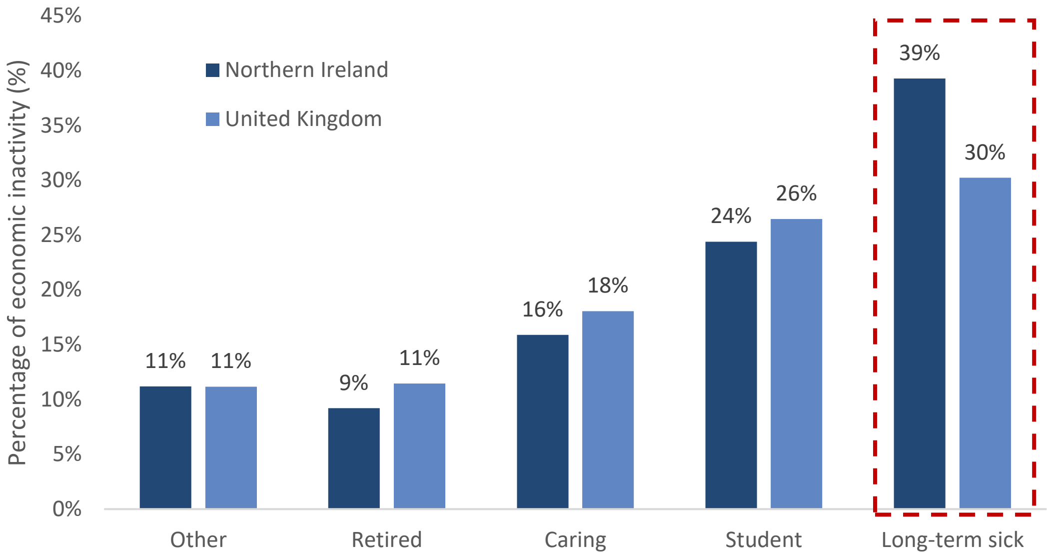
Figure 7: Economic inactivity rate, Northern Ireland & United Kingdom, Jan 2010 – Nov 2024



Sources: [ONS]() and [NISRA]() (Jan 2025)

Generally speaking, a number of reasons explain why people are economically inactive, such as: dealing with long-term sickness or disability; looking after family or the home; students; and, retirees. In relative terms, Northern Ireland is similar to the United Kingdom average for most of these reasons. However, it performs significantly worse in terms of economic inactivity due to long-term sickness or disability – which accounts for 39% of total inactivity in Northern Ireland - as opposed to just 30% in the United Kingdom. This is shown in Figure 8 below:

Figure 8: Reasons for economic inactivity, as a proportion of total economic inactivity, Northern Ireland and United Kingdom, March 2024

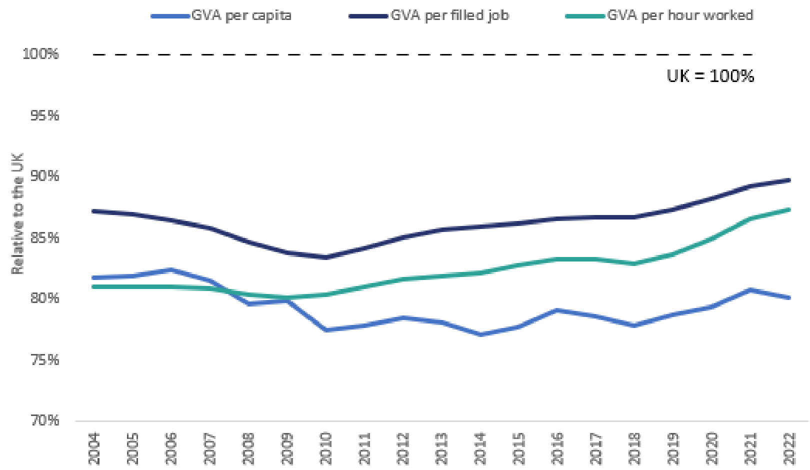


Sources: ONS and NISRA (Jan 2025)

4.2.2 Productivity gap

Northern Ireland's productivity gap when compared to the United Kingdom average is another long-running economic challenge. Key productivity metrics in Northern Ireland have been persistently below the United Kingdom average over the past two decades. Currently, as illustrated in Figure 9 below, those are: GVA per capita (20% gap); GVA per filled job (10% gap); and, GVA per hour worked (13% gap):

Figure 9: Productivity measures in Northern Ireland vs. United Kingdom, 2004-2022



Source: ONS (June 2023)

As shown in Figure 9 above, Northern Ireland has lagged behind the United Kingdom in terms of productivity growth (as measured by GVA per hour worked) since 2004.[17]

Northern Ireland's productivity gap appears to be the result of:

1. **The sectoral mix of the Northern Ireland economy** – more reliance on lower-productivity sectors relative to the United Kingdom average; and,
2. **Productivity differences within sectors** – for example, lower productivity in the financial services sector in Northern Ireland relative to the United Kingdom average in the same sector (which itself could be caused by a number of factors, including poor management performance).

In other words, the productivity gap is due to a combination of "what Northern Ireland does", and "how it does it". It should be noted that there are many possible reasons for lower productivity – for example, the second ("how it does it") category, that could include human capital, lack of research and development, etc. Estimating the extent to which each of these factors contributes to Northern Ireland's productivity gap requires further research (potential scrutiny points on overleaf).

[17] 2004 is the furthest back that published data on GDP per hour worked at both a Northern Ireland and United Kingdom level is available

Potential scrutiny points:

1. Will the DfE's Research Programme 2024-27 explore the contribution of the above factors to Northern Ireland's productivity gap?
2. If so, when will this research be published?

4.2.3 Labour supply

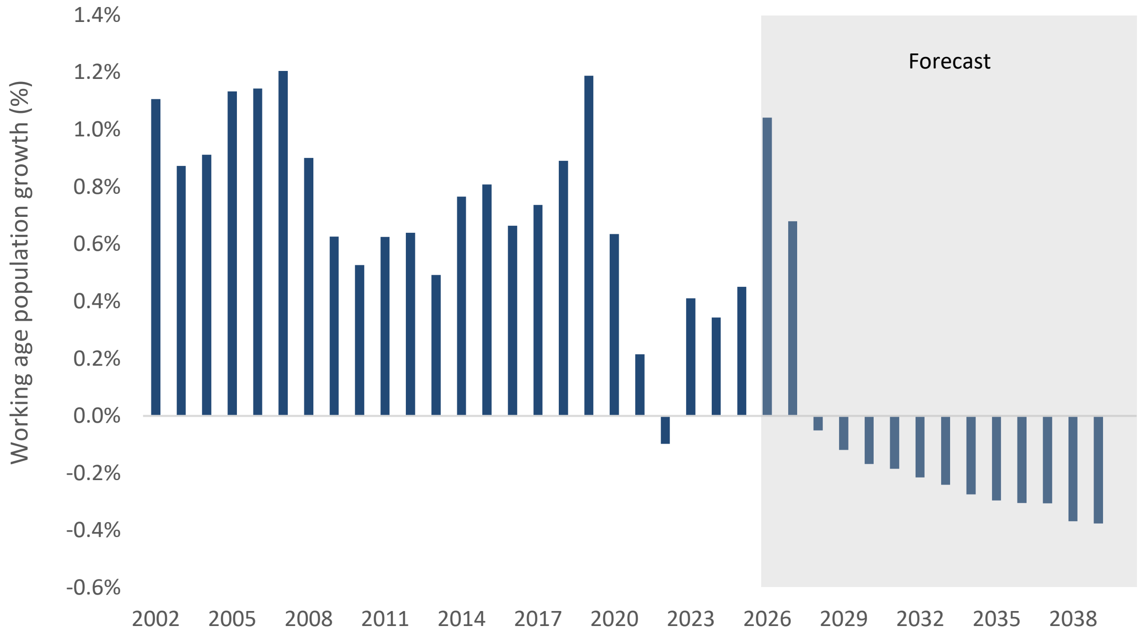
A potential challenge faced by the Northern Ireland economy is weak labour supply growth – an issue noted in Ulster University's Competitiveness Scorecard for Northern Ireland. This is a combination of low growth in working age population (internal) and net migration (external), as the following sub-sections address.

Internal labour supply

Growth in Northern Ireland's working age population has been weak in the last decade. Moreover, according to NISRA estimates, growth for that group will be negative from 2029 onwards.[18] That means the working age population will decrease after 2029, as highlighted in Figure 10 below:

[18] The ONS notes that national population projections are not forecasts and do not attempt to predict potential changes in international migration.

Figure 10: Working age population growth, Northern Ireland, 2002-2040

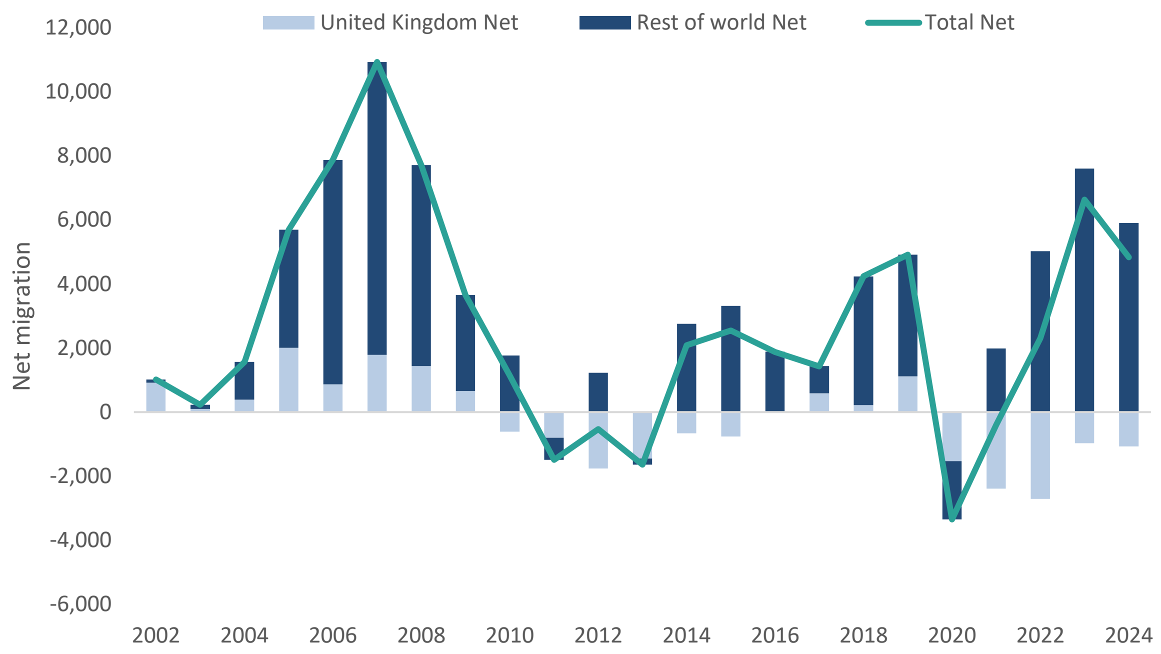


Source: NISRA (Jan 2025)

External labour supply

It should be noted that when a working age population is not growing – that is, staying the same or contracting – additional reliance is placed on migration for future labour supply. That trend presents a challenge for Northern Ireland when considered in the context of inward migration from the United Kingdom and internationally in recent years, which has been somewhat limited. Existing and potential future immigration rules in the United Kingdom also could have implications for labour supply growth in Northern Ireland. Figure 11 below highlights the trend from 2002-2024:

Figure 11: Northern Ireland net migration, United Kingdom & Rest of world, 2002-2024



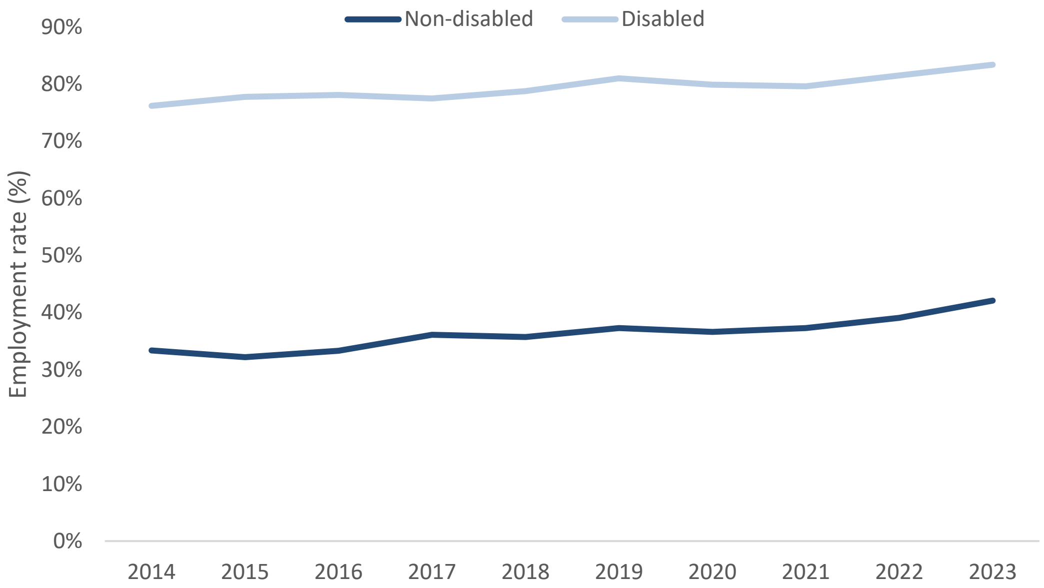
Source: NISRA (Jan 2025)

4.2.4 Inclusion

There are other long-running challenges facing the Northern Ireland economy, which are worth noting. Inclusion is one of them; defined by the Organisation for Economic Cooperation and Development (OECD) as "…economic growth that is distributed fairly across society and creates opportunities for all…". It is below acceptable levels in a number of metrics in Northern Ireland. For example, employment rates for disabled people in Northern Ireland are much lower than those for non-disabled people; and are far below the United Kingdom average.

The employment rate for disabled people in Northern Ireland in 2023 was just 42.1%, compared with 83.4% for non-disabled people. The equivalent disabled employment rate in the United Kingdom in 2023 was 53%. Figure 12 below highlights this:

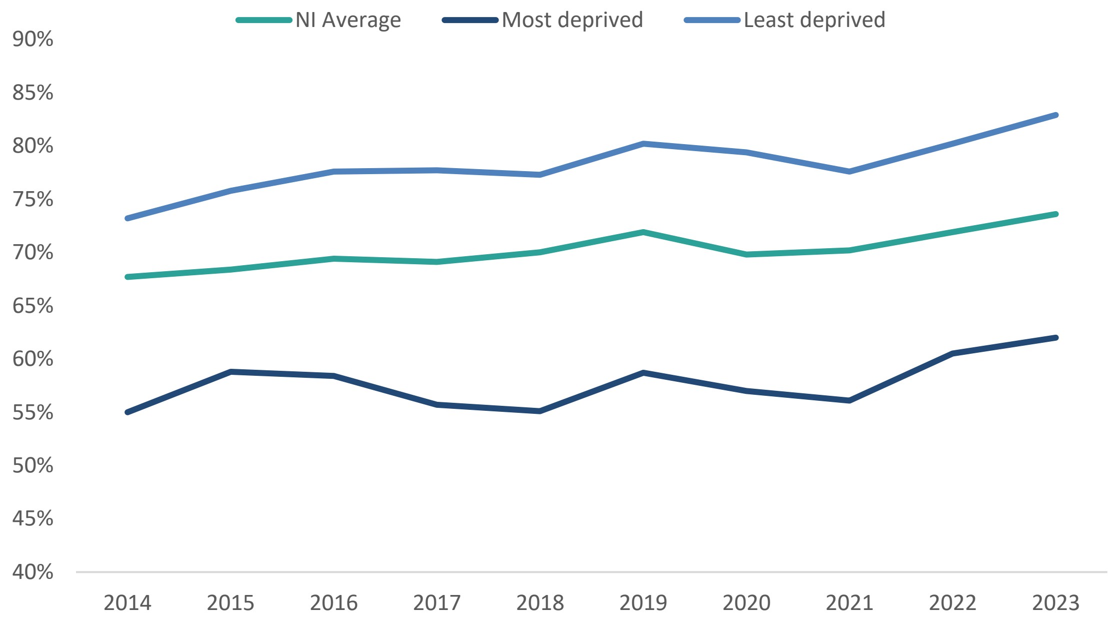
Figure 12: Employment rate, Northern Ireland, disabled & non-disabled, 2014-2023



Source: NISRA (Jul 2024)

Employment rates for the most deprived areas in Northern Ireland are also significantly lower than those in the least deprived areas, and the Northern Ireland average. In 2023, the rate in the most deprived areas was 62.0% – compared with a regional average of 73.6%, and a rate in the least deprived areas of 82.9%, as Figure 13 shows:

Figure 13: Employment rate, Northern Ireland, most deprived & least deprived areas, 2014-2023



Source: NISRA (Jul 2024)

4.2.5 Summary table

Table 2: Economic indicator summary Table – February 2025

Indicator	Figure	Period	Change
Labour Market			
Payrolled Employees	802,998	December 2024	-0.3% over month
			+0.6% over year
Unemployment rate	1.7%	September - November 2024	+0.1% over month
			-0.7% over year
Inflation			
CPI	2.5%	December 2024	-0.1% over month

<table>
<tr><td colspan="2"></td><td colspan="2"></td><td></td><td colspan="2">-1.5% over year</td></tr>
<tr><td colspan="7">Economic Inactivity</td></tr>
<tr><td colspan="2" rowspan="2">Inactivity rate</td><td colspan="2" rowspan="2">26.1%</td><td rowspan="2">November 2024</td><td colspan="2">-0.5% over month</td></tr>
<tr><td colspan="2">+0.4% over year</td></tr>
<tr><td colspan="7">Productivity</td></tr>
<tr><td rowspan="3">GVA</td><td>Per capita</td><td>78.6</td><td rowspan="3">UK = 100</td><td rowspan="3">2022</td><td colspan="2">-0.8% over year</td></tr>
<tr><td>Per filled job</td><td>89.7</td><td colspan="2">+0.5% over year</td></tr>
<tr><td>Per hour worked</td><td>87.3</td><td colspan="2">+0.8% over year</td></tr>
<tr><td colspan="7">Labour Supply</td></tr>
<tr><td colspan="2">Net Migration</td><td colspan="2">4,832</td><td>2024</td><td colspan="2">-1,799 over year</td></tr>
<tr><td colspan="7">Inclusion</td></tr>
<tr><td colspan="2" rowspan="2">Disabled Employment rate</td><td>Disabled</td><td>42.1%</td><td rowspan="2">2023</td><td>+3%</td><td rowspan="2">Over year</td></tr>
<tr><td>Non-disabled</td><td>83.4%</td><td>+1.9%</td></tr>
<tr><td colspan="2" rowspan="3">Deprivation Employment Rate</td><td>Most deprived</td><td>62.0%</td><td rowspan="3">2023</td><td>+1.5%</td><td rowspan="3">Over year</td></tr>
<tr><td>Northern Ireland Average</td><td>73.6%</td><td>+1.7%</td></tr>
<tr><td>Least deprived</td><td>82.9%</td><td>+2.7%</td></tr>
</table>

Source: RaISe, while relying on sources in sub-sections 4.2.1 – 4.2.4 of this Paper

5 DfE budgeting and spending: 2024/25 observations, to inform 2025/26

Below sets out some observations arising from available 2024/25 DfE budgetary data, that will help inform DfE decision-making in the next budget cycle - 2025/26 - which will be extremely challenging in the face of numerous competing priorities and needs that the DfE is to meet – including those relating to the economy. Those data show the following about DfE:

- 5.1 2024/25 Outturn – current position
- 5.2 2025/26 Draft Executive Budget – headline figures
- 5.3 Summary table

5.1 2024/25 Outturn – current position

On 9 January 2025, Executive departments submitted their public expenditure outturn and forecast outturn information to the DoF for the month of December 2024. Thereafter, those data were shared with the Assembly's Committee for Finance, as done every month.

This is the first year that departments were required to note in their returns any overcommitments and explain how those were to be addressed. In relation to the DfE, the January 2025 report showed that the DfE had forecasted a total Non Ring-fenced Resource Departmental Expenditure Limits (RDEL) outturn of £820.6 million. That compares to DfE's opening budget position for this year of £766.6 million.

In addition, for 2024/25, the DfE had forecasted a total Capital DEL (CDEL) outturn of £238.3 million, and a total Financial Transactions Capital (FTC) outturn of £1.2 million. Those figures compare to an opening budget position for this year of £221.9 million of CDEL and £3.7 million FTC.

Moreover, the report highlighted that the DfE had noted a number of overcommitments relating to its Non Ring-fenced RDEL budget for 2024/25, including:

- £6.6 million due to increased participation rates in Skills for Life, as well as Work and Apprenticeships
- £0.8 million for Further Education

The CfE may wish to keep abreast of DfE's forecast outturn information over the final few months in the 2024/25 financial year - paying particular attention to any outstanding overcommitments (potential scrutiny points on overleaf).

Potential scrutiny points:

3. The Committee may wish to ascertain the reason behind DfE not using its full FTC DEL allocation in 2024/25 and seek assurances that learnings will be applied going forward regarding the Department's planned use of FTC DEL.

4. What does the DfE foresee for the remainder of this financial year (2024/25) in terms of its outstanding overcommitments – for example, its Non Ring-fenced RDEL budget, including those relating to its programmes for: Skills for Life; Work and Apprenticeships; and, Further Education? Does the DfE foresee any impact(s) on its 2025/26 Budget in those and other areas?

5.2 2025/26 Draft Executive Budget – headline figures

The DfE is to receive a proposed Non Ring-fenced RDEL allocation of £799.0 million in 2025/26- the forthcoming budget year. This equates to 4.8% of the total Non Ring-fenced RDEL allocations in the 2025/26 Draft Executive Budget. The DfE was allocated £766.6 million of Non Ring-fenced RDEL in the Executive's 2024/25 Budget (equating to 5.1% of total Non Ring-fenced RDEL). DfE's 2025/26 Non Ring-fenced RDEL allocation equates to a 4.2% increase of £32.4 million from the 2024/25 allocation.

In terms of Capital DEL (CDEL), the DfE is to receive a proposed Capital DEL allocation of £205.4 million in 2025/26 Draft Executive Budget. That equates to 8.4% of the total CDEL funding available to the Executive for the next financial year. The DfE was allocated £221.9 million of CDEL in the Executive's 2024/25 Budget - equating to 10.6% of Executive's total 2024/25 CDEL. DfE's 2025/26 Capital DEL allocation equates to a 7.4% decrease of £16.5 million from the 2024/25 allocation.

Only two departments are proposed to receive FTC DEL in 2025/26 – the Department for Communities (DfC) and the DfE. The DfC is to receive most of it. Whereas the 2025/26 Draft Executive Budget proposes to allocate a £1.2 million allocation for the DfE - equating to 2.4% of total FTC DEL. Contrasted with this year, the DfE was allocated £3.7 million of FTC DEL in the Executive's 2024/25 Budget. That equates to 9.0% of total FTC DEL for this year. The DfE's 2025/26 FTC DEL allocation equates to a 67.6% decrease of £2.5 million from its 2024/25 allocation.

5.3 Summary table

Table 3 below summarises the 2024/25 Executive Budget and the 2025/26 Draft Executive Budget, to highlight variances:

Table 3: 2024/25 Executive Budget Allocations vs. 2025/26 Proposed Allocations

£ million	Non Ring-fenced RDEL	CDEL	FTC
2024/25	766.6	221.9	3.7
2025/26	799.0	205.4	1.2
Variance	**+32.4**	**-16.5**	**-2.5**

Source: RaISe (2025), relying on DoF (2024)

5.3.1 2025-28 Information Gathering Exercise – DfE Bids

The planning stage of the 2025/26 Executive Budget cycle[19] began with the DoF 2025-28 Information Gathering Exercise. The DoF commissioned that Exercise on 22 August 2024, with returns due by 4 October 2024. The DfE submitted its return on 9 October 2024. Its submission included 26 RDEL bids totalling: £133.9 million for 2025/26; £168.0 million for 2026/27; and, £210.4 million in 2027/28 – this is for funding above DfE's Non Ring-fenced RDEL baseline for each of the three years of £761.1 million. DfE's RDEL bids were disaggregated by priority, and ranked numerically, as summarised in Table 4 below:

Table 4: Summary table – 2025-28 DfE RDEL Bids

Priority	2025-26 £000	2026-27 £000	2027-28 £000
Inescapable	70,658	91,837	131,855
Pre-committed	22,714	22,352	25,423
High Priority	40,611	53,835	53,074
Total	**133,983**	**168,024**	**210,352**

Source: RaISe (2025), relying on DoF (2024)

[19] Unpublished document shared with RaISe by DoF

As noted earlier, the proposed DfE allocation is £799.0 million Non Ring-fenced RDEL for 2025/26. Broken down, that allocation comprises £761.1 million baseline, plus £37.9 million - equating to 28.3% of the total Non Ring-fenced RDEL bids submitted by the DfE in the Information Gathering Exercise that were granted.

Additionally, the DfE submission included 43 CDEL bids totalling: £399.0 million for 2025/26; £473.0 million for 2026/26; and, £566.3 million for 2027/28. The DfE CDEL bids were disaggregated by priority, and ranked numerically, as summarised in Table 5 below:

Table 5: Summary table – 2025-28 DfE CDEL Bids

Priority	2025/26 £000	2026/27 £000	2027/28 £000
Inescapable	153,338	143,589	127,521
Pre-committed	13,702	14,923	15,086
High Priority	110,133	148,407	195,776
Desirable	33,951	47,427	103,149
City Deals	104,412	135,398	141,616
Receipts	(16,494)	(16,740)	(16,816)
Total	**399,041**	**473,004**	**566,333**

As noted above, the DfE is to receive a proposed £205.4 million CDEL allocation in 2025/26 – equating to 51.5% of the total CDEL bids submitted by the DfE in the Information Gathering Exercise that were granted.

As reflected in Table 6 below, the DfE also included Financial Transactions Capital (FTC) - totalling: £1.2 million in 2025/26; £0.9 million in 2026/27; and, £11.0 million in 2027/28. As noted above, the DfE is to receive a proposed £1.2 million FTC allocation in 2025/26:

Table 6: Summary table - 2025-28 DfE FTC Bids

	2025/26 £000	2026/27 £000	2027/28 £000
Bid	6,819	7,242	14,625
Receipts	(5,666)	(6,376)	(3,584)
Total	**1,153**	**866**	**11,041**

Potential scrutiny point:

5. The Committee may wish to understand if the Department's plans have changed in any way since the DoF's Information Gathering Exercise between August and October 2024, and how the Department plans to work within its proposed budget allocation?

6 Initial considerations on boosting the Northern Ireland economy

As highlighted in earlier sections of this Paper, DfE decision-making in the next budget cycle - 2025/26 - will be extremely challenging in the face of numerous competing priorities and needs that the DfE will need to meet, including those relating to the economy. This section draws on those earlier sections to highlight some initial considerations that are relevant to the CfE's deliberations on boosting the Northern Ireland economy. It is not intended to be exhaustive; and is presented as follows:

- 6.1 Regional balance
- 6.2 Innovation
- 6.3 Skills
- 6.4 Higher Education
- 6.5 Tourism
- 6.6 Energy
- 6.7 United Kingdom Shared Prosperity Fund

- 6.8 City and Growth Deals
- 6.9 Shared Island Initiative
- 6.10 Rating Reform

6.1 Regional balance

In February 2024, the then Minister for the Economy identified regional balance as one of the four economic priorities in the DfE's Economic Vision.[20] This sub-section provides headline data on economic regional balance in Northern Ireland, before looking at current DfE/Executive strategy and support. The breadth of information to be covered here does not allow for a full examination of all of the relevant measures. It therefore is not exhaustive, and instead aims to provide key high-level data for the CfE, to facilitate its deliberations.

The sub-section is presented as follows:

- 6.1.1 Current Picture
- 6.1.2 Regional balance and strategy

6.1.1 Current picture

There are a range of economic measures that may be used to measure regional balance within a jurisdiction. Key metrics include:

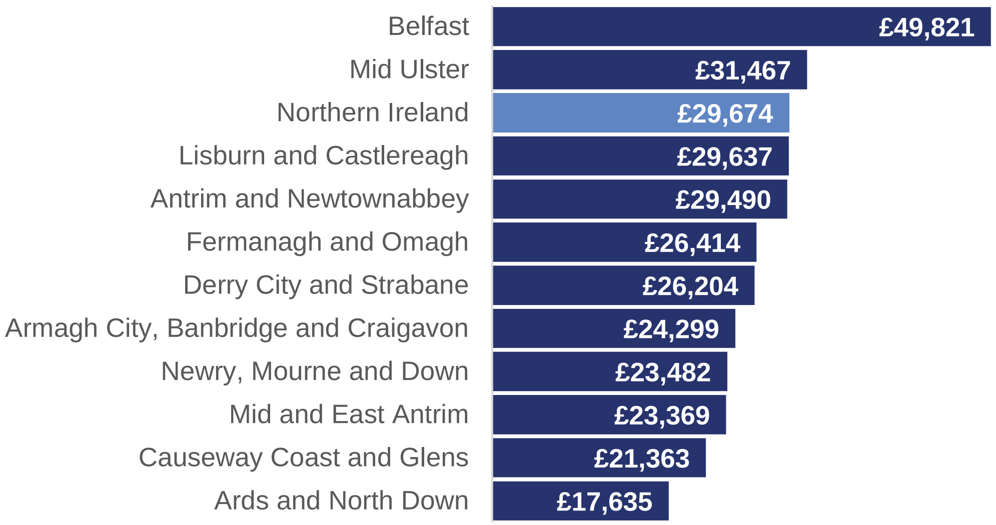
- Gross Domestic Product (GDP) per capita
- Gross Value Added (GVA) per capita
- Employment rate
- Economic inactivity rate
- Educational attainment
- Productivity – as measured by GVA per hour worked and/or GVA Per Job
- Gross disposable household income
- Median wages
- Deprivation

The OECD key measure of "within country" regional disparity is GDP per capita. To enable a headline comparison of regional disparity in Northern Ireland, Figure 15 below uses the latest Office of National Statistics (ONS) data to compare regional

[20] DfE. Minister sets out his vision for the economy | Department for the Economy (19 Feb 2024)

GDP per capita (at current prices) for 2022. The Figure shows regional divergence in GDP per capita in Northern Ireland. As of 2022, the GDP per capita for Northern Ireland as a whole was £29,674. Only two regions had a higher GDP per capita – Belfast £49,821 and Mid Ulster £31,467. The lowest GDP per capita in 2022 was in Ards and North Down - £17,635. Those data are illustrated below:

Figure 14: Northern Ireland Regional GDP per capita 2022 (current prices)[21]



Source: ONS (2024)

6.1.2 Regional balance and strategy

As noted in the introduction to this sub-section, promoting regional balance is one of the four priorities of the DfE's Economic Vision. Since the launch of that Vision in 2024, the Department has taken forward a number of policy initiatives aimed at improving regional balance in Northern Ireland. This sub-section provides an overview of those initiatives – namely:

- Sub-Regional Economic Plan
- Invest Northern Ireland's Business Plan
- The Regional Balance Fund

[21] ONS. Regional gross domestic product: all ITL regions (24 Apr 2024)

Sub-Regional Economic Plan

The DfE's Sub-Regional Economic Plan (the Plan) was published in October 2024. The Plan set out "new strategic approach" to economic policy that is to be "local-led", which places "regional balance at its heart" and "which enshrines partnership working".

The Plan's premise was that "disparities across the region in economic performance have been getting worse; it's time to reverse this". It set out four headline indicators: Labour productivity (out per job filled 2022); Median Wages (gross weekly pay by place of work, 2023); Sub-Regional Employment Rate (including students; 16-64); and, Greenhouse Gas Emission (tonnes of carbon dioxide per capita, 2022). The Plan used these measures to set out a baseline ranking of Northern Ireland's regions, as summarised in Figure 16 below:

Figure 15: Local Government District Ranking on Sub-regional plan headline indicators, 2024[22]

HEADLINE INDICATOR	Antrim & Newtownabbey	Ards & North Down	Armagh, Banbridge & Craigavon	Belfast	Causeway Coast & Glens	Derry City & Strabane	Fermanagh & Omagh	Lisburn & Castlereagh	Mid & East Antrim	Mid Ulster	Newry, Mourne & Down
Labour Productivity (output per filled job, 2022)	3	10	8	1	9	11	6	4	5	2	7
Median Wages (gross weekly pay by place of work, 2023)	2	11	3	1	10	7	6	5	8	4	9
Sub-Regional Employment Rate (including students; 16-64)	5	8	2	10	9	11	7	3	4	1	5
Greenhouse Gas Emissions (tonnes CO_2e per capita, 2022)	3	2	7	1	9	8	11	4	6	10	5

1 2 3 4 5 6 7 8 9 10 11

Performance of councils against the indicator is ranked from 1 (highest) to 11 (lowest). The three highest performing are highlighted in green, the three lowest in red

Source: DfE (2024)

[22] DfE. Sub-Regional Economic Plan (Oct 2024)

The Plan also recognised a range of “macro level issues” that “permeate” into the above indicators, namely:

- Transport links, or rather the lack of (particularly west of the Bann)
- The lack of supply of industrial land and property
- Investment required in water and sewerage
- Slow energy connection provision
- Traditionally low paying sectors such as tourism and agriculture predominant in certain council areas
- Ageing population
- Health issues and care responsibilities/ childcare costs preventing the economically inactive entering the workforce

The Plan notes that the existence of the above issues necessitates a “joined-up approach across government” and suggests that “economic interventions alone will not be enough”.

To begin to address regional imbalance, the Plan set out the following next steps:

- The formation of Local Economic Partnerships with dedicated funding of £45 million
- Enhanced Invest Northern Ireland sub-regional role with local targets
- Realignment of Departmental polies and programmes to drive local growth

Potential scrutiny point:

6. How will the DfE’s allocation in the 2025/26 Draft Executive Budget affect its ability to deliver on the steps it set out in the Sub-Regional Growth Plan?

Invest Northern Ireland’s Business Strategy 2024-27

Invest Northern Ireland’s Business Strategy 2024-27 was published in November 2024 and is aligned in the four priorities set out in the DfE’s 2024 Economic Vision. It sets out objectives and initiatives to address regional imbalances under the heading “Promoting places and partnerships”. The organisation’s headline objects are:

- By 2026/27, 65% of Invest Northern Ireland’s Investment will be to businesses located outside of the Belfast Metropolitan Area (BMA) (compared to an annual average of 56% over the period 2019/20 to 2023/24)

- Invest Northern Ireland will develop and implement a new regional approach
- Invest Northern Ireland will baseline and then target expenditure in the local economy through locally-owned clients

To achieve the above, the Strategy sets out the following initiatives:

- Consider regional balance in all investment decisions
- Collaborate with business, DfE and partners to implement the Department's Sub-Regional Economic Plan
- Develop an Invest Northern Ireland-specific regional plan to improve capacity, capability and functionality across Northern Ireland
- Promote incentives to encourage balanced regional activity to realise benefits through stronger conditionality
- Develop a new Regional Property Programme to provide the physical assets to support regional balance

Significantly, the Strategy also includes "pilot experimental regional targets". Progress on the targets is to be measured against a 2023/24 baseline. Table 7 below provides an illustration of Invest Northern Ireland's regional targets. As can be seen from the Table, those targets fall into four broad categories:

- **Investment Profiles:** Invest Northern Ireland will support balanced economic development by increasing growth and investment projects across its operating regions. Its three-year target for the BMA is 1,866 investments, valued at £960 million, and securing 5,733 jobs. The equivalent target for the rest of Northern Ireland is 3,134 investments, valued at £790 million and securing 4,298 jobs.
- **Partner delivery:** Invest Northern Ireland will "work with partners to identify the companies with the potential" to work with the organisation "to accelerate growth through external markets. The three-year target for MA.
- **Locally owned businesses:** Invest Northern Ireland will incentivise a greater number of indigenous investors to establish and grow new enterprises and expansions. The three-year target for BMA is 376 capital and employment related investment. The equivalent target for the rest of Northern Ireland is 674.
- **Externally owned business:** Invest Northern Ireland will incentives greater numbers of Foreign Direct Investors to establish and grow across Northern Ireland. The three-year target for the BMA is 68 capital

and employment related investments. The equivalent target for the rest of Northern Ireland is 52.[23]

Potential scrutiny point:

7. How does the DfE Minister intend to allocate its 2025/26 Draft Executive Budget allocation – in particular, in relation to Invest Northern Ireland, given Invest Northern Ireland's role in delivering DfE's regional balance targets, as specified in its Business Strategy?

[23] Invest Northern Ireland Business Strategy 2024-2027 (Oct 2024)

Table 7: Invest Northern Ireland annual and three-year regional balance targets set out in its Business Strategy 2024-27[24]

Promoting regional balance - Invest NI experimental regional targets													
Support balanced economic development across Northern Ireland for the benefit of all our citizens													
Invest NI Strategic Priority	Action	Belfast Metropolitan Area				Rest of Northern Ireland / NI Wide				Grand Total			
		2024-25 Target	2025/26 Target	2026/27 Target	3 Year Target	2024-25 Target	2025/26 Target	2026/27 Target	3 Year Target	2024-25 Target	2025/26 Target	2026/27 Target	3 Year Target
Regional Balance Investment Profiles	Support **balanced Economic Development** through NI by increasing Growth and Investment Projects across **Invest NI Operating Regions**:												
	No of Investments	600	619	647	1,866	900	1,031	1,203	3,134	1,500	1,650	1,850	5,000
	Value of Investment (£m)	302	316	342	960	223	259	308	790	525	575	650	1,750
	No of Jobs	1,800	1,898	2,035	5,733	1,200	1,403	1,665	4,268	3,000	3,300	3,700	10,000
Regional Balance Partner Delivery	Work with **partners** to identify **companies with the potential to work with Invest NI** to accelerate their growth through external markets.												
	No of Referrals from Regional Partners	29	29	29	87	56	56	56	168	85	85	85	255
Regional Balance Locally-Owned Businesses	Incentivise **greater numbers of Indigenous Investors** to establish and grow new enterprises and expansions across **Invest NI Operating Regions** to facilitate greater Regional Balance (No of Capital and Employment Related Investments).	115	126	135	376	200	224	250	674	315	350	385	1,050
Regional Balance Externally Owned Business	Incentivise **greater numbers of Foreign Direct Investors** to establish and grow across **Invest NI Operating Regions** to facilitate greater Regional Balance (No of Capital and Employment Related Investments).	18	23	27	68	12	17	23	52	30	40	50	120

Source: Invest Northern Ireland (2024)

Regional Balance Fund

In January 2025, the DfE announced a £45 million Regional Balance Fund (the Fund). The Fund is available to the Local Economic Partnerships announced in DfE's Sub-Regional Economic Plan. Those LEPs will be led by councils. Moreover, the DfE's Year One Progress Report on its Economic Vision (dated February 2025) notes that the LEPs in Newry, Mourne and Down, and Antrim and Newtownabbey

[24] Invest Northern Ireland Business Strategy 2024-2027 (Oct 2024)

had met as of January 2025. The remaining LEPs are to meet before the end of March 2025.[25]

Table 8 below provides a summary of how the Fund has been allocated, based on the following three measures:

- Base: 30% has been allocated equally to all LGDs
- Productivity: 30% of the LGD allocation has been based on productivity performance in the council area
- Peripherality: 40% of the allocation has been based on peripherality. This relies upon the OECD's small area classification typology

Table 8: Regional Balance Fund Allocation, 2024[26]

LGD	Base 30% (£000)	Productivity 30% (£000)	Peripherality 40% (£000)	Total 1 year (£000)	Total 3 year (£000)
Antrim and Newtownabbey	409	214	333	956	2,868
Belfast	409	214	333	956	2,868
Lisburn and Castlereagh	409	428	333	1,170	3,510
Mid Ulster	409	214	666	1,289	3,867
Ards and North Down	409	642	333	1,384	4,152
Mid and East Antrim	409	428	666	1,503	4,509

[25] DfE. Delivering on the Economic Vision - Year One Progress Report (Jan 2025)

[26] DfE. Regional balance fund (27 Jan 2025)

LGD	Base 30% (£000)	Productivity 30% (£000)	Peripherality 40% (£000)	Total 1 year (£000)	Total 3 year (£000)
Armagh City, Banbridge and Craigavon	409	428	666	1,503	4,509
Fermanagh and Omagh	409	428	666	1,503	4,509
Newry, Mourne and Down	409	428	666	1,503	4,509
Causeway Cost and Glens	409	428	666	1,503	4,509
Derry City and Strabane	409	642	666	1,717	5,151

Source: DfE (2024)

Potential scrutiny point:

8. What impact will DfE's 2025/26 Draft Executive Budget allocation have on the sustainability of the Department's Regional Balance Fund?

6.2 Innovation

Innovation is recognised as a driver of economic[27] and productivity growth[28]. The DfE has noted that innovation is a "key policy lever" in driving the four economic priorities set out in the then Minster for the Economy's "Economic Vision" in February 2024 – namely: productivity; increasing the proportion of working-age people in good jobs; promoting regional balance; and, reducing carbon emissions.[29] This sub-

[27] European Central Bank. How does innovation lead to growth? (Jun 2017)

[28] National Institute of Economic and Social Research. Understanding the drivers of innovation and productivity across firms, regions and industries in the UK (accessed 7 Feb 2025)

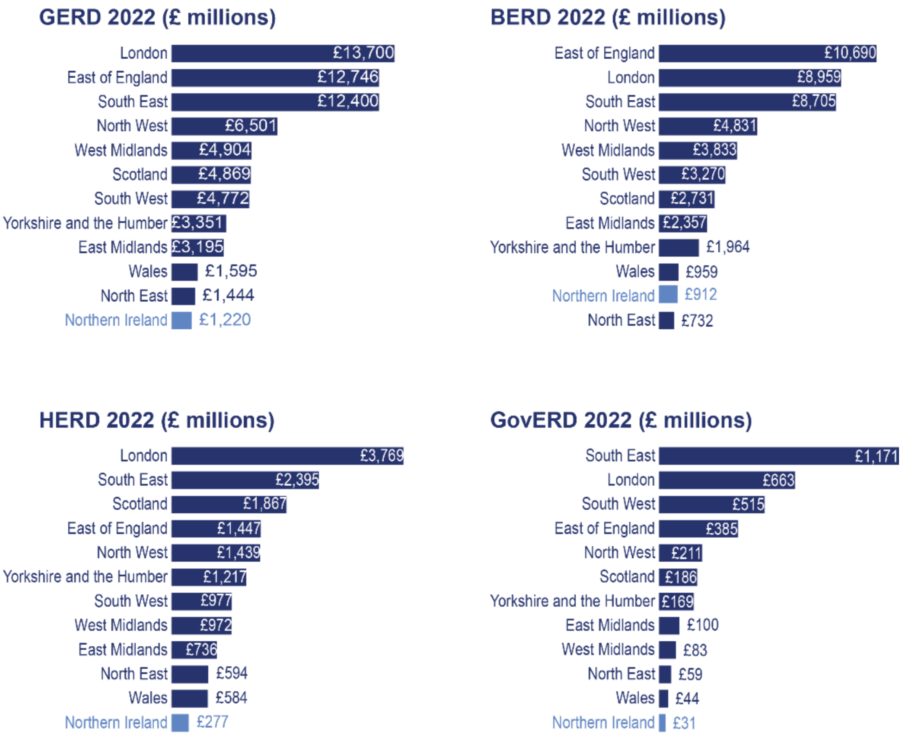
[29] Ulster University and Celsio for Department for the Economy. Innovation Skills: International Developments and Northern Ireland Economic Priorities (5 Aug 2024)

section examines Northern Ireland's current innovation performance, before looking at current support and strategy.

6.2.1 Innovation performance

A key measure of an economy's innovation performance is expenditure on Research and Development (R&D). The Office of National Statistics (ONS) produces data on gross expenditure on R&D (GERD). GERD incorporates government (GovERD), business (BERD), higher education (HERD) and private non-profit organisation (PNPRD) expenditure on R&D.[30] Figure 17 below uses the latest available ONS data in this area to compare R&D expenditure by United Kingdom Region's in 2022. The Figure looks at GERD, BERD, HERD, and GovERD. Data on PNPRD for Northern Ireland is not available in the original ONS dataset so is not compared. As can be seen from the Figure, Northern Ireland ranked last in three of the four measures examined in 2022 – GERD, HERD and GovERD. In the same year, Northern Ireland ranked second last of the regions for BERD:

Figure 16: United Kingdom Regional R&D Expenditure 2022 (current prices £ million)[31]



Source: ONS (2024)

[30] ONS. UK gross domestic expenditure on research and development (8 Aug 2024)

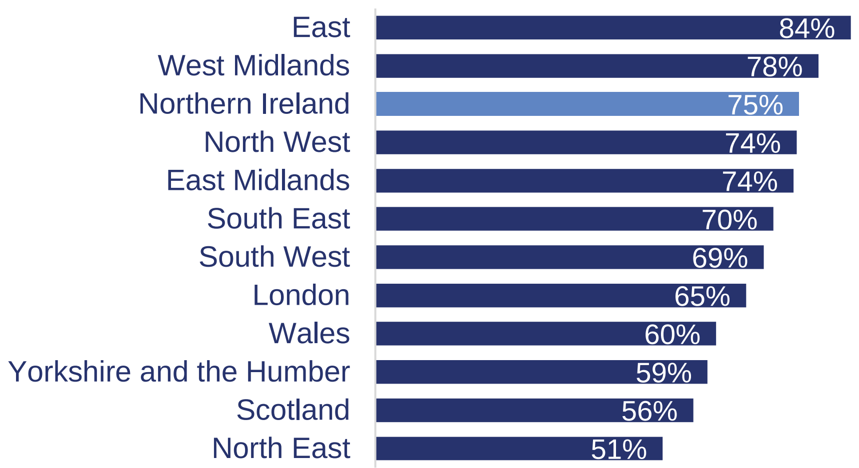
[31] ONS. UK gross domestic expenditure on research and development (8 Aug 2024)

It is worth noting, however, that when adjusted for population, Northern Ireland's ranking on the above R&D expenditure measures improves slightly on some measures. In 2022, on a per capita basis, Northern Ireland ranked:

- Ninth out of the 12 United Kingdom regions for GERD
- Ninth out of the 12 United Kingdom Regions for BERD
- Twelfth out of the 12 United Kingdom regions for HERD
- Tenth out of the 12 United Kingdom regions for GovERD[32]

The ONS data also show that BERD was the largest component of GERD in each region in 2022. In the same year, BERD represented 75% of total regional expenditure on R&D in Northern Ireland:

Figure 17: United Kingdom Regions – proportion of GERD attributed to BERD in 2022 (%)[33]



Source: ONS (2024)

NISRA produces annual statistics on R&D expenditure in Northern Ireland. Those statistics enable comparisons of expenditure across time, they also provide detail on expenditure by business size and sector. Figure 19 below shows year-on-year changes in Northern Ireland R&D expenditure in real terms, between 2018 and 2023. As can be seen from the Figure, total R&D expenditure has fluctuated year-on-year,

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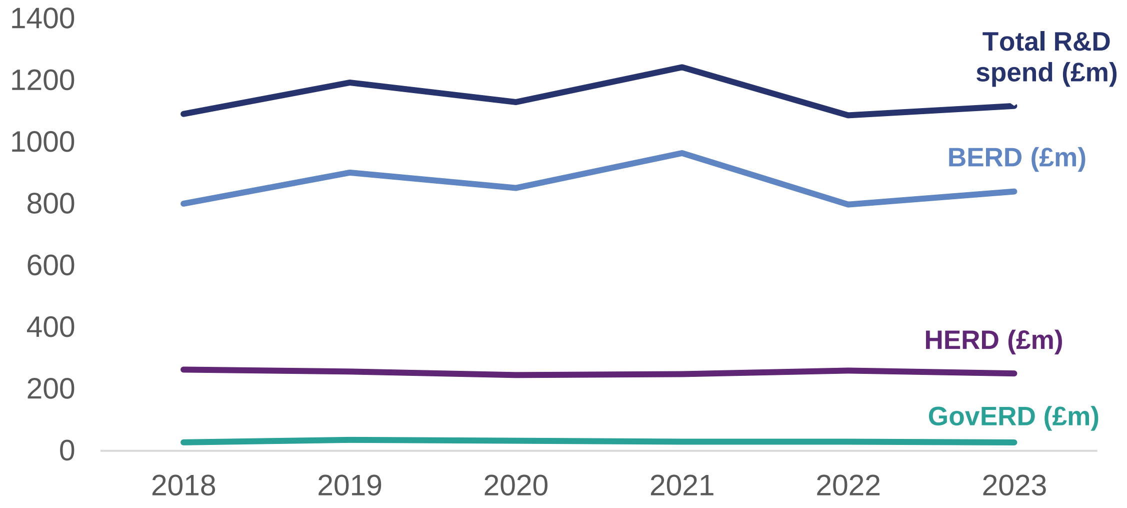
32 ONS. UK gross domestic expenditure on research and development (8 Aug 2024) per capita rankings calculated using ONS 20222 Mid-year population estimates.

33 ONS. UK gross domestic expenditure on research and development (8 Aug 2024)

with notable decreases in 2020 and 2022. Total expenditure in 2023 was 2.8% higher in real terms than the previous year. The Figure also shows a similar pattern for BERD, which declined in 2020 and 2022. In real terms, BERD was 5.3% higher in 2023, when compared to 2022:

Figure 18: Year-on-year changes to R&D expenditure in Northern Ireland 2018 to 2023 (£ million, real terms)[34]



Source: NISRA (2024)

NISRA's latest statistics also highlight the following about R&D expenditure in Northern Ireland:

- Small and medium size enterprises (SMEs, businesses with 0-249 employees) accounted for 49.2% of BERD in 2023, with large companies (companies with 250 or more employees) accounted for 50.8% of BERD.
- In 2023, 51.6% of BERD was in the services sector. The manufacturing sector accounted for 44.8% (£376.4 million) of all BERD expenditure in 2023, with the largest contribution from the "computer, electronic and optical manufacturing" subsector (£92.5 million). The largest individual contributing subsector was "professional, scientific, technical, administrative and support services activities" subsector, which account for 27.8% of all BERD (£233.6 million).
- In the same year, 46.1% (£387.3 million) of BERD was attributed to companies in the Belfast Local Government District.

[34] NISRA. Northern Ireland Research & Development Survey 2023 (12 Dec 2024)

- Also in 2023, the majority (63.2%) of BERD was self-funded by the companies carrying out the R&D work. Comparatively, 5% of BERD funding came from the United Kingdom Government and 2.9% from the Northern Ireland Executive.[35]

6.2.2 Innovation strategy and support

In November 2024, the DfE published a research report it had commissioned from the Ulster University and Celsio entitled "Innovation skills – International Developments and Northern Ireland economic priorities". That research formed part of "Innovation Competency Framework for Inclusive Innovation" research project that seeks to provide an "evidence-base to inform innovation policy in the Northern Ireland regional economy".

The report included the following recommendations:

1. Improving innovation performance:
    - Cluster specific user case development that illustrates how innovation takes place.
    - Aligning skills development in R&D with Horizon Europe and the dynamic ESCO-O NET systems.
    - Developing cluster/specific frameworks for innovation.
2. Establishing Innovation Driven Enterprises:
    - Strategic planning that embraces entrepreneurial opportunities emerging from the transition to the green economy.
    - An examination of job roles, recruitment needs and offers adapted for UK-EU dual market accesses.
    - A review of new career and learning paths for innovation.
3. Comprehensive innovation:
    - Alignment with the United Nations concept of inclusive innovation for sustainable development that is human centric, sustainable and resilient.
    - Development of future skills workplace scenarios that demonstrate agility, interrelationships, and a systems perspective.

[35] NISRA. Northern Ireland Research & Development Survey 2023 (12 Dec 2024)

- Ongoing engagement with international initiatives relating to generic skills and competences for innovation to support a greater understanding.[36]

An earlier report produced by the Enterprise Research Centre at the Ulster University for the DfE – "R&D and Innovation Support"[37] (dated 19 September 2024), mapped R&D and innovation support in Northern Ireland and identified gaps in that support. The report's key findings were as follows:

- Direct grant support in Northern Ireland is largely provided by Invest Northern Ireland, with some schemes restricted by eligibility conditions and/or sectoral focus. This approach "may be limiting access by some local firms to relevant support measures deterring them from starting to innovate or conduct R&D".
- Support measures in Northern Ireland were focussed on the "basic research" and "applied research" levels[38]. The report found less available support at for commercialisation of R&D. It concluded "addressing this limitation in the support framework will become increasingly important if Northern Ireland is to maximise the innovation and productivity benefits of City Deal investments in R&D".
- The broader United Kingdom support system was found to be focussed on "product/service innovation", with less focus on "process and organisational change". The report noted that experience in benchmark countries demonstrated that "productivity improvements often required this type of business model innovation".
- The Northern Ireland R&D and innovation support landscape was found to be complex, with a range of regional, national and cross-border schemes available. It noted that "enabling firms to navigate" this system would be important. This was found to be particularly true for "new innovators".

[36] Ulster University and Celsio for DfE, Innovation Skills: International Developments and Northern Ireland Economic Priorities (5 Aug 2024)

[37] Economic and Social Research Council, R&D and Innovation Support in Northern Ireland (Sept 2024)

[38] The report identified nine levels of support on a continuum from basic research to technological maturity. These where: basis principles observed and reported; technology concept of application formulated; analytical and experimental critical function or characteristic proof-of-concept; technology basic validation in a laboratory environment; technology basic validation in a relevant environment; technology model or prototype demonstration in a relevant environment; technology prototype in an operation environment; actual technology completed and qualified through test and demonstration; and, actual technology qualified through successful mission operations.

- The future expansion of R&D and innovation capacity in Northern Ireland will depend on the availability of appropriate skills. This will require a system-wide approach to R&D and innovation support.

Potential scrutiny point:

9. How will the DfE's 2025/26 Draft Executive Budget allocation affect its ability to meet the recommendations of the R&D and Innovation Support report?

Within this context, the DfE published a year-one update on progress against its Economic Vision. Key strategic innovation and R&D developments identified in the progress report included:

- **Supporting high potential sectors:** in June 2024, the Department published a set of seven action plans designed to drive growth within Northern Ireland's "most innovative, productive and export-orientated economic sectors". The seven sectors were: Agri-Tech; Life and Health Sciences; Advanced Manufacturing, Materials and Engineering; Fintech and Financial Services; Software including Cyber; Screen Industries; and Low Carbon including Green Hydrogen. The action plans were produced as "roadmaps" to drive growth by "improving collaboration and clustering, responding to skills requirements, nurturing innovation and better coordinating strafe and focused investment".

Potential scrutiny point:

10. How will the DfE's 2025/26 Executive Budget allocation affect its ability to deliver the ambitions set out in the seven Sectoral Plans?

- **Encouraging entrepreneurs:** in 2024, the DfE launched a £5 million programme to help-early stage, technology-based start-ups. Known as the Founder Labs Programme; the aim is to support 40 businesses over a four-year period. The Programme, which is supported by Invest Northern Ireland and the Northern Ireland Office, received 250 applications in its first year, with 20 technology businesses receiving support.

Potential scrutiny point:

11. How will the DfE's 2025/26 Draft Executive Budget allocation impact its ability to continue to foster entrepreneurship in Northern Ireland under programmes such as the Founder Labs Programme?

- **Agri-Foods Investment Initiative:** in July 2024, a £46 million capital investment programme was launched. The Initiative, which is to be delivered by Invest Northern Ireland, seeks to improve the productivity and competitiveness of the Agri-Food and Drink Processing sector. As of January 2025, 93 companies had engaged with Invest Northern Ireland in relation to this Initiative. At the time writing, further detail on successful bids was imminent.

Potential scrutiny points:

12. How will the DfE's 2025/26 Executive Budget allocation impact its ability to continue to support the Agri-Food sector in Northern Ireland under its Agri-Foods Investment Initiative?

13. Is there new information that the DfE could share with the CfE about successful bids under this Initiative?

14. How will the DfE's 2025/26 Executive Budget allocation affect its ability to launch similar initiatives for the other specified high potential sectors in the Department's seven action plans?

- **Business innovation:** in November 2024, Invest Northern Ireland launched a £4 million Business and Innovation Grant Scheme. The Scheme, delivered in partnership with Innovate Northern Ireland, will provide grants of £5,000 to £20,000 to micro-businesses, SMEs (Small and Medium Businesses) and sole traders, to "develop, commercialise and implement new or improved products, services or processes". As of January 2025, 900 businesses had completed the Scheme's eligibility checker.

Potential scrutiny point:

15. How will the DfE's 2025/26 Executive Budget allocation affect its ability to support business innovation going forward under this Scheme?

- **Clustering:** in September 2024, the DfE announced a £11 million Cluster Acceleration Programme; application period closed on 20 December 2024. This ten-year Programme will identify and support "five super clusters and 50 Cluster Feasibility Studies" aligned to Northern Ireland's high priority sectors. As of January 2025, 16 applications for support had been submitted (potential scrutiny point on overleaf).

Potential scrutiny point:

16. What implications will the DfE's 2025/26 Executive Budget allocation have for its clustering ambitions?

- **SME Productivity Booster Scheme (SPBS):** launched in November 2024, the SPBS is to provide up to £350,000 to SMEs in Northern Ireland, to improve productivity and skills. As of January 2025, the DfE was processing 76 applications for support.

Potential scrutiny point:

17. How will the DfE's 2026/27 Executive Budget allocation affect its ability to continue to support SME productivity under the SPBS?

- **Future Medicine Institute:** in December 2025, the Future Medicines Institute was launched at Queen's University Belfast. Supported by £35 million from the DfE and £20 million of funding from the life sciences and health industry, the Institute will support the growth of that sector in Northern Ireland. The work of the Institute commenced in January 2025, and will be completed in December 2030.[39]

[39] DfE, Delivering the Economic Vision , Year One Progress Report (Feb 2025)

Potential scrutiny points:

18. How will the DfE's 2025/26 Draft Executive Budget allocation impact the delivery of the Future Medicine Institute?

19. How will the DfE's 2025/26 Draft Executive Budget allocation impact the Department's consideration of rolling-out similar initiatives in the other high-potential sectors?

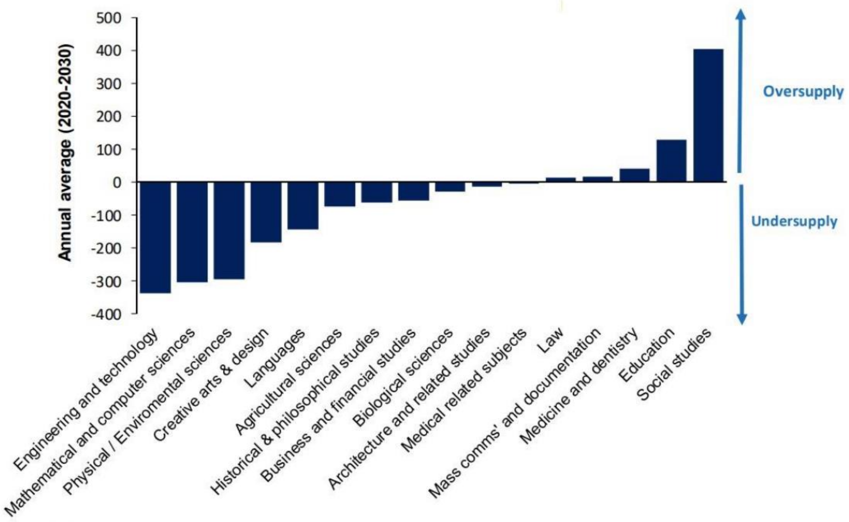
6.3 Skills

As mentioned earlier in the Paper, skills are prioritised in the DfE's Economic Vision introduced in early 2024, and reported on it a year later. This sub-section revisits key issues concerning STEM skills shortages and future skills needs of the Northern Ireland economy, to provide some background for the CfE's deliberations on boosting the economy amidst the challenging budgetary and economic contexts that the DfE faces in 2025/26 and beyond.

6.3.1 STEM Skills Shortages

With regard to qualification by subject matter, Figure 19 below - taken from the most recent Skills Barometer (compiled by Ulster University Economic Policy Centre and published in 2022) - shows that Science, Technology, Engineering and Mathematics (STEM) subjects are the most undersupplied in Northern Ireland. That is consistent with findings in previous Skills Barometer reports:

Figure 19: Qualifications by Subject Matter 2022[40]



Source: Northern Ireland Skills Barometer Summary Report 2022

Important to also note here is the 2020 OECD Skills Strategy Northern Ireland report; it further highlighted an increase in shortages among high-skilled and middle-skilled occupations in Northern Ireland relative to those in the rest of the United Kingdom (potential scrutiny points on overleaf).[41]

Potential scrutiny points:

20. The DfE measures set out in the Economic Vision to address various factors relating to existing skills in Northern Ireland; how will those measures be funded in the challenging budgetary context that the DfE and other departments are facing in 2025/26, and thereby ensure that specified skills-related programmes and other will achieve their aim and benefit the local economy?

21. Given the challenging budgetary context, will all those specified to help implement and deliver Skills-related programmes in the Economic Vision which aim to harness existing skills; will they have the resources (financial and other) to do so?

[40] Ulster University, Economic Policy Centre, Northern Ireland Skills Barometer Summary Report 2021 (2022)

[41] OECD. Skills Strategy Northern Ireland (2020)

22. What alternative methods of assessing STEM skills – other than traditional qualifications – has the DfE considered and relied on to deliver its Economic Vision? For example, to implement its Economic Vision, has the DfE any plans to develop a national skills taxonomy for the Northern Ireland Civil Service or the wider labour forces?

23. What plans has the DfE to rely on alternate skills assessment capabilities of the Northern Ireland labour force, to develop an additional evidence base to the existing Skills Barometer?

6.3.2 Assessing Future Skills Needs

Navigating future skills needs is a primary concern for all governments in light of evolving industry demands and technological advancements. Globally, the move towards a green economy and increased usage of technology and artificial intelligence (AI) will doubtless create new jobs requiring new skills in the coming years. As the United Kingdom economy targets net zero by 2050,[42] there will be greater demand for green skills in the workforce, which will vary over time. There will also be an increased risk of more skills gaps. In 2024, The Open University Business Barometer survey participants were asked about new AI, digital and green technologies. Responses showed that overall, 64% of those surveyed were not confident about applying either AI or green technologies.[43] In Northern Ireland, 67% were not confident about AI technology and 49% were not confident about green technology. It is interesting to note that the 2024 Skills England report Driving growth and widening opportunities states United Kingdom employment is expected to grow modestly by 2035, with 1.4 million new jobs.[44] That report shows how the distribution of jobs will be impacted by future “megatrends” - including an ageing population, the move towards a green economy and the increased usage of technology and AI. The report also asserts that both new jobs and a changing composition will require different skills than are needed in the current labour market.

In the Republic of Ireland, the Expert Group on Future Skills Needs (EGFSN) is an independent body that advises government on current and future skills needs of its economy. Members of the EGFSN include key skills policy stakeholders in the public

[42] The Climate Change Act 2008 (2050 Target Amendment) Order 2019

[43] The Open University, Business Barometer, Business Barometer (2024)

[44] Skills England, Driving Growth and Widening Opportunities (2024)

sector, representation from business and trade unions. It produces research studies of skills needs, by sector or occupation, involving:[45]

- Reviews of international and domestic trends and data
- Engagement with stakeholders from across Government, industry and the education and training system
- Identification of the nature and likely scale of skills needs over a 5 to 10-year time period, using skills demand forecasting.

EGFSN submit the findings of the research and the agreed Action Plans to the Irish National Skills Council[46] prior to their publication. Once the reports are published, their findings are disseminated to other key stakeholders across the Irish skills landscape.

Potential scrutiny points:

24. The DfE measures set out in the Economic Vision to address various factors relating to skills in Northern Ireland – in particular, Northern Ireland's future skill needs; how will those measures, including related bodies/other, be funded in the challenging budgetary context that the DfE and other departments are facing in 2025/26, and thereby ensure that specified skills-related programmes and other will achieve their aim and benefit the local economy in future?

25. Given the challenging budgetary context, will all those specified to help implement and deliver the Skills-related programmes in the Economic Vision that look to the future – to ensure Northern Ireland is "skill ready"; will they have the resources (financial and other) to do so?

26. What alternative methods of assessing STEM skills – other than traditional qualifications – has the DfE considered and relied on to deliver its Economic Vision? For example, to implement its Economic Vision, has the DfE any plans to develop a national skills taxonomy for the Northern Ireland Civil Service or the wider labour forces?

[45] gov.ie - How Ireland predicts what skills it needs

[46] National Skills Council (accessed 6 Feb 2025)

27. What plans has the DfE to rely on alternate skills assessment capabilities of the Northern Ireland labour force, to develop an additional evidence base to the existing Skills Barometer?

28. How does the DfE Economic Vision seek to ensure that the full impact of either AI or green technologies are factored into implementation design and delivery?

29. Please detail cost implications of delivering programmes with an AI and green technology programme, for 2025/26 and beyond.

6.4 Higher Education

This sub-section outlines essential context on Northern Ireland student migration, before highlighting recent topical issues relating to Higher Education that would be relevant to any CfE deliberations on boosting the Northern Ireland economy.

6.4.1 Student Migration

According to a 2022 Pivotal report[47] addressing student migration, Northern Ireland is an outlier amongst other United Kingdom regions, as it has a “troubling combination of high levels of students leaving to study elsewhere and a low number of incoming students”.[48]

United Kingdom Student Enrolment by Domicile and Location of HEI

According to the most up to date statistics published by the Higher Education Statistics Agency (HESA), in the academic year 2022/23, the vast majority of undergraduate students in England (96%) and Scotland (96%) enrolled in Higher Education Institutions (HEIs) in their domicile (or permanent home). The majority of undergraduate students in Northern Ireland (75%) and Wales (71%) choose to enrol in HEIs in their domicile to a lesser extent, with more choosing to enrol in HEIs elsewhere.[49]

Undergraduate enrolment

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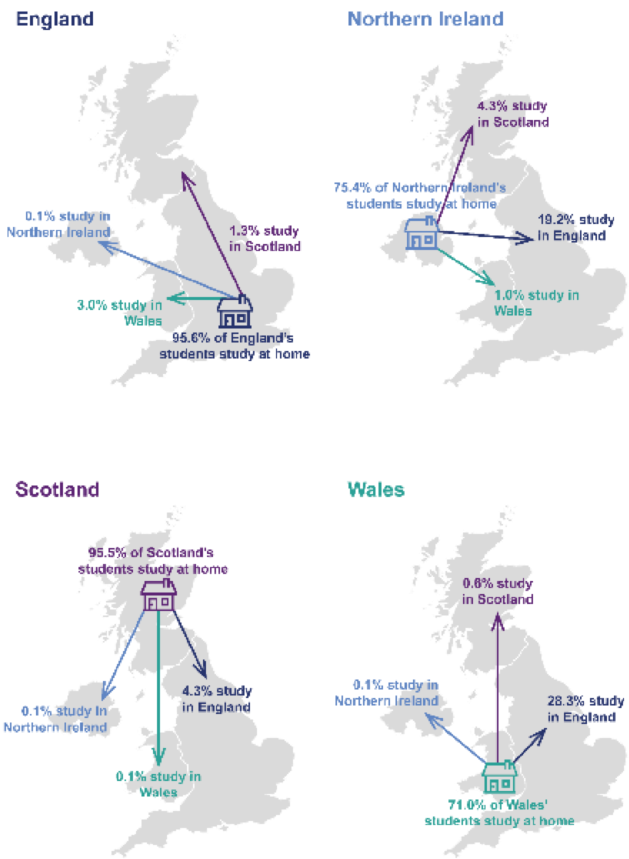
47 Pivotal is a Northern Ireland public policy think tank.

48 Pivotal. Retaining and Regaining talent (2022)

49 HESA. Where do HE Students come from? (2024)

As Figure 20 below shows, England as the most popular choice of HEI outside one's own domicile for students from Northern Ireland (19% of students from Northern Ireland choose undergraduate courses in England), Scotland (4%) and Wales (28%) undergraduate students. Scotland is a less popular destination than England, with fewer undergraduate students from England (1%), Northern Ireland (4%) and Wales (1%) choosing to study there. Wales is a less popular choice again, with a relatively small proportion of students from England (3%) and Northern Ireland (1%) choosing to study in Welsh HEIs. Northern Ireland is the least popular choice of HEI destination for undergraduate students domiciled in Great Britain, as less than 1% choose to study in Northern Ireland:

Figure 20: The percentage of students enrolled in HEIs in England, Northern Ireland, Scotland and Wales by domicile



Source: Figure compiled by RaISe, relying on latest available data from HESA, NISRA and DE (2024)

6.4.2 Undergraduate enrolment

Postgraduate enrolment

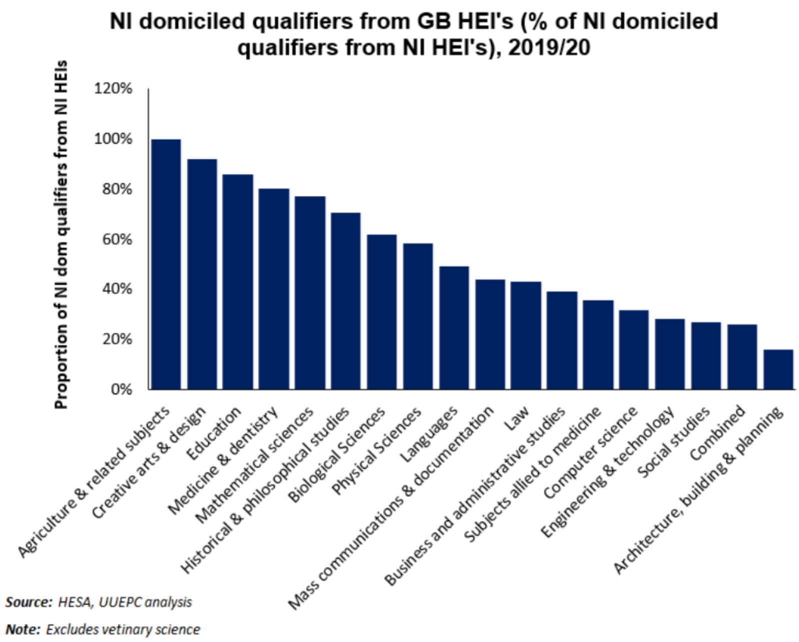
Patterns in the data for postgraduate studies in the United Kingdom are similar to those in the undergraduate data. The latest available data from HESA show that the vast majority of postgraduate students chose to study in the part of the United Kingdom they are domiciled in (England, 95%; Northern Ireland, 78%; Scotland, 89%; and, Wales, 63%).

For the same period, Northern Ireland was the least popular choice of HEI destination for postgraduate students domiciled in Great Britain, with less than 1% choosing to study in Northern Ireland HEIs. England is the most popular choice for postgraduate study for students from Northern Ireland (18% of students from Northern Ireland chose postgraduate courses in England), Scotland (11%) and Wales (35%). Scotland is the second most popular choice for students from England (2%), Northern Ireland (3%) and Wales (2%), followed by Wales (England, 2%; Northern Ireland 1%; and, Scotland 1%).

Enrolment by Course

Figure 21 below, taken from the latest available Northern Ireland Skills Barometer shows for the selected period that the most popular subjects for students from Northern Ireland to study in HEIs in Great Britain are Agriculture (and subjects related to agriculture), Creative Arts and Design, Education, Medicine and Dentistry and Mathematical Sciences:

Figure 21: Northern Ireland domiciled students' course choices 2019/20[50]



Sources: HESA (2024) and UUEPC (2021)

[50] Ulster University, Northern Ireland Skills Barometer (Oct 2024)

The issue of how course availability impacts where a potential student from Northern Ireland will enrol has been explored by Pivotal. In its report Should I stay or should I go? Reasons for leaving Northern Ireland for study or work,[51] Pivotal found that *"students described a lack of diversity in programme choice in Northern Ireland".* One example given was veterinary medicine, as it is not possible to study to become a vet in Northern Ireland;[52] although it is possible to study veterinary nursing and postgraduate veterinary courses in Ulster University.

Potential scrutiny points:

30. The DfE measures set out in the Economic Vision are to address various factors in HEIs in Northern Ireland – for example, what causes Northern Ireland students to study elsewhere; and what attracts students from Great Britain and beyond? How will those measures be funded in the challenging budgetary context that the DfE and other departments are facing in 2025/26?

31. Would the DfE please provide more detail on how it will regulate the output of Northern Ireland HEIs under the DfE Economic Vision, to build on work undertaken to date, and thereby ensure that HEI courses and research programmes benefit the local economy?

32. Given the challenging budgetary context, will Northern Ireland HEIs have the resources (financial and other) to regulate that output, as well as provide a sufficient number of places to cope with local student demand?

6.4.3 Student finance

Increased student maintenance loan

On 31 January 2025, recognising the financial challenges faced by students, the Economy Minister announced a 20% increase in maximum student maintenance loans, with the new higher levels starting the 2025/26 academic year. It has been reported that the increase will provide £50 million additional support to approximately

[51] Pivotal. Should I stay or should I go? Reasons for leaving Northern Ireland for study or work (2021)

[52] Belfast Telegraph. Dedicated NI vet school 'still needed to address shortage' despite DAERA report concerns (6 Jun 2023)

35,600 local students, assisting them with their living costs. Many students are reported to be worried about their finances.[53]

MaSN Cap

Moreover, student numbers enrolling in Northern Ireland HEIs are restricted by an annual cost control mechanism known as a maximum student number cap or (MaSN) applied by the DfE. MaSN is directly related to the level of funding that the DfE has to support HEIs and students. Critics of the MaSN cap have commented that this restriction of student numbers in Northern Ireland can lead to higher entrance requirements for local HEIs due to the oversupply of potential entrants from here. In 2006, a report by Ulster University stated:[54]

> *The number of funded full-time higher education places in Northern Ireland is capped by the government – the Maximum Aggregate Student Number (MASN) - and as a result the demand for places exceeds the supply of places. In these circumstances the asking grades in some instances are higher in Northern Ireland and especially at the University of Ulster than in comparable courses in some universities in Britain.*

That situation is often cited as one of the reasons why successful "A" Level students may choose to study at HEIs in Great Britain or the Republic of Ireland, leading to a "brain drain" from Northern Ireland. In November 2022, the Northern Ireland Affairs Committee in Westminster stated:[55]

> *The* [MaSN] *cap leads many Northern Ireland students to leave to obtain high-level qualifications, which they then take into employment elsewhere in the UK or overseas. This places a handbrake on the Northern Ireland economy, with international and other firms either less willing to invest in the first place or unable to fill job vacancies and increase their existing investments.*

However, in 2024, the Northern Ireland Minister for the Economy stated:

[53] Belfast Telegraph. Financial relief for students as Economy Minister announces maintenance loans increase (31 Jan 2025)

[54] Osbourne *et al*. Ulster University Social & Policy Research Institute *Higher Education in Northern Ireland: A Report on Factors Associated with Participation and Migration* (2006)

[55] BBC News. NI Education: Student number cap acts as 'economic handbrake'
(8 Nov 2022)

> *Today I am announcing that I am making funding available for an initial increase of around 500 undergraduate students at Magee. This funding will support students already recruited over and above the MaSN cap by Ulster University, as well as students starting in September.*

Many commentators have called for a review of the MaSN cap. In January 2025, the then Minister for the Economy stated:[56]

> *Due to the significant level of public funding provided to the universities, the Department has to control spending to ensure it stays within its budget allocation. The Maximum Student Number (MaSN) limits the Department's financial exposure and ensures that funding per place is maintained at a level appropriate to sustain quality.*

And:

> *My Department maintains a dialogue with all of the higher education institutions on the full range of issues affecting their sustainability and growth and will shortly be beginning a review of higher education funding, including consideration of MaSN, which will help support the future growth and sustainability of the higher education sector here.*

Potential scrutiny points:

33. What is the DfE's current timetable for its higher education funding review, which is to investigate how the Department could address existing gaps in student support and ensure that all students will have access to the financial resources they need to succeed, as well as help to reduce existing concerns amongst students about their finances, regardless of their course of level of study?

34. Has the MaSN Cap on student numbers contributed to an oversupply of local students wishing to study in Northern Ireland HEIs?

[56] Northern Ireland Assembly Question AQW 21024/22-27; answered on 29 Jan 2025

35. In light of the potential “brain drain” impact on the local economy, is it prudent for the DfE to restrict student numbers for Northern Ireland HEIs due to budgetary constraints?

36. Has the DfE done any research into any potential negative impacts on students from disadvantaged backgrounds, arising from the lack of student places? If not, please detail why.

37. Could the DfE share detail of its consideration of the MaSN cap, as highlighted by the then Minister in January 2025, with the CfE?

6.5 Tourism

This section provides headline data on tourism in Northern Ireland, before looking at current issues, as well as current strategy and support. It is presented as follows:

- 6.5.1 Tourism: current picture
- 6.5.2 Tourism: current issues
- 6.5.3 Strategy

6.5.1 Tourism: current picture

In 2019, all tourism-related industries had a GVA of £2.3 billion, equivalent to 5% of Northern Ireland’s GVA in the same year.[57] The COVID-19 pandemic and resulting lockdowns had a significant impact on the sector. In April 2022, the tourism industry body – Northern Ireland Tourism Alliance (NITA) – estimated that the pandemic had resulted in a loss of £1 billion in tourist expenditure in Northern Ireland.

COVID also interrupted the collection of tourism data. Data collection activities were paused in 2020, and did not resume until summer 2022. NISRA published updated annual data on Northern Ireland’s tourism performance August 2024. That dataset covers the years 2013 to 2019, and 2023. No data is available for the 2020 to 2022 period, leaving a gap in tourism performance data.

The latest data show:

[57] Tourism Ireland. T360 - Performance Update (May 2024)

- There were 5.4 million tourism trips within Northern Ireland in 2023. Surpassing pre-COVID levels (5.3 million in 2019). This increase was primarily driven by visitors from the Republic of Ireland (1.31 million trips in 2023, compared to 755,795 in 2019).
- Tourists spent a total of 16.6 million nights in Northern Ireland in 2023, returning to pre-COVID levels (there were 16.6 million trips in 2019). Visitors from Great Britain and the Republic of Ireland spent more nights in Northern Ireland than in 2019.
- Tourism expenditure in Northern Ireland was £1.2 billion in 2023, higher than tourism expenditure in 2019 (£1 billion). The post-COVID recovery was driven by visitors from Great Britain and the Republic of Ireland. In 2023, expenditure by visitors from both markets increased relative to 2019. As of 2023, expenditure by the rest of the world and domestic tourists in Northern Ireland had not returned to pre-COVID levels.

6.5.2 Tourism: current issues

As a 3 October 2024 RaISe blog explains, the tourism industry in Northern Ireland faces a number of challenges, including:

- **Air connectivity:** a March 20224 study published by DfE on Air connectivity to support inbound tourism and business growth. That study found that Northern Ireland had "…good demand for air travel…" and that it was "…very well connected in terms of both domestic destinations and frequencies…". With regard to international flights, the report found Northern Ireland was "…lacking the frequency of flights to major hubs such as Amsterdam and Frankfurt…". The report concluded that there was a "strong case" for the Executive to support additional routes to North America, France, Germany and Denmark.

Potential scrutiny point:

38. How will the DfE's 2025/26 Executive Budget allocation affect its ability to deliver new air routes to Northern Ireland?

- **The Electronic Travel Authorisation:** the Nationality and Borders Act 2022 introduced an ETA that will require citizens of countries who do not currently need a visa when coming to the United Kingdom, to apply for an ETA prior to travelling to the United Kingdom. The ETA is to be implemented in a staged roll-out. As of January 2025, visitors from a range of non-European countries, including Australia, Canada, New Zealand and the United States of America are required to secure an ETA

before traveling to the United Kingdom. This will be extended to European countries from 5 March 2025. From a Northern Ireland perspective, British and Irish nationals, and eligible residents of the Republic of Ireland will not require an ETA. Tourists visiting Northern Ireland from "non-visa" countries, including those who enter Northern Ireland from the Republic of Ireland will require an ETA.
The DfE has raised concerns, noting that 70% of rest of the world visitors to Northern Ireland have historically arrived in the Republic Ireland, before travelling to Northern Ireland. On 7 January 2025, the then Minister noted Tourism Ireland's Sentiment Research found that one in four people in Europe and one in five in North America would chose not to travel in Northern Ireland due to the ETA.[58]

Potential scrutiny point

39. How will the DfE's 2025/26 Draft Executive Budget allocation affect its ability to mitigate the impact of the ETA on tourism in Northern Ireland?

- **Value Added Tax (VAT):** In Northern Ireland, like the rest of the United Kingdom, the VAT rate for the hospitality industry is set at 20%. In the Republic of Ireland, a rate of 13.5% is applied to the sector. A motion on the Devolution of VAT for Hospitality was carried by a vote in the Northern Ireland Assembly on 13 May 2024. The issue was also raised with His Majesty's Treasury by the then Minister for Finance, who highlighted the "negative impacts on hospitality of high levels VAT" during the summer of 2024.

Potential scrutiny point

40. What impact will the DfE's 2025/26 Draft Executive Budget allocation have on the potential reduction of VAT on Hospitality in Northern Ireland and/or the devolution of Hospitality VAT to Northern Ireland?

[58] DfE. Minister Murphy warns of devastating impact on tourism as Home Office travel scheme begins (7 Jan 2025)

6.5.3 Strategy

The DfE published its "Tourism Vision and Action Plan: 10 Year Plan" on 15 January 2025. The Plan aligns Northern Ireland tourism, with four pillars of the Department's Economic Vision that was set out in February 2024.

The Tourism Plan's strategic goal is to increase overall tourism expenditure by overnight and day trip visitors to £3.5 billion by 2035. To achieve this, the Strategy sets out a series of actions across the Department's four economic vision pillars.[59] Those actions are summarised in Table 9 below:

Table 9: Summary of Actions in DfE Tourism Vision and Action Plan: 10 Year Plan – January 2025[60]

Pillar	Action
Productivity	• Deliver a Northern Ireland Integrated Business Events Strategy • Restore funding to Tourism Ireland. • Continue to seek a solution to the impact of the ETA • Extend Fáilte Ireland brands into Northern Ireland
Regional Balance	• Expand Northern Ireland Visitor Experience Portfolio • Develop and deliver a multi-annual Experience Development Programme • Deliver the City and Growth Deals Programme • Ensure an adequate mix of tourism accommodation across Northern Ireland • Review tourism deliver mechanisms • Develop and implement a destination approach destination management • Develop a long-term programme of events
Good Jobs	• Deliver a bespoke Skills Action Plan for tourism
Decarbonisation	• Improve International connectivity through an Aviation Policy • Work in partnership with sea carriers and cruise operators to increase the economic impact of visitors • Build capacity of tourism industry to become more sustainable • Launch and deliver a robust sustainability recognition scheme

[59] DfE. Tourism Vision and Action Plan: 10 Year Plan (15 Jan 2025)

[60] DfE. Tourism Vision and Action Plan: 10 Year Plan (15 Jan 2025)

Source: DfE (2025)

A further key development set out in the Action was the establishment of the Tourism Partnership Board. The Board comprises representatives from across government, as well as the tourism, hospitality and transport sector. It has responsibility for monitoring the Action and Plan and the Plan's delivery "through collective action with the industry".

Potential scrutiny points:

41. Has DfE's Tourism Vision and Action Plan been fully costed?

42. What impact will DfE's 2025/26 Draft Executive Budget allocation have on the delivery of the actions set out in the Department's Tourism Action Plan and its delivery of the Department's vision for tourism in 2035?

6.6 Energy

The rising cost of business has been impacting companies in Northern Ireland. In December 2024, the Director of the Confederation of British Industry Northern Ireland noted:

> *Rising labour, energy and insurance costs - along with the need to allocate resources to the energy transition and automation - has left many firms acutely aware that they are becoming less competitive in the global marketplace. For many sectors in Northern Ireland, and across the UK, profit margins are low and that means business costs must be kept in-line with productivity levels.*[61]

Analysis by the Utility Regulator Northern Ireland, published as part of its most recent Quarterly Retail Energy Market Monitoring Report, covering the period July to September 2024 notes that electricity unit prices for some industrial and commercial (I&C) customers in Northern Ireland are amongst the highest in Europe. The Report shows:

- Very small I&C customers in Northern Ireland paid the fifth highest price per kilowatt hour (kWh) of the European countries compared by the UR

[61] Confederation of British Industries Northern Ireland. CBI Northern Ireland responds to announcement on cost of doing business (9 Dec 2024)

- Small I & customers paid the third highest p/kWh
- Small-medium, Medium, Large and very large I&C customers paid the second highest p/kWh[62]

A similar analysis of gas prices paid by I&C customers in Northern Ireland found that:

- Very small I&C customers in Northern Ireland paid the tenth highest price per kilowatt hour (kWh) of the European countries compared by the UR
- Small I&C customers paid the fifth highest
- Medium and large I&C customers also paid fifth highest[63]

In the electricity sector, the price charged by incumbent supplier Power NI is subject to price control by the Utility Regulator, other suppliers then compete with Power NI for customers. The regulated price charged by Power NI is applicable to domestic and very small I&C customers (approximately 67% of business customers in Northern Ireland. Other aspects of the price paid by customers are also subject to Utility Regulator price control; includes network charges.[64] The price paid by larger I&C consumers is set by the market; although the network charges element of the final price is subject to price control.

Previous support for business customer had been offered by the United Kingdom Government through the Energy Bills Discount Scheme, which ran from 1 April 2023 to 31 March 2024. The scheme closed on 1 April 2024.[65] In the absence of additional support on energy bills, the DfE's Energy Strategy includes measure which may help to assist businesses with their energy cost, specifically its central targets on energy efficiency and the decarbonisation of energy generation, which is to promote indigenous renewable generation over imported fossil fuels.

The DfE has responsibility for policy and strategy on energy including electricity, gas, renewables and energy efficiency in Northern Ireland. Therefore, the DfE has responsibility for supporting the Executive in reaching the Net Zero Target through the promotion of energy efficiency and renewable. As such, in December 2021, the DfE published its Energy Strategy - Path to Net Zero. The Strategy states:

> *This Path to Net Zero Energy is the Energy Strategy for Northern Ireland. We have set a long-term vision of net zero carbon and*

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[62] Utility Regulator Northern Ireland. Quarterly Retail Energy Market Monitoring Report (16 Dec 2024)

[63] Utility Regulator Northern Ireland. Quarterly Retail Energy Market Monitoring Report (16 Dec 2024)

[64] Utility Regulator Northern Ireland. Understanding your electricity charges (accessed 6 Feb 2025)

[65] Utility Regulator Northern Ireland. Understanding your electricity charges (accessed 6 Feb 2025)

> *affordable energy for Northern Ireland. This will lead to the highest levels of energy efficiency, thus reducing the amount of energy we need, whilst making sure the energy we do use comes from clean renewable sources*

Specifically, the Strategy sets a target in relation the climate action and Net Zero these where:

- **Energy Efficiency:** Deliver energy savings of 25% from buildings and industry by 2030
- **Renewables:** Meet at least 70% of electricity consumption from a diverse mix of renewable sources by 2030

Subsequently, the Climate Change Act (Northern Ireland) 2022 specifically that Act placed duties on the DfE to address climate change – those duties are:

- Section 14: *The Department for the Economy must develop and publish sectoral plans for the energy sector setting out how the sector will contribute to the achievement of the targets in sections 1, 3 and 4*
  (2) Sectoral plans for energy must include proposals and policies for energy production and the supply of private and public heating and cooling systems
- Section 15: *The Department for the Economy must ensure that at least 80% of electricity consumption is from renewable sources by 2030*
- Section 17: *The Department for the Economy must develop and publish sectoral plans for the industrial processes sector setting out how the sector will contribute to the achievement of the targets in sections 1, 3 and 4*

In terms of actions taken, DfE's Delivering the Economic Vision - Year one progress report provided an update on the actions taken in 2024. As part of the progress report, the Department outlined the actions taken on "The commitment to decarbonisation". Table 10 below provides an overview of the Departments actions in relation to energy efficiency in 2024:

Table 10: Actions to address Climate Change and Reach Net Zero by DfE – 2024

Action	Description	Funding (If applicable)

Capital Grants to support energy efficiency	This scheme, provides businesses with support to reduce energy costs and to build resilience through green efficiency. Invest NI received a high demand for the scheme in the first nine months and has awarded £2.8m to help companies implement energy efficiency projects. In addition to the capital grant scheme, Invest Northern Ireland also provides support for technical consultancy and sustainability reports to help business reduce energy and carbon emissions.	£21 million
Energy efficiency support for low-income homes	This funding is supporting the installation of energy efficiency measures in approximately 1,000 homes to improve warmth and comfort and to lower energy bills and reduce carbon emissions.	£2.5 million
United States Net Zero Advisory Board	Supported by United States Envoy, the Board was established to leverage the world-class expertise of the Northern Ireland's strategic diaspora community. It is comprised of leaders in Net Zero industries who bring knowledge and expertise, and is tasked with enhancing international awareness of the Northern Ireland's green economy and Net Zero strengths.	N/A
Invest to Save in the public sector's transition to Net Zero	Investment in almost 60 projects across the central government estate to support decarbonisation and lower, more stable energy costs in the public sector	£28 million

Source: DfE (2025)

6.7 United Kingdom Shared Prosperity Fund (UKSPF)

The UKSPF launched in April 2022, as a successor to the former European Union Structural Funds, including the European Social Fund (ESF). Initially, the UKSPF provided £2.6 billion to support local investment projects until March 2025. In terms of administration, the United Kingdom Government outlined that:

> *The Fund's interventions will be planned and delivered by councils and mayoral authorities across England, Scotland and Wales – 'lead local authorities', working closely with local partners and the Scottish and Welsh governments.*[66]

However, the United Kingdom Government decided to take a different approach as:

> *In Northern Ireland, UK government will have oversight of the Fund. We want to work closely with local partners to design a Northern Ireland investment plan. We will refine the plan in consultation with stakeholders in a way that reflects the needs of Northern Ireland's economy and society. This group could include representatives from Northern Ireland Executive Departments, local authorities, businesses and the community and voluntary sector.*[67]

The Chancellor announced in October 2024 (at the Autumn Budget 2024) that the UKSPF would be extended to provide "a smooth transition from the existing UKSPF programme to a new, future funding framework."[68] To facilitate the transition year, the Chancellor allocated an additional £900 million to the Fund. For the 2025/26 financial year, the total allocation to Northern Ireland is presented in Table 11 below:

[66] Department for Levelling Up, Housing and Communities, UK Shared Prosperity Fund: prospectus (updated 23 Jan 2025)

[67] Department for Levelling Up, Housing and Communities, UK Shared Prosperity Fund: prospectus (updated 23 Jan 2025)

[68] Department for Levelling Up, Housing and Communities, UK Shared Prosperity Fund 2025-26: technical note (updated 23 Jan 2025)

Table 11: United Kingdom Shared Prosperity Fund – 2025/26 allocation to Northern Ireland

Northern Ireland	UKSPF Allocation	Capital	Revenue
Northern Ireland	£45,488,433	£11,800,769	£33,687,664

Source: UK Government (2025)

6.7.1 UKSPF and DfE

Under the UKSPF arrangements, Executive Departments and their Arm's Length Bodies (ALBs) have responsibility to deliver some UKSPF funded projects in Northern Ireland. For example, in 2023-24, DfE and Invest Northern Ireland (an ALB of DfE) were responsible for delivery of two projects highlighted in Table 12 below:

Table 12: United Kingdom Shared Prosperity Fund – Northern Ireland projects

Responsible body	Funding allocated	Project name	Description
DfE (lead body)	£5.9m	Multiply	*….to help address the lower levels of adult numeracy in Northern Ireland compared with the UK and OECD average. The project will invest in more, and new and innovative forms of, delivery that can extend the reach of provision and improve the earnings potential and productivity of the workforce. It aims to support 3,650 people to participate in numeracy courses, with 1,500 people achieving a maths qualification.*[69]

[69] Department for Levelling Up, Housing and Communities. £17 million for adult numeracy and innovation in Northern Ireland (26 Mar 2024)

Invest Northern Ireland	£11.2m	Manufacturing, Innovation, Green Growth and Sector Supports	*…. particularly small and medium sized enterprises, and accelerate the diffusion and take up of new technologies and innovations. The project will provide R&D grants, sector support and networking, and technical consultancy. It will support 371 enterprises with grants, 426 enterprises with advice, and lead to outcomes including improved productivity, engagement in new markets, and newly innovating companies.*[70]

Source: Department for Levelling Up, Housing and Communities (Mar 2024)

In his remarks to the Assembly Committee for Economy in June 2024, the then Economy Minister referenced the UKSPF funding received by the Department and his desire to continue to seek additional funding; stating:

> *We will continue to seek out additional funding sources to advance the actions required to grow the economy. For example, the Department recently secured £17 million from the Shared Prosperity Fund to advance vital work on skills, innovation, research and development and decarbonisation. That funding will flow from the Department for Levelling Up, Housing and Communities (DLUHC) later in the financial year, in line with the normal budgetary processes.*[71]

6.8 City and Growth Deals

In Northern Ireland, there currently are four City and Growth Deals, with £1.3 billion funding available. That funding comprises:

- Northern Ireland Executive investment of over £700 million
- United Kingdom Government contribution of over £600 million

[70] Department for Levelling Up, Housing and Communities. £17 million for adult numeracy and innovation in Northern Ireland (26 Mar 2024)

[71] Northern Ireland Assembly, Official Report, Committee for the Economy (26 Jun 2025)

- A further £300 million from local councils and City and Growth deal partner institutions[72]

The four City and Growth Deals are:

- Belfast Region City Deal (£700m)
- Derry City and Strabane City Deal (£210m)
- Causeway Coast and Glens Growth Deal (£72m)
- Mid-South West Region Growth Deal (£252m)

On 13 September 2024, the United Kingdom Government informed the Northern Ireland Executive that City and Growth Deal funding had been "paused". Thereafter, it was confirmed by the then Finance Minister that the Belfast Region City Deal and Derry City and Strabane District Council City Deal would continue, but two Growth Deals - namely Causeway Coast and Glens and Mid-South West - would continue to be paused.

And then in October 2024, at the Autumn Budget 2024, the Chancellor advised that the two paused Growth Deals now would continue, with a combined investment from the United Kingdom Government of £162 million.[73]

The DoF is the lead Northern Ireland department with responsibility "for the strategic direction. Nonetheless, the DfE nonetheless is accountable for City and Growth Deals' policy, governance and funding allocated to it."[74] In particular, the DfE:

> *…is the accountable department for an estimated £800m of investment across approximately 40 innovation, digital and tourism projects*…[75]

In terms of the DfE allocation in the 2025/26 Draft Executive Budget, £6.5 million has been earmarked funding for City and Growth Deals.

6.9 Shared Island Initiative

6.9.1 Sustainable Tourism

The Shared Island Fund was announced in the Irish Government Budget 2021, with €500m in capital funding available between 2021-25, ring-fenced for investment in collaborative North/South projects. The Fund is divided into shared initiatives, with

[72] DoF. City and Growth Deals (accessed 6 Feb 2025)

[73] HM Treasury. A Budget to fix the foundations and deliver change for Northern Ireland (30 Oct 2024)

[74] DoF. City and Growth Deals (accessed 6 Feb 2025)

[75] DfE. City and Growth Deals (accessed 6 Feb 2025)

projects associated with each. Table 13 provides an overview of these projects which are overseen by the DfE or an ALB that reports to DfE in conjunction with a corresponding department in the RoI:

Table 13: Shared Ireland Initiative projects overseen by DfE

Scheme	Description	Funding
Shared Island Coast-to-Coast Capital Investment Scheme	Agreement on the need for sustainable tourism across the island; also for collaboration between the Wild Atlantic Way and Causeway Coastal Route, as agreed on 24 June 2024 by the then Economy Minister in Northern Ireland and the Minister for Tourism, Culture, Arts, Gaeltacht, Sport and Media in the Republic of Ireland	Total €3 million (£2.5 million) – including €1.5 million (£1.25 million) to support eligible projects in the Republic of Ireland
Shared Island Enterprise Scheme	Development of a scheme to focus on: promoting women entrepreneurship; cross-border networks and clusters; and, sustainability and innovation investment	€30 million

Sources: Fáilte Ireland (accessed 2025) and InterTradeIreland (accessed 2025)

6.10 Rating reform

Of late, both central and devolved levels of government have given considerable attention to Regional Rating[76] - comprising Domestic and Non-Domestic. Devolved under Northern Ireland's current devolution arrangements as a primary revenue-raising lever for the Executive,[77] Regional Rating constitutes one of the central elements underpinning the Executive's recently agreed Interim Fiscal Framework

[76] Further detail on the Non-Domestic Rating System can be found in the RaISe Briefing Paper NIAR 304-2024, dated 7 Feb 2025 (to be published mid-Feb 2025)

[77] Northern Ireland Executive. Budget Sustainability Plan (Oct 2024)

and the Executive's Budget Sustainability Plan, as highlighted in section one of this Paper.

Regional Rates receipts provide a significant funding source for local and regional public service delivery[78] - such as the provision of waste collection, education and infrastructure. The total 2023/24 Non-Domestic Regional Rates generated approximately £827 million – amounting to 55% of £1;510 and, the total 2023/24 Domestic Regional Rates approximately £683 – amounting to 45%.[79]

However, it should be recognised that various Regional Rates reliefs and exemptions are available to eligible households, businesses, charities and trusts which meet the specified qualifying criteria; with the dual aims of providing support and promoting economic growth in Northern Ireland.[80],[81] But those reliefs and exemptions also result in foregone revenue receipts, as highlighted in 2021 by academics in Ulster University.[82]

Those academics estimated £225.6 million in foregone Non-Domestic Regional Rates revenue to the Executive in 2020/21 as a result of such reliefs and exemptions.[83] Further disaggregating that figure, they estimated almost £102 million foregone for the same year as result of Non-Domestic Regional Rates exemptions for charities, which the academics identified as the greatest proportion of revenue foregone in relation to Non-Domestic Regional Rates.

It is also important to note that Relief schemes are subject to Barnett consequentials. That means that the overall budget allocated by the United Kingdom Government to the Devolved Administrations – including the Northern Ireland Executive - is adjusted when such schemes are implemented or adjusted in England. For example, in October 2024, the Chancellor announced a reduction to some Rates reliefs in England - from 75% to 40%.[84] That resulted in a corresponding reduction in the funding provided via the Block Grant, as calculated under the Barnett formula, in line with the specified financial arrangements governing current devolution in Northern Ireland. Therefore, Rates Relief schemes impact the Northern Ireland Executive

[78] DoF. Rate relief consultation report published (Sep 2024)

[79] DoF. Supplementary Consultation on Domestic Rating Measures - Consultation Paper (Jan 2025)

[80] Further detail on the Non-Domestic Rating System can be found in the RaISe Briefing Paper NIAR 304-2024, dated 7 Feb 2025 (to be published 14 Feb 2025)

[81] NIbusinessinfo.co.uk. Charitable Exemption for rates (accessed 6 Feb 2025)

[82] Ulster University. Review of Non-domestic Rates (2021)

[83] Ulster University. Review of Non-domestic Rates (2021)

[84] United Kingdom Chancellor of the Exchequer. Autumn Budget 2024 – HC 295 (Oct 2024)

Budget in two ways: adjustments to the Block Grant; and, amount of revenue raised locally.[85]

Forecasted revenue receipts and those foregone factor into annual planning for each Executive Budget cycle. Both those factors, amongst other things, inform the Finance Minister, and in turn the Executive, of one of the funding sources contributing the (Draft) Executive Budget.[86] And once individual departmental allocations are made via the Executive Budget, to a lesser or greater extent, those in turn inform how each Minister allocates the department's budget and administers departmental policies, plans, strategies, programmes and initiatives. The collective aim of such decisions is to serve the Northern Ireland people. That is to be done within the boundaries of the current devolution settlement in Northern Ireland by the Executive, including its departments. Within specified remits, simply stated, the Executive/departments address Northern Ireland's socio-economic issues, develop policy, oversee public finances, deliver public services and maintain the "rule of law". That includes engaging with central government, amongst others, to represent the interests of Northern Ireland. It also includes engaging with the Assembly in plenary and committee, which holds the Executive/departments account for their decisions, when discharging the Assembly's scrutiny, as well as its advisory, roles and responsibilities.

In terms of the DfE, central to its remit is the economy, as reflected in its "Economic Vision" published in February 2024 and reported on a year later,[87] as noted earlier in this Paper at section one.

Potential scrutiny points:

43. The rating reform noted above projects a certain level of revenue generation. In light of that projection, what modelling, if any, has the DfE undertaken to deliver its Economic Vision – including the Vision's implementation strategies, plans and programmes – based on that projection?

[85] For more information, see RaISe-Public Finance Scrutiny Unit (PFSU), Public Finance Scrutiny Workshop Series

[86] For more information, see RaISe-PFSU Public Finance Scrutiny Workshop Series

[87] Delivering on the Economic Vision - Year One Progress Report (Jan 2025)

44. How does any such modelling address foreseeable shortfalls arising, for example, if businesses close down, resulting in a reduced rating base, as a consequence of a combination of existing factors, such as: employers' increased outlays due to, for example: increased National Insurance Contributions (NICs) and increased wages, if implemented following on from the Chancellor's Autumn Budget; any trade wars arising; or, any other adverse impacts on businesses that could result in increased insolvencies?

45. What plans has the DfE in the event that the projected revenue generation is not achieved, and shortfalls arise?