



Northern Ireland
Fiscal Council

Bringing transparency to NI's public finances

2023 Conference Report:

Conference held on
18 September 2023

October 2023

Contents

Foreword	1
Conference format	3
Discussion points	5
Stakeholder feedback	7
Reflections from Council members	14

Foreword

The formation of the NI Fiscal Council was agreed by the Executive on 11 March 2021 – in the wake of the New Decade New Approach (NDNA) agreement¹ – with the goal of bringing greater transparency and independent scrutiny to NI’s public finances.

Our Terms of Reference, drawing on the NDNA agreement, place two specific requirements on the Council in addition to our overarching mission. Namely to:

- *“prepare an annual assessment of the Executive’s revenue streams and spending proposals and how these allow the Executive to balance their budget”*; and
- *“prepare a further annual report on the sustainability of the Executive’s public finances, including the implications of spending policy and the effectiveness of long-term efficiency measures”*.

The Council has had to interpret the first of these tasks somewhat creatively in the light of the absence of a functioning Executive over much of the intervening period. At various (we hope helpful) points we have tried to describe and explain the financial position that confronts whoever is responsible for the budget at the time, how we got there and what choices decision-makers face.

As regards long-term sustainability, we have looked at this both in general terms and with specific reference to health. In the coming months we intend to turn our attention to infrastructure, with a focus on water and transport.

We have also produced a Guide to NI’s public finances and provided evidence to Stormont and Westminster committees. Working with the Department of Finance, we are also trying to improve the transparency of the information that is put into the public domain on budget developments. It is not our job to recommend specific spending or revenue raising policies, but we don’t shy away from pointing out where the process could be improved.

Having undertaken this work programme we wanted to broaden the conversation around some of the issues we have highlighted and also explore some topics that lie at the border of our remit but which are absolutely key to decisions on the public finances and NI’s future wellbeing and prosperity. This was the rationale behind the Council holding its first conference in September of this year.

The Council would like to put on record our thanks to the expert speakers, local and international, who gave presentations and provided their insightful and frank perspectives. The resulting discussions were engaging and challenging.

We are grateful to PWC for generously hosting the conference at their Merchant Square Offices and all the help they provided in preparing for the event. We would

¹ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/856998/2020-01-08_a_new_decade_a_new_approach.pdf

also like to thank our small staff team for their work in putting together the programme.

We would like to recognise the contribution of our conference compere, Mark Simpson, for his professionalism in chairing the conference and making the event accessible to what was a varied audience of stakeholders.

Finally, we appreciate the time and attention of all those who joined the conference and have continued to show interest in the work of the Council. We hope the event was as valuable for them as it has been for us.

Sir Robert Chote

Chair of the NI Fiscal Council

Conference format

NI Fiscal Council held its first annual conference in Belfast on Monday 18 September 2023. The event brought together a wide range of speakers from across NI and beyond to explore key themes around the NI public finances.

The goal was to build on the NIFC's work by inviting perspectives from experts with an informed interest in some of the themes we have been exploring and other aspects of the public finances. Participants and attendees varied in background from the public sector, the political world, academia, finance and other independent fiscal institutions.

The conference was designed to create an opportunity for ongoing conversations to deepen and broaden both our own and public understanding. These conversations are all the more important at a time when the NI public finances are under strain and when preparations need to be made for the possible return of budget-making responsibility to the Stormont institutions.

The conference was opened by the NIFC Chair, Sir Robert Chote, then received an update on NI's current budget position from Neil Gibson, Permanent Secretary at the Department of Finance.

The remainder of the event was structured around four plenary sessions tackling four big questions related to NI's public finances:

- **Is the NI Financial Package Enough?**

Speakers:

- David Phillips, Associate Director at the Institute for Fiscal Studies
- Prof. Iain McLean, Senior Research Fellow in Politics, Nuffield College, Oxford, and Fellow of the Royal Society of Edinburgh and of the British Academy
- Prof. Gerry Holtham, Visiting Professor at Cardiff Metropolitan University and Fellow of the Learned Society of Wales.

- **Is NI Funding well spent?**

Speakers:

- Jill Rutter, Senior Fellow at the Institute for Government and Senior research fellow at UK in a Changing Europe
- Dorinnia Carville, Comptroller and Auditor General for NI
- Scherie Nicol, OECD Working Party of Parliamentary Budget Officials and Independent Fiscal Institutions

- **How important is revenue raising in making public finances and public services more sustainable?**

Speakers:

- Prof. Cathy Gormley-Heenan, University Provost at Ulster University and Fellow of the Academy of Social Sciences (FACSS), and the UK Higher Education Academy (FHEA)
- Dr Andrew McCormick, retired Permanent Secretary in five different Departments of the Northern Ireland Civil Service
- Prof. Graeme Roy, Chair of the Scottish Fiscal Commission and editor of the Economic and Social Research Council's Economic Observatory

- **Does Public Spending in NI Support Economic Growth?**

Speakers:

- Ann Watt, Director of NI thinktank Pivotal since its launch in September 2019
- Dr Frances Ruane, Honorary Fellow at Trinity College Dublin (TCD) and Research Affiliate at the Economic and Social Research Institute (ESRI) and member of the European Statistical Governance Advisory Board (ESGAB), the Advisory Board at the Fraser of Allander Institute in Scotland, and the Scientific Advisory Board at the Kiel Centre for Globalisation.
- Alan Bridle, UK economist & market analyst at Bank of Ireland and UK, representative on the all-island economy project with IBEC & ESRI and Inter Trade Ireland's research reference group

Two of these sessions focused on the resources available to NI departments - the adequacy of Block Grant funding and the potential for greater revenue raising in NI. Issues with both the long-term sustainability and current budget management are currently present in NI's public finances and may be in a degree of tension.

The Council has to an extent already explored how well funding is spent in health (with the valuable assistance of the Nuffield Trust), but the NI Audit Office provide official scrutiny in greater depth and across the wider Block Grant.

The final plenary considered NI's broader prosperity. While the predominance of Block Grant funding in NI means that the relationship between economic performance and the Executive's budgetary room for manoeuvre is relatively limited, ultimately this is one of the key aims of the Executive's funding allocations.

The agenda, full speaker bios and presentations for each of the four plenary sessions are available on the NIFC website.

Discussion points

In addition to the presentations, the conference had several sessions of Q&A with speakers taking questions from the floor and providing their views on a range of issues of interest. The main themes of these sessions are summarised below.

The role of the Council

Speakers noted that public scrutiny of public services is at an all-time high, and that the work of the Council bringing greater transparency to the Block Grant and Health is timely. While the Council was welcomed as a useful addition to the Fiscal institutional landscape, the conference did pose the question as to whether other institutional 'buffers' are needed to improve the stability of the NI Executive – especially regarding the output/outcome side.

Accountability

The theme of accountability was referred to several times, with attendees highlighting that often the critical issues for the Executive are not directly related to funding. That said, overspending and fiscal challenges are also currently key issues for NI (and elsewhere in the UK). The conference considered international examples where ministerial and civil service accountability is more formally separated or where spending in budgets is better aligned to political priorities. The lack of collective responsibility is relatively unusual for such a small place. Attendees remarked that in the NI Executive larger political parties frequently choose smaller spending departments. Spending and taxation requires political judgements and currently the UK Government is choosing for NI to have overspends.

Delegates discussed whether it would be possible to incentivise spending less. Longer-term planning was again mentioned as part of a solution. A key challenge for a returning Executive will be how to make accountability more robust as well as transparent.

Opportunities

Greater collaboration is now taking place between NI departments, and as elsewhere, the response to Covid seemed to have been a factor in increasing cross-departmental working. Collaboration is not just needed between NI departments but also between central and local government, between NI and UKG and between the local private and public sectors. Joined-up approaches will be vital to achieve eg net zero and leadership will be needed to ensure this happens.

NI has opportunities stemming from its size and scale to trial and roll-out innovative approaches. The NI private sector is growing and beginning to approach the levels

of activity in the other UK regions. This will provide greater opportunities for partnership, but also to reduce public sector support in some areas that was previously required due to a smaller private sector.

In Scotland political consensus allowed the public conversation to develop around raising revenue. Financial accountability and economy then come up the Scottish agenda and debate. NI could have a similar opportunity with a returning Executive making revenue raising part of its Programme for Government.

Political considerations

Delegates discussed packages (or 'dollops') of funding, and what incentives this confronts the NI parties with. The extra cash has not always been spent or well spent. Have these previous funding dollops caused long term issues, is it likely to happen again?

However, these dollops of money are not the current obstacle - there is a need to address the making of major difficult policy decisions together. Do the institutional structures support or hinder collectivity? The original intention of the Belfast/Good Friday Agreement was for a 'Programme for Government and an agreed budget'. A number of contributors mentioned the value of linking the PfG and the Budget, and to moving towards outcomes and away from inputs.

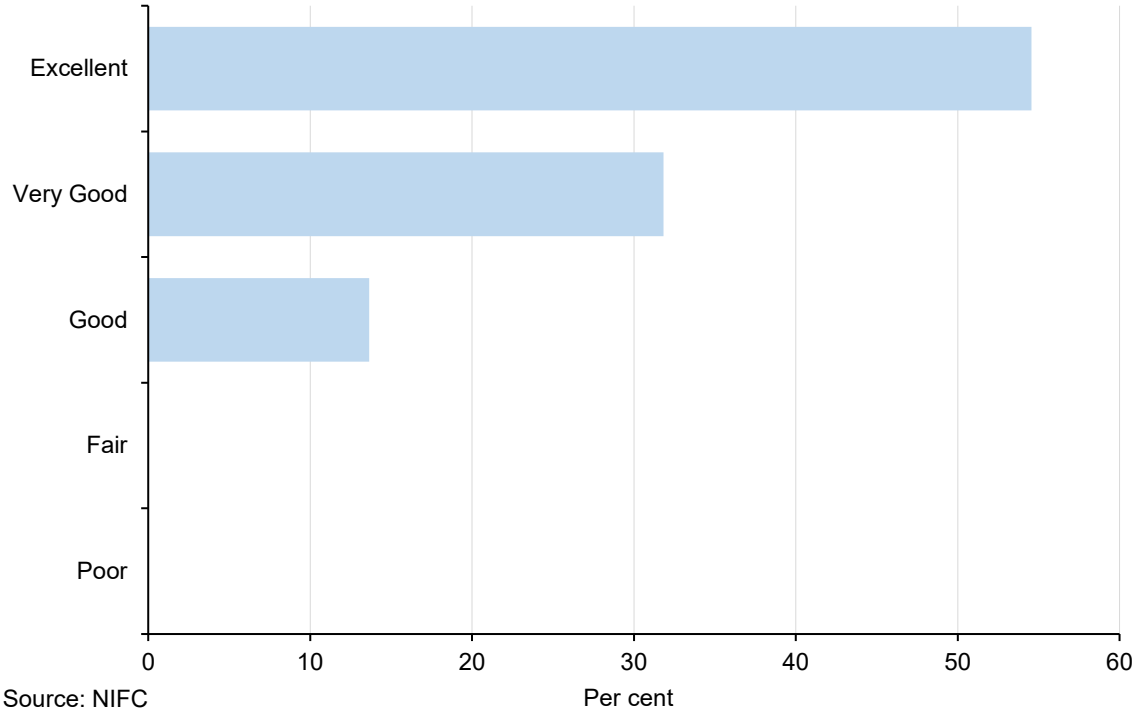
Without collective political consensus, there is no incentive for politicians to take difficult, unpopular decisions for example to raise revenue as was done in Scotland. In Scotland, political consensus was a vital step in implementing revenue raising measures.

Stakeholder feedback

We issued 100 surveys following the 2023 conference. The response rate was around 22 per cent, which shows relatively high engagement from conference attendees.

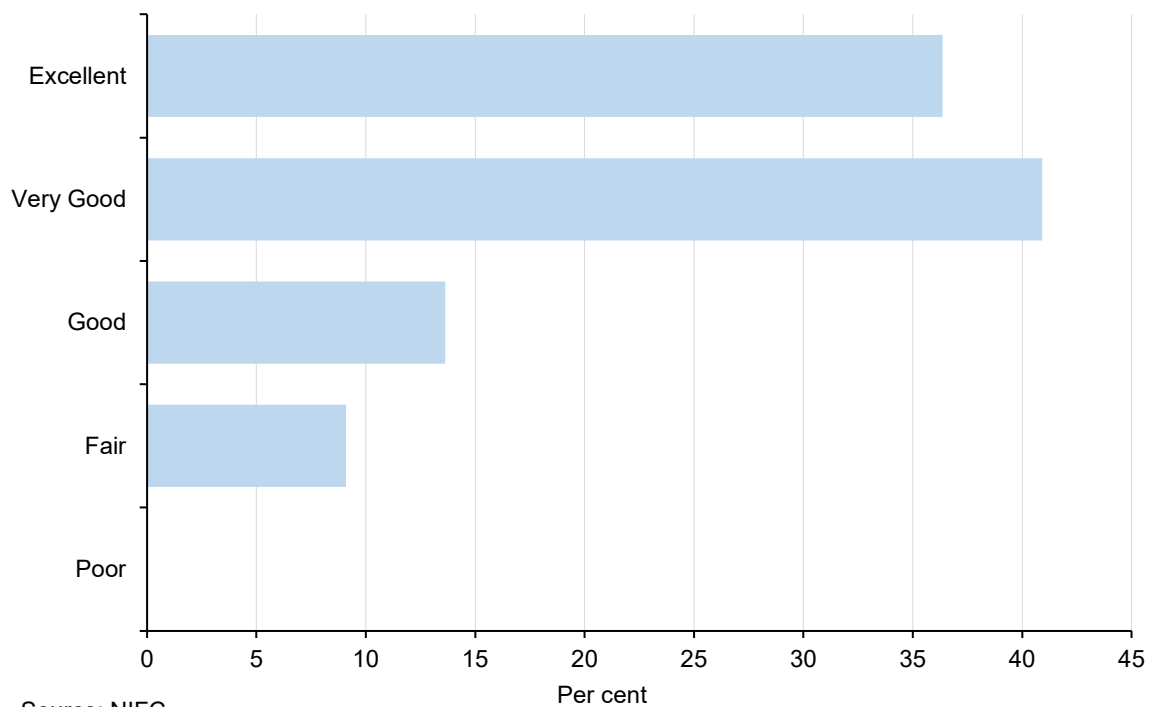
Multiple-choice survey questions

Question 1: What was your level of satisfaction with this event?



100 per cent of attendees rated the conference as good or better.

Question 2: What was your level of satisfaction with the venue and catering?

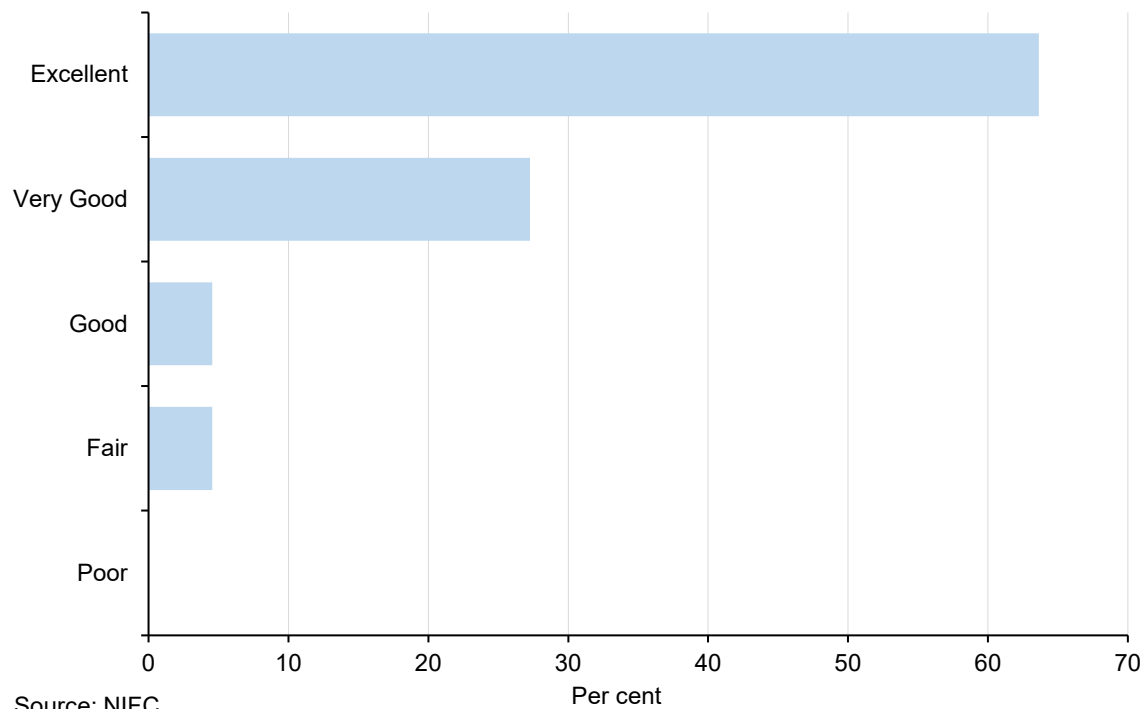


Source: NIFC

Over 90 per cent of attendees considered the venue and catering as good or better. Most of the feedback was that the venue was superb, but there were some common areas where things could have been better.

The main points for improvement in future were that the speakers were at times difficult to hear and that from some parts of the room the slides weren't easily visible. In particular, the positioning of the main projection screen low to the ground meant it could be hard to see the bottom half of slides. The smaller screens around the room at times displayed the speakers' names, when they might have shown slides instead.

Question 3: What was your level of satisfaction with the speakers and sessions?

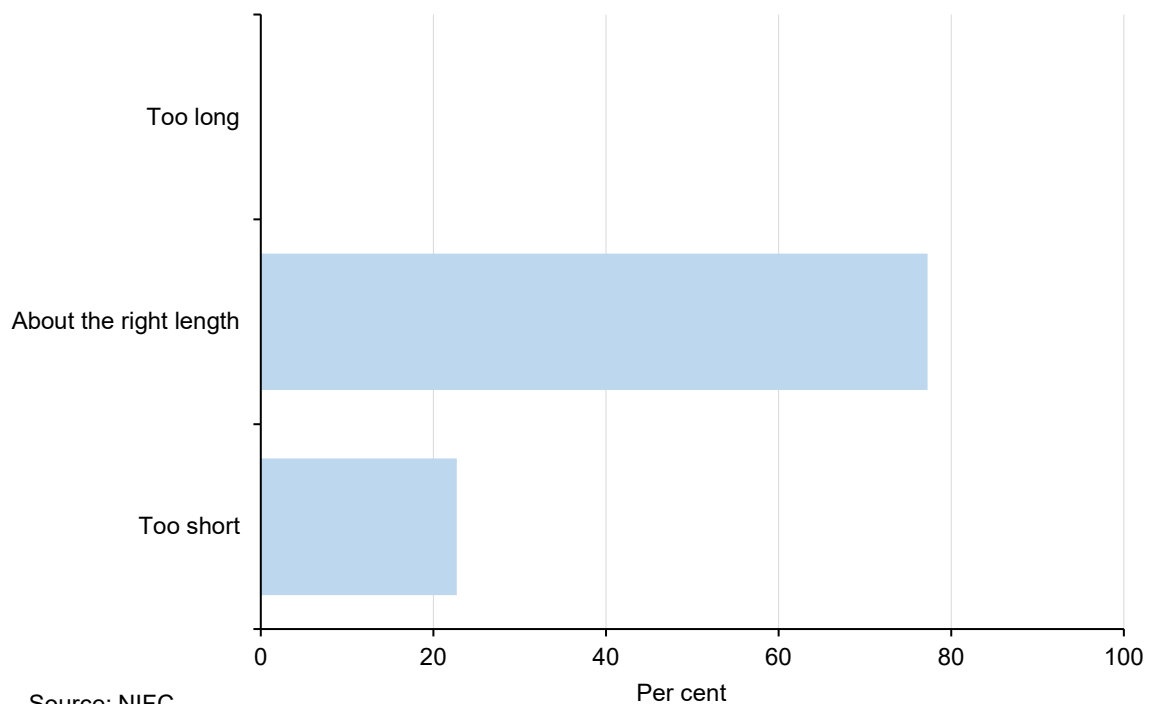


Overall, attendees appreciated having multiple speakers giving focussed inputs on the same topic. They felt these additional perspectives brought extra value against what would have been the case with a single speaker.

The quality and expertise of speakers was widely commented on, including the value of having private sector perspectives. Attendees described all the speakers as excellent and engaging and that they made the topics accessible and informative. Speakers struck a good balance between being politically objective in terms of content and delivery, but giving political context and insight when asked.

In the free-text feedback (summarised below) attendees expressed that more time for Q&A would have improved the sessions, as well as tighter timings and an earlier end time.

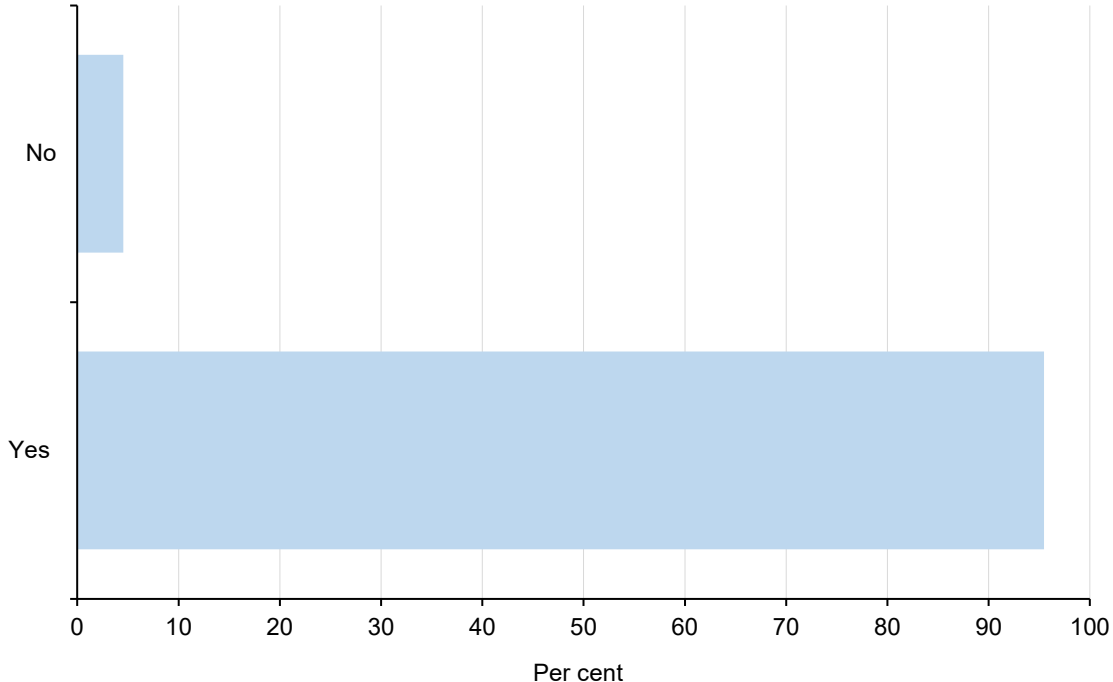
Question 4: Was the time for discussion during sessions appropriate?



Attendees generally felt that the structure was good – they appreciated the short presentations followed by discussion and Q&A. The Q&A sections within sessions added a lot of value to the discussion, ‘fleshing out’ the presentations, and addressing areas of interest to the conference.

However, these at times felt too short, and attendees would have liked more time for questions. This was linked to the timekeeping generally for the conference, which was another area which attendees felt could have been improved.

Question 5: Are you likely to participate in future NIFC events?



Source: NIFC

Overwhelmingly, attendees intended to participate in future NIFC conferences and other events.

Free-text survey questions

As well as the multiple-choice questions, we invited attendees to provide comments on a number of aspects of the conference, and their views are summarised under each of the questions below.

Wordcloud of respondents free-text comments



Question 6: What topics would you like to see more of at our next event?

A number of attendees responded that in future, the conference could include topical discussion panels on areas impacting fiscal sustainability, for example health, infrastructure, 'super-parity' and public services transformation.

Other suggested topics included:

- The role of the media in helping shape public conversation on public finances.
- Further international case studies
- The historical context of NI's financial settlement
- Discussion of the Council's budget assessments and short-medium terms prospects for Executive finances
- Changing demographics and their impact on fiscal policy
- The labour market

Question 7: Which elements of the event did you like the most?

The consensus view was that the range and expertise of speakers provided the most value at the conference. The plenary session topics were of interest and they were explored in a good level of detail - difficult concepts were explained but the academic presenters were not too technical to understand. The format of three speakers within a topic worked well and they complemented each other. The hosting was excellent, and worked well as an approach to bringing the conference together. The venue and location were also remarked upon as particular highlights.

The inclusion of private sector perspectives was of particular value to some attendees. Others especially benefitted from the presentation by the Department of Finance permanent secretary with the budget update. Other speakers were also selected by various attendees as their personal highlights.

Question 8: What could be improved for future events?

One attendee felt that the presentations generally should be more closely related to the current NI context. However, a number of others mentioned making more use of international case studies and the comparative context to Ireland (where statistical comparison is possible, of course). It can be difficult to view NI competitiveness, spending per capita among other topics, in isolation of international comparators.

Another area for improvement concerned greater political engagement of the topics discussed especially because this would increase the chances of implementation and political buy-in.

The final feedback theme covered timings, with a variety of possible improvements in this area:

- Holding the conference on a day other than Monday would make travel from elsewhere easier and avoid weekend travelling.
- Due to the wealth of information to take in, energy levels (and attendance) waned in the afternoon.
- Additional short breaks or wrapping up faster would help overall engagement. One suggestion was to finish around 3pm and another was to drop the 30 minute round up at the end.

Question 9: Any other comments

Delegates gave very positive feedback about the conference, it's organisation, content and impact.

A common request was for access to the slides, which have now been uploaded to the conference zone on the NIFC website, and the link shared with all attendees.

Reflections of the Council

A number of themes emerged from the discussions at the conference. Here, Council Members reflect on some of the most interesting or frequently mentioned of these themes, along with the consequences for an incoming Executive, or for the Council's future work.

'Dollops'

One off political packages vs stability and predictability

A number of times during the conference, the impact and consequences of previous political packages came to the surface. These have had the effect of 'topping up' the Block Grant, and masking to an extent the degree of convergence that has occurred in recent years. The conclusion of many of these packages concurrently has exacerbated the Barnett Squeeze.

While it is often beneficial to the Executive to have access to additional money, one off 'dollops' are not the best basis for workforce planning or transformation, which are the key enablers for producing long-term efficiencies.

The Council intends, in a future publication, to update the Fiscal Commission's work on these political talks financial packages, to provide greater transparency on what has already been spent and what is remaining. This is relevant also to the repayment of the 2022-23 Treasury Reserve Claim, as the Secretary of State mentions diverting funding from these packages towards repayment of the Reserve.

"But Scotland".

The political context is wider than NI, and a one-size fits all rarely fits all three of the Devolved Administrations equally well

A UK-wide replacement of Barnett with a needs based formula is not politically feasible as it would have negative consequences for Scotland. Separate, tailored fiscal frameworks for each Devolved Administration seem to be the most effective way to take account of the differing fiscal contexts in each.

The Fiscal Council's estimate of 124 is just that, an estimate. The Council is working on its annual sustainability publication, and **we intend to update our analysis for our needs estimate, and if possible to use the HMT methodology for estimating the spending premium.**

Capital investment

NI's capital investment appears to be significantly lower than elsewhere

Some attendees suggested that NI doesn't prioritise capital sufficiently. It was noted that NI's investment rate is around 60 per cent of the UK average. In addition, there was a discussion of a perhaps too optimistic picture of sustainability, given the additional costs that will be required to achieve net zero.

The Council is considering both these topics: infrastructure and net zero, as areas for future case studies or 'special interest' reports, as we have already done with the fiscal sustainability of Health.