



Northern Ireland  
Assembly

## Research and Information Service Briefing Paper

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Paper 16/24

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NIAR 92-24

# Context setting for 2024-25 Northern Ireland Executive Budget

### Paper 1 of 3-part Series

**Public Finance Scrutiny Unit**

This Briefing Paper aims to facilitate Members of the Legislative Assembly (MLAs) in Northern Ireland Assembly committees and plenaries, when engaging on the Northern Ireland Executive Budget 2024-25.

This information is provided to MLAs in support of their duties, and is not intended to address the specific circumstances of any particular individual. It should not be relied upon as professional legal advice, or as a substitute for it.

## Introduction

This Briefing Paper is the first in a three-part series that address Executive Budget 2024-25 (Budget 2024-25) – its formulation and approval – with the aim of supporting Members of the Legislative Assembly (MLAs) when working in Northern Ireland Assembly committees and plenaries.

Ultimately, the series aims to increase openness and transparency in budgetary/public finance matters in Northern Ireland, which in turn seeks to increase Executive and departmental accountability *via* Assembly plenaries and committees. The series, however, is unavoidably limited by the extent to which departmental information and data are accessible – including data accessibility in terms of timeliness, level of granularity, consistent format presentation and accompanying rationales clearly articulating underlying reasons for decisions taken.

The series is premised on good budgetary practice identified by the Organisation of Economic Development and Cooperation (OECD); while also recognising the challenging circumstances in which Budget 2024-25 has been formulated and is considered, and ultimately approved by the Assembly. It follows on from the resumption of devolved governance in Northern Ireland in early February 2024.

The first in the series; this Briefing Paper outlines context-setting information and issues arising, along with some observations to reflect on, about Budget 2024-25. It is presented as follows:

- [Section 1](#): Context-setting information
- [Section 2](#): Key issues arising
- [Section 3](#): Observations

# 1 Context-setting information

This section outlines key background information, dating from 2017 to the time of writing this Paper. It seeks to clarify the circumstances in which budgets between 2022-23 and 2024-25 were determined in Northern Ireland:

- 1.1 Challenges during 2017-22 Assembly mandates
- 1.2 Post-May 2022 Assembly election: Which governmental actor(s) responsible and when; and what key budgetary decisions were taken
- 1.3 Key public finance-related events since February 2024 restoration of devolved governance in Northern Ireland

## 1.1 Challenges during 2017-22 Assembly mandate

During the 2017-2022 Assembly mandate, Northern Ireland departmental budgeting and public spending were impacted by a number of challenges, including those highlighted in Table 1:

**Table 1. Challenges during 2017-22 Assembly mandate**

Month	Critical developments
<b>January 2017 - January 2020</b>	<ul style="list-style-type: none"> <li>• There was interrupted devolution in Northern Ireland, when there was no Executive, nor a fully functioning Assembly.</li> </ul>
<b>End of January 2020</b>	<ul style="list-style-type: none"> <li>• The United Kingdom exited from the European Union (EU), raising issues for some political parties in Northern Ireland. Amongst those issues identified was the apparent need to better understand any funding gaps arising from the United Kingdom's exit, including the extent of any such gaps and how those gaps impact Northern Ireland public finances.</li> </ul>
<b>2020 - 2021</b>	<ul style="list-style-type: none"> <li>• The Coronavirus pandemic presented serious, unprecedented challenges for government and wider society, necessitating prompt action at central and devolved government levels, including departures from existing rules due to exigency, to promptly allocate expenditure and allow spending.</li> </ul>
<b>February 2022</b>	<ul style="list-style-type: none"> <li>• The Executive collapsed on 3 February 2022 before agreeing the 2022-25 draft Executive Budget (DEB). (For more detail, see RaISe publication NIAR12-22 <a href="#">Paper 1 of 4 DEB Public Finance Context PUBLISH.docx (niassembly.gov.uk)</a>) And the Assembly continued to function. Thereafter, to address the absence of an Executive, the Northern Ireland Secretary of State (NISoS) introduced legislation in Westminster, to amend the Northern Ireland Act 1998 (1998 Act). Once</li> </ul>

enacted in February 2022, the [Northern Ireland \(Ministers, Elections and Petitions of Concern\) Act 2022](#):

- Extended relevant timeframes under the existing 1998 Act, building in time – if needed – to allow for political talks and agreement after an Assembly election and appointment of ministers to form an Executive;
- Empowered departmental ministers in Northern Ireland who had been in office prior to the election to continue in office as “Interim”/“Caretaker” ministers, and take decisions within the boundaries that had been set by the outgoing Executive. Those ministers could not take forward any new policies or legislation (they continued in their roles until end October 2022); and,
- Enabled the NISoS to later empower the Permanent Secretaries of the Northern Ireland Civil Service (from end October 2022), to manage the government departments, including budgeting and public spending, but not bring forward new policies or legislation, only those within scope of outgoing Executive’s decisions taken.

## 1.2 Post-May 2022 Assembly election - February 2024:

Which governmental actor(s) responsible and when; and what key budgeting and spending decisions were taken

Following the May 2022 Assembly election until early February 2024, the Northern Ireland Assembly met a number of times within the required period under the [Northern Ireland Act 1998](#), as amended. It, however, unsuccessfully appointed a Speaker, for reasons relating to ongoing political disagreement about the Protocol on Ireland/Northern Ireland post United Kingdom exit from the EU. A Northern Ireland Executive therefore did not form, while Members of the Legislative Assembly (MLAs) acted in only their constituency capacity. And in the absence of fully functioning devolution, the NISoS took actions under the [Northern Ireland Act 1998](#), as amended, which aimed to facilitate ongoing delivery of public services in Northern Ireland, including government decision-making on budgeting and public spending, amongst other things, as highlighted in Table 2's timeline of critical developments - below:

**Table 3. Post-May 2022 Assembly election - February 2024: Which governmental actor(s) responsible and when; and what key budgeting and spending decisions were taken**

Month	Critical developments
<b>May – September 2022</b>	<ul style="list-style-type: none"> <li>• Serious economic and public finance challenges arose for Northern Ireland in May 2022; similar to the rest of the United Kingdom. Inflation rose from 5.5%,<sup>1</sup> reaching a peak of 9.6% in October 2022; resulting in marked cost of living and interest rate increases.</li> <li>• Thereafter, challenging economic times, generating related cost of living pressures, persisted.</li> <li>• Unsurprisingly, during the noted period, there was increased demand for public services;<sup>2</sup> and in turn, costs to deliver those services naturally increased.</li> <li>• There also were increased incidences of public sector pay disputes and related industrial actions. While inflationary pressures have eased in recent months, the rate of inflation remains above the Bank of England target of 2%.</li> </ul>
<b>October 2022</b>	<ul style="list-style-type: none"> <li>• Northern Ireland Interim/Caretaker departmental ministers ceased to be in post.</li> <li>• Instead, the Permanent Secretaries of the Northern Ireland Civil Service managed the departments, including their budgeting and public spending, but they could not bring forward new policies or legislation, only those within scope of outgoing Executive's decisions taken.</li> </ul>

<sup>1</sup> <https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/l55o/mm23>

<sup>2</sup> <https://www.finance-ni.gov.uk/news/public-encouraged-get-involved-revenue-raising-consultations>

<p><b>November 2022</b></p>	<ul style="list-style-type: none"> <li>• On 25 November 2022, the NISoS set out an indicative 2022-23 Budget, due to outgoing Executive not having agreed a Budget by February 2022 and ongoing absence of an Executive post May 2022 Assembly election.</li> <li>• On 29 November 2023, the NISoS issued <a href="#">Draft Guidance on Decision-Making for Departments</a>, to guide Permanent Secretaries when acting in their new capacity.</li> </ul>
<p><b>December 2022</b></p>	<ul style="list-style-type: none"> <li>• The NISoS introduced further legislation in Westminster, which once enacted further amended Northern Ireland Act 1998.</li> <li>• The <a href="#">Northern Ireland (Executive Formation and Organ and Tissue Donation) Act 2023</a> retrospectively extended the period for Executive formation; extending it until 8 December 2022 and allowing for further extension by statutory instrument, if needed, until 19 January 2023.</li> <li>• Moreover, the NISoS issued final <a href="#">Guidance on Decision-Making for Departments</a>.</li> </ul>
<p><b>February 2023</b></p>	<p>Westminster enacted the <a href="#">Northern Ireland Budget Act 2023 (legislation.gov.uk)</a>, which authorised:</p> <ul style="list-style-type: none"> <li>• The use of certain resources for the public service delivery for the 2022/23 and the 2023/24 financial years.</li> <li>• The issuance of certain sums for public services in those years.</li> <li>• The use of those sums for the specified purposes.</li> <li>• DoF to borrow on credit those sums</li> </ul>



	<ul style="list-style-type: none"> <li>The NISoS also enacted <a href="https://legislation.gov.uk">The Regional Rates (Northern Ireland) Regulations 2023 (legislation.gov.uk)</a>, enabling the Regional Rate to be struck and issued, and then later provide finance to local government and departments in Northern Ireland.</li> </ul>
<b>March 2023</b>	<ul style="list-style-type: none"> <li>Westminster's Northern Ireland Affairs Committee (NIAC) Committee launched an inquiry, which is ongoing to date. The inquiry - entitled <a href="#">The funding and delivery of public services in Northern Ireland</a> – was examining: <p style="text-align: center;"><i>...the financial situation facing Northern Ireland's public services, including health, education and the police, and how the lack of a functioning Executive has impacted on budgetary management. The Committee will also take the opportunity to explore the effectiveness of the Barnett formula and examine the viability of other options for increasing revenue to put Northern Ireland's finances on a more sustainable footing.</i><sup>3</sup></p> </li> </ul>
<b>April 2023</b>	<ul style="list-style-type: none"> <li>In the absence of an Executive, the NISoS announced his <a href="#">2023/24 Budget and contingency plans for governance</a>, which included bringing further legislation in Westminster. In summary, amongst other things, the NISoS's 2023-24 Northern Ireland Budget specified:<sup>4</sup></li> </ul>

<sup>3</sup> <https://committees.parliament.uk/work/7313/the-funding-and-delivery-of-public-services-in-northern-ireland/>

<sup>4</sup> <https://www.gov.uk/government/news/northern-ireland-secretary-announces-2023-24-budget-and-contingency-plans-for-governance>

	<ul style="list-style-type: none"> <li>○ £297 million provided from the United Kingdom Reserve was due to be repaid from the 2022-23 Budget for Northern Ireland.</li> <li>○ Any in-year 2023-24 Barnett consequentials would be used to pay the 2022-23 overspend.</li> <li>○ If any outstanding balance remained, reallocated funding from previously announced Northern Ireland funding packages would be used, with any residual repaid from 2024-25.</li> <li>○ Continued expectation that Northern Ireland departments would consider and provide options for revenue raising.</li> </ul>
<p><b>May 2023</b></p>	<ul style="list-style-type: none"> <li>● The NISoS introduced more legislation in Westminster to further amend the Northern Ireland Act 1998: <ul style="list-style-type: none"> <li>○ Once enacted, the <a href="#">Northern Ireland (Interim Arrangements) Act 2023</a> (2023 Act) enabled the continuance of Permanent Secretaries' decision-making until a new Executive is formed.</li> <li>○ Under the 2023 Act, the NISoS issued new <a href="#">Guidance on Decision-Making for Northern Ireland Departments</a>.<sup>5</sup></li> <li>○ The 2023 Act also included powers enabling the United Kingdom Government to explore, with the Northern Ireland Civil Service, options for increasing budget sustainability, including further revenue raising in Northern Ireland. (For detail, see below at October 2023.)</li> </ul> </li> </ul>

<sup>5</sup> <https://www.gov.uk/government/publications/guidance-on-decision-making-for-northern-ireland-departments-may-2023>

<b>June 2023</b>	<ul style="list-style-type: none"> <li>• The NISoS wrote a <a href="#">letter</a> to the Permanent Secretaries of all Northern Ireland Civil Service (NICS) departments: <ul style="list-style-type: none"> <li>○ Using powers provided through passage of the <a href="#">Northern Ireland (Interim Arrangements) Act 2023</a>, the NISoS requested information and advice on a range of measures that could generate further public revenue locally and improve the sustainability of public finances in Northern Ireland.</li> <li>○ The NISoS indicated he wanted an initial return to be provided by 30 June 2023, with a more detailed return by the end of July 2023.</li> </ul> </li> </ul>
<b>July 2023</b>	<ul style="list-style-type: none"> <li>• The Department of Finance (DoF) updated its online <a href="#">2023-24 Budget Factsheet</a>, which outlined: “Public Expenditure Spending and Financing Reconciliation” for Northern Ireland and, <a href="#">2023-24 Secretary of State Budget Resource for Capital Purposes</a></li> </ul>
<b>September 2023</b>	<ul style="list-style-type: none"> <li>• The United Kingdom Parliament passed the <a href="#">Northern Ireland Budget (No. 2) Act 2023</a> (<a href="#">legislation.gov.uk</a>)</li> </ul>
<b>October 2023</b>	<ul style="list-style-type: none"> <li>• The NISoS directed the Northern Ireland DoF to issue papers outlining <a href="#">financial context for revenue-raising</a>, including <a href="#">November 2023 public consultation event</a> and <a href="#">revenue raising Northern Ireland consultations</a>, in line with the <a href="#">Northern Ireland (Interim Arrangements) Act 2023</a>.</li> </ul>

	<ul style="list-style-type: none"> <li>• Previously, in a <a href="#">letter</a> dated September 2023, the NISoS had stated: “ .... [for] the sustainability of public finances, generating revenue is not merely an option but a critical necessity” .<sup>6</sup></li> </ul>
<p><b>November 2023</b></p>	<ul style="list-style-type: none"> <li>• On 20 November 2023, the United Kingdom Government announced its third round of successful <a href="#">Levelling Up Fund bids (see explanatory and methodology note on the decision-making process)</a>. However, no proposed Northern Ireland projects were successful. A Whitehall Minister, however, explained that the Government would: <ul style="list-style-type: none"> <li><i>...continue to work closely with projects and places in Northern Ireland that were awarded a total of £120 million in the first two rounds of the Fund.</i><sup>7</sup></li> </ul> </li> <li>• Moreover, in response to questions in the House of Commons on 20 November 2023, the Government confirmed that: <ul style="list-style-type: none"> <li><i>...£30 million that would have been spent in this round has been set aside for levelling up in Northern Ireland...</i><sup>8</sup></li> </ul> </li> <li>• On 23 November 2023, the Chancellor of the Exchequer issued his Autumn Statement, confirming for Northern Ireland £185 million (m) in funding through the Barnett formula over 2023-24 and 2024-25.</li> </ul>

<sup>6</sup> <https://www.gov.uk/government/news/secretary-of-state-writes-to-northern-ireland-civil-service-on-sustainable-public-finances>

<sup>7</sup> <https://www.gov.uk/government/news/1-billion-boost-for-levelling-up-government-backs-55-transformational-local-projects-across-the-uk>

<sup>8</sup> <https://hansard.parliament.uk/commons/2023-11-20/debates/E40D9FF1-E5F2-4A63-9CD5-0CCC28C99A04/LevellingUp>

	<ul style="list-style-type: none"> <li>• However, as a result of the Westminster enacted Northern Ireland (Interim Arrangements) Act 2023, a proportion of that funding was to be used to pay back the 2022-23 overspend. In an initial statement, the Permanent Secretary of DoF suggested £75m could be used to pay back the 2022-23 overspend, with the remaining £110m repayment uncertain. Thereafter, the DoF Permanent Secretary <a href="#">announced</a> the following: <ul style="list-style-type: none"> <li>○ Northern Ireland departments were projected to have an overspend of £450m for 2023-24 financial year.</li> <li>○ Advancement of a Northern Ireland public sector pay award for 2022-23 would result in the projected overspend to increase to over £1 billion (bn).</li> </ul> </li> </ul>
<b>December 2023</b>	<ul style="list-style-type: none"> <li>• On 11 December 2023, the NISoS held political discussions with political parties eligible to sit in an incoming Executive about Northern Ireland public finance, amongst other things. It was reported that key discussion items included a financial support package, if an Executive was to form, which would lead to the restoration of the political institutions, alterations to time periods for overspend repayments, revenue raising and “needs-based” funding formula. The “needs-based factor” was reported to be set at £124 per head. Details of that package were not published until February 2024, resulting in mixed reactions. (See below in this timeline and at <a href="#">section 2.4</a> for more detail.)</li> </ul>
<b>January 2024</b>	<ul style="list-style-type: none"> <li>• On 25 January 2024, the NISoS introduced more legislation in Westminster, further amending the Northern Ireland Act 1998. Once enacted, the <a href="#">Northern Ireland (Executive Formation) Act 2024</a> (2024</li> </ul>

	<p>Act) extended the period following the Northern Ireland Assembly election of 5 May 2022, during which Ministers could be appointed.</p> <ul style="list-style-type: none"> <li>On 31 January 2024, an agreement was made between the United Kingdom Government and the Democratic Unionist Party – entitled <a href="#">Safeguarding the Union</a> – to resolve ongoing political differences arising from the Protocol on Ireland/Northern Ireland.</li> </ul>
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### 1.3 Key public finance-related events since February 2024 restoration of devolved government in Northern Ireland

**Table 3. Key public finance-related events since February 2024 restoration of devolved government in Northern Ireland**

Month	Critical developments
<b>February 2024</b>	<ul style="list-style-type: none"> <li>On 3 February 2024, there was a <a href="#">recall</a> of the Assembly, and an Executive subsequently formed, followed by a fully functioning Assembly.</li> <li>Two days later, the Prime Minister and the NISoS met with the Executive, to discuss a range of matters, including the December 2023 financial support package. Thereafter, the Northern Ireland Executive ministers jointly responded by <a href="#">letter</a> dated 5 February, to the financial support package, which had been reported in the media in December 2023, to outline a financial settlement and long-term funding stability for Northern Ireland.</li> </ul>

- On the same day, the Northern Ireland Fiscal Council (NIFC) published a technical paper entitled [Northern Ireland's public finances and the UK Government's financial support package for the restored Executive](#).
- On 13 February 2024, following discussion with political parties, on, the United Kingdom Government published the financial support package entitled - [Summary: Financial Settlement between the United Kingdom Government and the Northern Ireland Executive](#) - which specified the individual provisions contained in the package, including specified conditions and related timings. (For detail, see RaISe Paper [NIAR 188-13](#).)
- Moreover, that same day, the Finance Minister sent a [letter](#) to His Majesty's (HM) Treasury's Chief Secretary, in response to the Executive Restoration Package Settlement. The Finance Minister, in this letter, noted a number of "serious concerns".<sup>9</sup>
- On 19 February 2024, the Minister of Finance [laid](#) a Budget Bill in the Assembly.
- The Assembly subsequently agreed to accelerated passage and [enacted](#) the Bill on 20 February 2024, following Assembly discussion.
- On 19 February 2024, the Minister for the Economy made a [Statement on his Vision for the Economy \(economy-ni.gov.uk\)](#), to address four objectives – namely, increase the number of people working in Good Jobs, promote regional balance, raise productivity and reduce carbon emissions; echoing provisions contained in the departments' existing overarching Transformation Programme. (For detail on both the Minister's Statement and the Transformation Programme, see RaISe Paper [NIAR 188-13](#).)

<sup>9</sup> <https://www.finance-ni.gov.uk/news/finance-minister-responds-conditions-executive-restoration-package-settlement>

	<ul style="list-style-type: none"> <li>• On 20 February 2024, the Irish Government announced a <a href="#">package</a> of over €800m under its “Shared Island Initiative”. The Initiative is part of the Irish Government’s commitments set out in the <a href="#">New Decade, New Approach</a> Agreement in 2020.</li> <li>• Thereafter - 29 February 2024, the Executive agreed the Regional Rate for 2024/25, increasing the Rate by 4%, in line with existing inflation.</li> </ul>
<p><b>March 2024</b></p>	<ul style="list-style-type: none"> <li>• On 6 March 2024, the Chancellor of the Exchequer announced the <a href="#">Spring Budget 2024</a>, with the Northern Ireland Executive receiving around £100m in Barnett consequentials.</li> <li>• That same day, the Minister of Finance <a href="#">responded</a>, stating: <ul style="list-style-type: none"> <li><i>The Chancellor’s Budget is a real opportunity missed for investment in public services. While the cut in National Insurance will provide some relief for workers, it is regretful the Chancellor has chosen not to invest more in public spending<sup>10</sup></i></li> </ul> </li> <li>• And later that day, in a written <a href="#">Ministerial Statement</a>, the Minister of Finance detailed the final departmental funding envelopes for the 2023-24 financial year. The majority of that funding formed a significant portion of the funding specified in the financial package to restore fully functioning devolved governance. See Figure 1 below for each departmental allocation:</li> </ul>

<sup>10</sup> <https://www.finance-ni.gov.uk/news/opportunity-invest-public-services-missed-archibald>



**Figure 1: Department of Finance - Public Expenditure: 2023-24 Final Plan<sup>11</sup>**

**2023-24: Total Allocations**

£million

Department	Non Ring-fenced Resource DEL	Ring-Fenced Resource DEL	Capital DEL
DAERA	14.7	1.9	-
DfC	19.4	-	13.2
DfE	12.1	2.4	9.0
DE	296.8	0.2	45.2
DoF	6.7	-	-
DoH	550.6	10.7	-
DfI	87.8	-	16.0
DoJ	75.3	4.9	-
TEO	3.4	-	-
PPS	2.0	-	0.0
Total	1,068.8	20.1	83.5
Offset by forecast underspends	(1.3)	-	-
Net Allocation	1067.6	20.1	83.5

Totals may not add due to rounding  
 £0.0 reflects amount of less than £50k

**Source:** [Written Ministerial Statement - Department of Finance - Public Expenditure: 2023-24 Final Plan](#)

- On 14 March 2024, the Minister for Health made his first appearance in front of the Health committee. In his [opening statement](#), the Minister presented the challenges facing the health service and the budgetary requirements the service was facing.

<sup>11</sup> [Ministerial Statement](#) (6 March 2024)

- Later that day, the Budget Bill that had been enacted by the Northern Ireland Assembly in February 2024, gained Royal Assent, and became the [Budget Act \(Northern Ireland\) 2024](#).
- On 26 March 2024, in a written [Ministerial Statement](#), the Minister of Finance detailed His Majesty’s Treasury (HMT) funding that would be available to the Executive for its Budget 2024-25. The Statement specified the allocation limit for the draft Executive Budget, as outlined in Figure 2 below:

**Figure 2: Department of Finance - Budget 2024-25 - Treasury Funding Available<sup>12</sup>**

£million	Non-ring-fenced Resource DEL	Ring-fenced Resource DEL	Capital DEL	Financial Transactions Capital
	14,548.344	1,104.980	1,778.910	62.191
of which				
Agriculture	329.380			
Fisheries	3.100			
Tackling Paramilitarism	4.848			
Security	31.230			

**Source:** [Written Ministerial Statement - Department of Finance - Budget 2024-25 - Treasury Funding Available, 26 March 2024](#)

<sup>12</sup> [Ministerial Statement](#) (26 March 2024)

	<ul style="list-style-type: none"> <li>• That same day - 26 March 2024 – the Northern Ireland Affairs Committee (<a href="#">NIAC</a>) published a report entitled <a href="#">The funding and delivery of public services in Northern Ireland</a>. The report detailed the challenges facing the Northern Ireland Executive and provided recommendation for improving the funding of public services in Northern Ireland.</li> </ul>
<p><b>April 2024</b></p>	<ul style="list-style-type: none"> <li>• On 9 April 2024, the Northern Ireland Assembly <a href="#">enacted</a> the Supply Resolution for the Northern Ireland Estimates: Vote on Account (VoA) 2024-25. This VoA was notable in that it approved 65% of the previous year's Budget to be spent, rather than 45%; enabling departments to continue to spend beyond the summer recess, if a Budget Bill (No.2) should not be brought before the Assembly before that time. The approved VoA is to avoid departments from running out of money and enable continuity of public service delivery.</li> <li>• Notably, later that same day, Northern Ireland's Teachers Unions <a href="#">accepted</a> a formal pay offer for 2021, 2022 and 2023; representing – in effect - the equivalent of a cumulative total of 10.4%, plus £1,000.</li> <li>• A couple days later - 11 April 2024 – in a written <a href="#">Ministerial Statement</a>, the Minister of Finance detailed further allocations for 2023-24. The Statement identified available reallocations of £6.2m of Resource DEL (RDEL) and £7.8m in Capital DEL (CDEL). Those monies allowed for additional allocations to the Department for Communities (DfC) and Department for Infrastructure (DfI); allocating all the £6.2m RDEL and £3.9 million of the available CDEL.</li> <li>• On 17 April 2024, in an <a href="#">evidence</a> session to the Finance Committee, DoF Officials updated the Committee on the final out-turn position for 2023-24. During the session, DoF reported around £12m that could be reallocated and could not be carried forward as:</li> </ul>

*...being funded from a reserve claim, we are not allowed to carry forward any non-ring-fenced resource DEL at the end of the year<sup>13</sup>*

## May 2024

- On 2 May 2024, the Minister of Health [appeared](#) before the Health Committee to discuss the 2024-25 Executive Budget. The Minister reiterated his concerns with the Department's allocation, stating:

*It is my assessment as Minister of Health that the Budget as presently set will result in serious and potentially irreparable damage to health and care services<sup>14</sup>*

- Also that day, in a [Written Minister Statement](#), the Minister of Finance announced a late allocation of RDEL to the DfI for the 2023-24 financial year, in the amount of £13m of RDEL for Translink and the Driver & Vehicle Agency (DVA).
- Nearly two weeks later, on 14 May 2024, the Northern Ireland Fiscal Council (NIFC) published its [The NI Executive's Budget 2024-25: an assessment](#); identifying a number of "red flags" leading up to the development of the Executive Budget 2024-25. In addition, NIFC importantly asked three questions in relation to sustainable public finances for Northern Ireland:
  - *Should we in NI raise more money for public services. If so, how?*

<sup>13</sup> <https://www.finance-ni.gov.uk/news/archibald-welcomes-agreement-2023-civil-service-pay-offer>

<sup>14</sup> <http://data.niassembly.gov.uk/HansardXml/committee-32724.pdf>

- *Where should we look to save money through greater efficiencies?*
- *Do we need to reduce or completely stop delivering any services?<sup>15</sup>*
- On 21 May 2024, the Finance Minister and the HMT Chief Secretary announced an [agreement between the Northern Ireland Executive and the United Kingdom Government on the Northern Ireland Executive's Interim Fiscal Framework](#) – for detail see [section 2.1](#) of this Paper.
- The Finance Minister also laid the Executive Budget 2024-25 document in the Assembly that same day, which when published will be available [here](#).
- The day after - 22 May 2024 – the Committee for Finance agreed its report into *Engagement on the 2024-25 Draft Executive Budget*. The report will be published after the Northern Ireland Assembly debates the motion on the Executive Budget 2024-25 in its 28 May 2024 plenary; and will be available [here](#).

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<sup>15</sup> [NI Fiscal Council - 2024-25 NI Executive Budget: An assessment \(May 2024\)](#)

## 2 Key issues arising

This section highlights future events that could impact on the Northern Ireland Executive's budget position during 2024-25 and beyond, at United Kingdom and Northern Ireland levels.

### 2.1 United Kingdom level

#### 2.1.1 2024/25 United Kingdom general election

On 22 May 2024, the Prime Minister called a general United Kingdom election for 4 July 2024. The outcome of the general election will directly impact the public finances for the United Kingdom, including Northern Ireland. A new mandate for the incoming Government will set the strategic direction and policy priorities for the coming years, which in turn will impact funding available to the Northern Ireland Executive.

#### 2.1.2 Spending Review

On 27 October 2021, the Chancellor of the Exchequer delivered the [Autumn Budget and Spending Review 2021](#). Spending Review 2021 spanned the period from 2022-23 to 2024-25, setting out plans for public spending for Whitehall Departments and Devolved Administrations. Therefore, as the United Kingdom is now in the final year of the current Spending Review period, a new Spending Review will set out before the end of the current financial year. The scope and policy direction of that Spending Review will be determined by the incoming United Kingdom Government. That, in turn, will influence the strategic direction and policy priorities of the Executive for the remainder of its current mandate, which ends in 2027.

For more information about Spending Reviews and how the Northern Ireland Executive Budget is a sub-cycle within the United Kingdom Government's Budget cycle, refer to the RalSe-PFSU's "Public Finance Scrutiny Workshop Series"; available to MLAs through the Assembly's intranet – at bottom left corner of RalSe's homepage [assist/business-areas/raise/](#) ) and the Members' Portal <http://assist.assemblyni.gov.uk/members/the-members-portal/>.

### 2.1.3 Fiscal Framework for Northern Ireland

On 11 December 2023, as part of the United Kingdom Government's discussions with political parties eligible to sit in an incoming Executive, Northern Ireland public finance issues were addressed. Local media reported that a key discussion item included the establishment of a new Fiscal Framework for Northern Ireland

After the reformation of an Executive in early February 2024, the newly formed Executive wrote a joint [letter](#) to the Prime Minister on 5 February 2024, making reference to the Fiscal Framework and stating:

*We welcome the commitment to open discussions on a new Fiscal Framework. Whilst we are open to discussion on how to best design a new fiscal framework that will best deliver for our citizens, we have identified some broad themes around which this discussion could be based. While not exhaustive, these include:*

- *An assessment of need and a funding floor*
- *The provision of a Fiscal Reserve*
- *Increased Borrowing Powers*
- *The scale and scope of Fiscal Devolution<sup>16</sup>*

Thereafter, on 13 February 2024, the HMT Chief Secretary wrote to the Finance Minister detailing the [financial support package settlement](#) from the United Kingdom Government, which had followed on from negotiations held in December 2023 and in January/February 2024 with Northern Ireland political parties eligible to sit in an incoming Executive. It confirmed discussions in establishing a Fiscal Framework as follows:

*The United Kingdom Government committed to providing a needs-based factor in the Barnett formula for Northern Ireland to be set at 24% from 2024-25. Based on forecasts, this is*

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<sup>16</sup> <https://www.executiveoffice-ni.gov.uk/news/executive-discuss-financial-stability-prime-minister>

*projected to generate £785 million over the next five years. The United Kingdom Government will also open discussions with the Executive on a new Fiscal Framework for Northern Ireland*

However, the timeline in which it will take to agree a new Fiscal Framework and needs-based formula was unclear. The NISoS [referred](#) to this point in his appearance before the Northern Ireland Affairs Committee (NIAC) on 20 February 2024, stating:

*...a fiscal framework, which will take a bit of time to sort out—for Wales, it took seven years to get to the point of having a fiscal framework. No one is expecting it to take that long, but it does need to be right, because it needs to be right for Northern Ireland. You can't just cut and paste what Wales has got. So there is a discussion that needs to be had, and the Chief Secretary is going to welcome that and the points that the Northern Ireland Executive would like to discuss. I think you have got, in this package and beyond it, the signal that the UK Government is more than keen to make sure that Northern Ireland's finances are sustainable, but equally, there does need to be revenue raising within that package.<sup>17</sup>*

On 7 May 2024, the Minister of Finance responded to a number of Assembly questions in the Assembly [plenary](#) about any progress made on the establishment of a Fiscal Framework for Northern Ireland. The Minister responded:

*I have pressed the Chief Secretary to the Treasury on the importance of putting in place a fiscal framework as quickly as possible that includes funding us properly, based on need. That is essential if the Executive are to be able to deliver sustainable quality public services here. My officials are engaging with their Treasury counterparts on the application of*

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<sup>17</sup> <https://committees.parliament.uk/oralevidence/14288/pdf/>



*the needs-based adjustment factor that was included in the financial package, on the necessity for the Executive to be funded at an agreed level of need going forward and on the development of a wider fiscal framework<sup>18</sup>*

### **2.1.3.1 Northern Ireland Executive's Interim Fiscal Framework**

On 21 May 2024, the Finance Minister and the Chief Secretary to the Treasury announced an [agreement between the Northern Ireland Executive and the United Kingdom Government on the Northern Ireland Executive's Interim Fiscal Framework](#). The Interim Fiscal Framework provides detail of measures that will take effect immediately, including a needs-based funding factor and increased borrowing powers; while also providing detail on further measures which will become part of a Final Fiscal Framework that is to be agreed at a later date. The measures in the Interim Fiscal Framework include:<sup>19</sup>

- 1. A needs-based funding factor which will be included in the Barnett formula. This will be set at 24% and will be in place from 2024-25;*
- 2. Consideration of a review of Northern Ireland's relative need if multiple independent and credible sources provide evidence that relative need is different to 124%;*
- 3. Agreement to review and discuss the Northern Ireland Executive's funding approach, including concerns about 2026-27 funding, at the relevant Spending Review;*
- 4. Increased annual capital borrowing capacity, increasing from £200 million to £220 million per annum in 2024-25 and then rising in line with inflation from 2025-26;*
- 5. Delivery of the UK Government additional non-Barnett funding which was detailed in the Northern Ireland Executive restoration financial package;*

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<sup>18</sup> [NI Assembly Official Report - 07/05/2024](#)

<sup>19</sup> [Agreement between the Northern Ireland Executive and the United Kingdom Government on the Northern Ireland Executive's Interim Fiscal Framework \(May 2024\)](#).

6. *Updates on delivery of the Northern Ireland Executive's public finances Sustainability Plan, Strategic Infrastructure Plan and the establishment of the Public Sector Transformation Board; and*
7. *An overview of the key components which will be included in a final Fiscal Framework for Northern Ireland.*

In addition, the agreement announced a Joint Exchequer Committee (JEC) between the Northern Ireland Executive and the United Kingdom Government. The JEC's role is described as:

*The JEC will discuss implementation of the relevant aspects of the interim Fiscal Framework and matters relating to the agreement of the full Fiscal Framework. The JEC may also discuss any other issues arising which Ministers from either the Northern Ireland Executive or UK Government refer to the JEC<sup>20</sup>*

In the Finance Minister's [Written Statement](#) to the Assembly, which accompanied the publication of the Interim Fiscal Framework, the Minister confirmed that:

*£24 million from the Spring Budget Barnett consequentials will now be available for allocation as part of the upcoming June monitoring round*

The Interim Fiscal Framework also is to detail areas of consideration that will be part of future negotiations in establishing a Final Fiscal Framework. These areas are detailed below:<sup>21</sup>

- Principles of fiscal devolution
- Block Grant Adjustments
- Budgetary management tools
- Implementation arrangements
- Forecasting responsibilities

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<sup>20</sup> See footnote 19 immediately above

<sup>21</sup> See footnote 19

**Potential Scrutiny Points for Consideration:**

1. When will the Executive and HMT next engage on the establishment of a new Fiscal Framework for Northern Ireland? For how long is that engagement estimated to run?
2. What are the key discussion items, from the DoF's perspective, that the DoF will seek to raise with the HMT about the establishment of a Northern Ireland Fiscal Framework? Please detail.
3. Will a needs-based factor of 124% be backdated to the beginning of the current Spending Review period?
4. To date, what consideration has been given to addressing the future funding of public sector pay claims, which are recurrent, when no such package funding is available? Please detail.

**2.1.4 Financial implications arising from United Kingdom exit from the EU – the future of EU successor funding?**

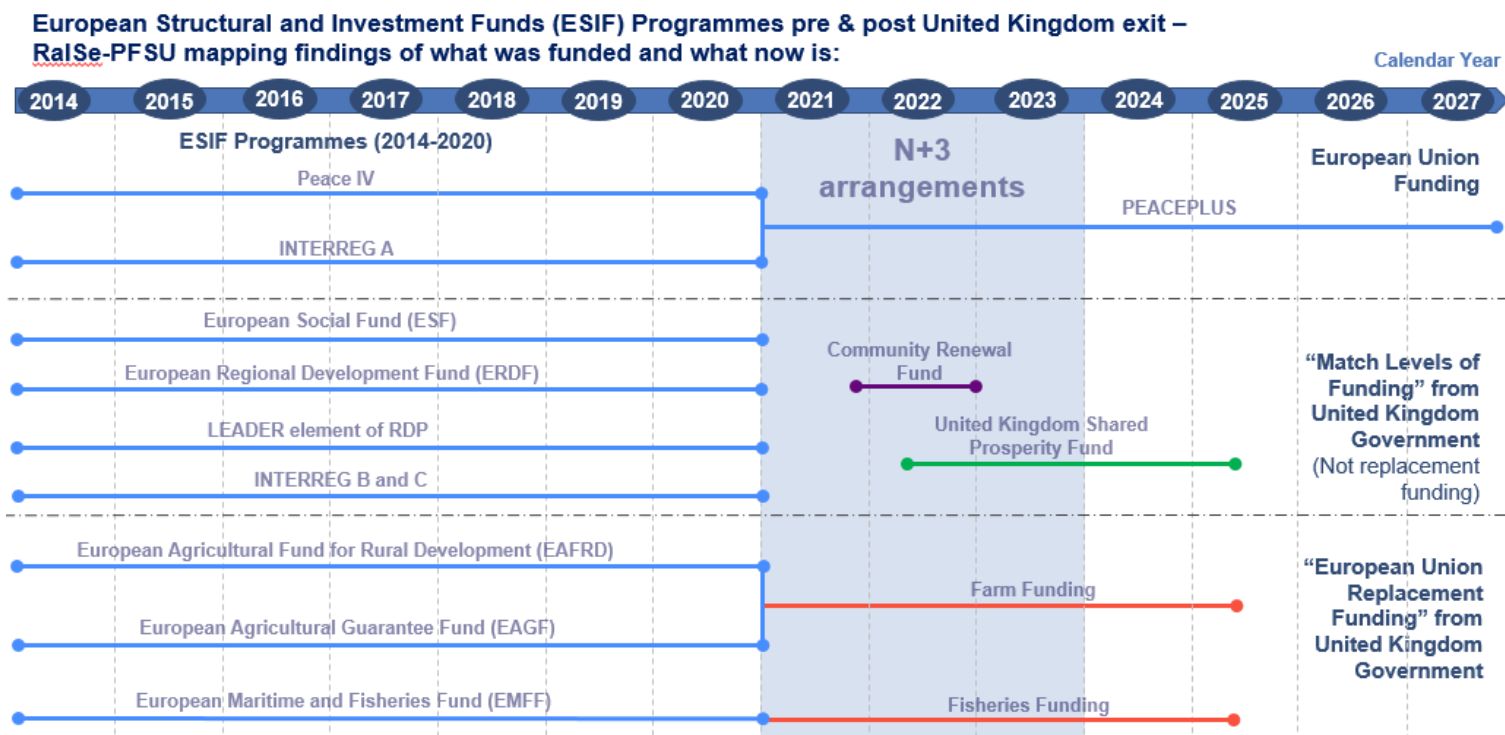
As a result of the United Kingdom's decision to leave the European Union (EU), accessing a number of the EU funding programmes is no longer available to Northern Ireland departments and other. As a result, the United Kingdom Government has introduced successor programmes and also has committed that such programmes are to succeed in part or replace (like-for-like) funding to particular sectors and programmes over the period of the United Kingdom Government's [Spending Review 2021](#), covering up to the end of the financial year 2024-25 (March 2025).

With the current Spending Review period coming to an end this financial year, and this coupled with a Westminster election, the future of EU successor funds is not yet known. This leaves a degree of funding uncertainty for the Northern Ireland Executive as this has an impact on projects and available spend in Northern Ireland. It should be noted the role the Northern Ireland Executive has

in the allocation of this funding varies between programme. Nonetheless, this funding plays a role on programme and project delivery in Northern Ireland, that might otherwise require funding from the Northern Ireland Executives Block Grant.

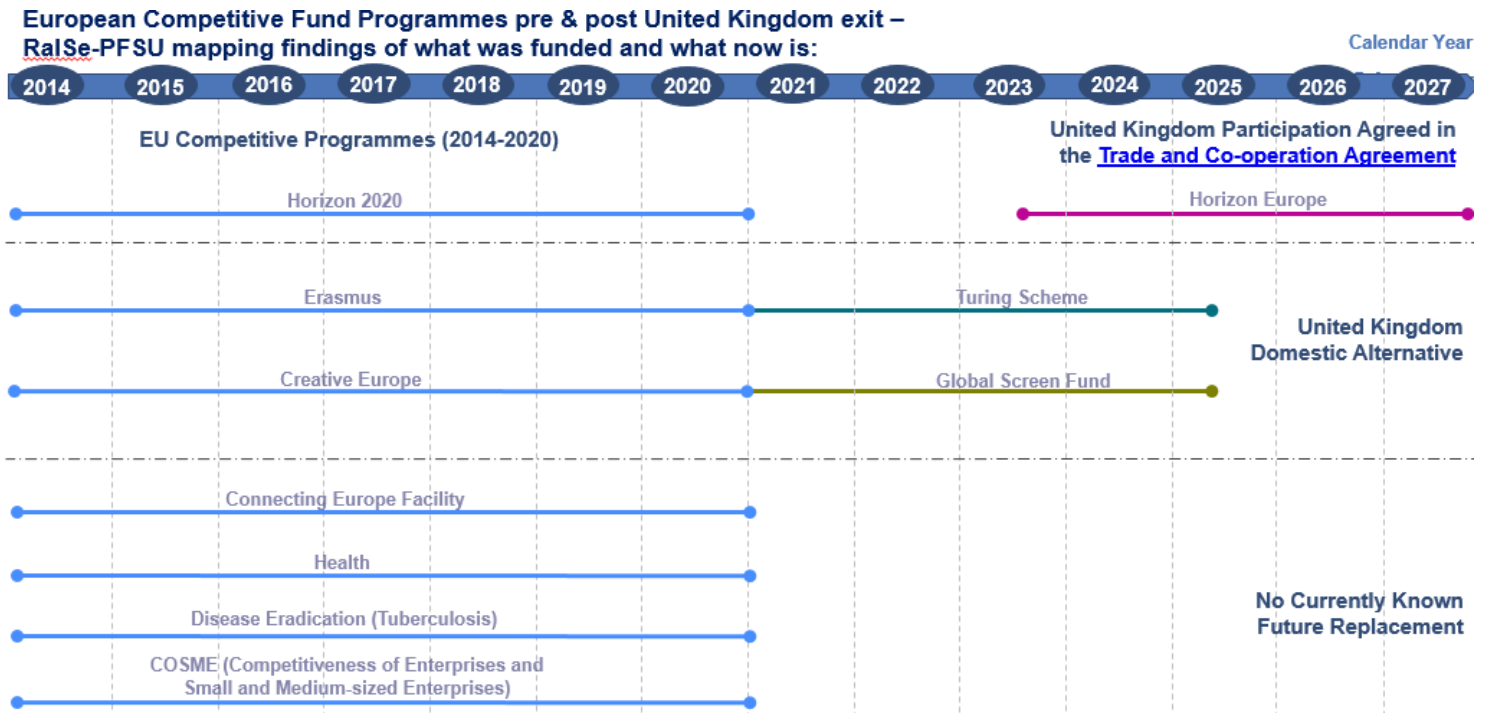
Figures 4-5 below respectively seek to illustrate what appear to be funding gaps arising from European Structural and Investment Funds and European Competitive Programmes available to Northern Ireland, where no replacement funding currently known. They record the findings of an initial mapping exercise undertaken by the RaISe-PFSU in summer 2023, while relying on available information at that time. The Figures also present the subsequent successor programme, continuing access to the European Union funding or if no successor exists:

**Figure 4 - European Structural and Investment Funds Programmes pre & post United Kingdom exit – RaISe-PFSU initial mapping findings:**



Source: RaISe – Public Finance Scrutiny Unit (Updated 2024)

**Figure 5 - European Competitive Fund Programmes pre & post United Kingdom exit – RalSe-PFSU initial mapping findings:**



**Source:** RalSe – Public Finance Scrutiny Unit (Updated 2024)

**Potential Scrutiny Points for Consideration:**

5. What engagement have relevant departments had with the United Kingdom Government, in relation to future successor funding that was guaranteed onto the end of the current Spending Review period, which is to due finish in March 2025?
6. How has the funding provided through the United Kingdom Shared Prosperity Fund aligned with Executive priorities – given that this funding is administered directly by a Whitehall Department in which the Northern Ireland Assembly had only a consultative role?

## 2.2 Northern Ireland

### 2.2.1 Programme for Government

An Executive Programme for Government (PfG) sets out the Northern Ireland Executive's strategic priorities and key plans over a specified multi-year period. At the time of writing, the Executive has not agreed a PfG since fully functioning devolution resumed in early February 2024.

Moreover, since [2012](#), there has not been an agreed PfG. Instead, in 2016 a [Draft PfG for 2016-21](#) was published and went out for consultation. However, this was not agreed, as the Northern Ireland Executive collapsed in January 2017.

The current Executive now will have to agree a PfG to set out its priorities for the remainder of this Assembly mandate (which finishes in 2027). The First Minister detailed a timeline for publishing an agreed PfG in the Assembly [plenary](#) on 8 April 2024, stating:

*Work is moving at pace to develop a new Programme for Government, with plans for a fully agreed Programme for Government to be in place for the summer.*

#### **Potential Scrutiny Point for Consideration:**

7. Without an agreed PfG in place, when the Executive agreed its Budget 2024-25, how has the Northern Ireland Executive prioritised budget allocations?

### 2.2.2 Revenue raising

On 14 June 2023, the NISoS wrote a [letter](#) to the Permanent Secretaries of the Northern Ireland Civil Service (NICS) departments, stating Northern Ireland's finances are not on a sustainable footing.<sup>22</sup> Consequently, the NISoS requested:

*...information and advice on a range of measures that could generate further public revenue locally, or otherwise improve the sustainability of public finances in Northern Ireland.<sup>23</sup>*

He also identified a number of specific potential measures, including similar measures to those already existing in other parts of the United Kingdom, directing as follows:

*I am keen to explore super parity measures including water charges, prescription charges and tuition fees.<sup>24</sup>*

He further directed:

*...I would like advice from you on any further budget sustainability options we have not listed, no matter how big or small, that you have considered, are considering, or judge to be reasonably deliverable.*

A few months thereafter, on 20 September 2023, the NISoS wrote a further [letter](#), instructing them to launch public consultations on measures to support budget sustainability by raising additional revenue. That letter presented a number of specific measures, which in the NISoS's view, would generate the greatest value of revenue to address Northern Ireland's public finances.

Subsequently, on 11 October 2023, DoF published [Financial context for revenue raising consultations](#), which outlined the funding required for Northern Ireland's day-to-day spending in 2023-24 and 2024-25, in order to keep pace with the impact of inflation since 2021-22. The document further outlined the areas in

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<sup>22</sup> <https://www.gov.uk/government/news/secretary-of-state-writes-to-ni-civil-service-on-sustainable-public-finances>

<sup>23</sup> See footnote immediately above

<sup>24</sup> See footnote 17

which the NISoS had directed departments to consult, as shown in Figure 3 below:

**Figure 3: Revenue Raising Measures by Department**

 <p>Department of <b>Agriculture, Environment and Rural Affairs</b> www.dera-ni.gov.uk</p>	<ol style="list-style-type: none"> <li>1. Reducing compensation rate on bovine tuberculosis programme.</li> <li>2. Increasing College of Agriculture, Food and Rural Enterprise (CAFRE) tuition fees to the same level as in England.</li> </ol>
 <p>Department for the <b>Economy</b> www.economy-ni.gov.uk</p>	<ol style="list-style-type: none"> <li>1. Increasing university tuition fees and aligning the student loan repayment period to the same level as in England.</li> </ol>
 <p>Department of <b>Finance</b> An Roinn <b>Airgeadais</b> www.finance-ni.gov.uk</p>	<ol style="list-style-type: none"> <li>1. The review of non-domestic rating support schemes, including non-domestic vacant property relief, industrial de-rating, freight transport relief, and the exemption for student halls of residence.</li> <li>2. The removal of domestic ratings allowances, including the early payment discount, the maximum capital value cap and the landlords' allowance.</li> </ol>
 <p>Department of <b>Health</b> www.health-ni.gov.uk</p>	<ol style="list-style-type: none"> <li>1. The introduction of prescription charges.</li> <li>2. The introduction of domiciliary care charges.</li> <li>3. The retention of hospital car parking charges.</li> </ol>
 <p>Department for <b>Infrastructure</b> www.infrastructure-ni.gov.uk</p>	<ol style="list-style-type: none"> <li>1. The introduction of domestic water and associated charges (this should also include the removal of non-domestic water allowances and charging for septic tank desludging).</li> <li>2. The increase of private street fees.</li> </ol>

Source: [Department of Finance](#) (2023)

As part of the [financial Settlement between the United Kingdom Government and the Northern Ireland Executive](#), the Executive agreed to revenue raising.

The financial settlement stated:

*...the Executive must deliver a balanced budget for 2024-25 at the outset of the financial year by raising a minimum of £113 million through locally generated income<sup>25</sup>*

On the 13 March 2024, the Minister of Finance [appeared](#) before the Finance Committee to update the committee on the Minister's priorities and preparation for the 2024-25 Budget. The Minister confirmed to the Committee that after further discussions with the HMT Chief Secretary, the timing of the revenue

<sup>25</sup>[Summary: Financial Settlement between the UK Government and the Northern Ireland Executive](#)



raising measures had been extended from one year, to two. The Minister explained:

*Recognising the challenges of raising £113 million of additional revenue, given how close we are to the start of the financial year and the limited financial levers at our disposal, the Chief Secretary has agreed that it can be generated over 24 months instead of 12 months. The enhanced time frame for the development of a sustainability plan and the generation of locally raised income is contingent on the Executive delivering a balanced Budget.<sup>26</sup>*

On 1 May 2024, in a Committee for Finance [meeting](#) with DoF Officials, the creation of a sustainability plan was discussed, which could include revenue raising measures. Officials, in reference to the sustainability plan, informed the Committee that DoF:

*...have to agree the scope of that with Treasury in May, and we have to have the plan by August<sup>27</sup>*

### 2.2.3 Transformation Board

As part of the Executive restoration financial package, a new Public Sector Transformation Board is to be established, with responsibility for deciding on the viability of transformation projects. Therefore, only those approved projects will have funding released. The HMT Chief Secretary's letter to the Finance Minister on the [financial support package settlement](#) detailed the transformation funding and the creation of the transformation board as follows:

*£235 million of this funding is ring-fenced for the sole purpose of transformation and its release is subject to the establishment of a Public Service Transformation Board. This Board, which will serve as the advisory body to the Executive on long-term transformation of Northern Ireland's public*

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<sup>26</sup><https://aims.niassembly.gov.uk/officialreport/minutesofevidencereport.aspx?AgendaId=32201&evidID=16535>

<sup>27</sup><https://aims.niassembly.gov.uk/officialreport/minutesofevidencereport.aspx?AgendaId=32685&evidID=16668>

*services, can support strategic decision-making on maximising the impact of this, and other locally generated funding. This Board must also comprise Northern Ireland Civil Service and UK Government experts and may also comprise independent domestic and international experts.<sup>28</sup>*

In a Written Ministerial statement [published](#) on the 26 March 2024, the Finance Minister confirmed HMT funding available for 2024-25. Noted was the absence of transformation funding. The Minister stated:

*There is a further £47 million from the financial package which was not included in the Secretary of State's letter. This is from the £235 million of repurposed funds which are ring-fenced for transformation. The allocation of this is subject to approval by the Public Sector Transformation Board which is to be established<sup>29</sup>*

On 29 April 2024, in a response to an Assembly Question, the Minister of Finance [reported](#):

*I will soon bring a paper to the Executive about the setting up of a transformation board that will allocate the funding, and Departments will bring forward bids to the transformation board for that transformation funding<sup>30</sup>*

**Potential Scrutiny Points for Consideration:**

8. To date, what consideration – preliminary or more detailed – has been given to update the Investment Strategy for Northern Ireland? When will a draft Investment Strategy be forthcoming?

<sup>28</sup>[https://assets.publishing.service.gov.uk/media/65cb685ea7ded000c79e514/Financial\\_Settlement\\_Summary\\_2\\_.pdf](https://assets.publishing.service.gov.uk/media/65cb685ea7ded000c79e514/Financial_Settlement_Summary_2_.pdf)

<sup>29</sup> [Written Ministerial Statements - Department of Finance - Public expenditure budget 2024-25 - Treasury funding available/](#)

<sup>30</sup> [NI Assembly Official Report - 29/04/2024](#)

9. Committees may wish to consider what actions their respective departments are taking with regard to this wider transformation of public services and what impact this is having on services delivered by individual Departments?

#### 2.2.4 Irish Government Shared Island Initiative funding

On 20 February 2024, the Irish Government announced a [package](#) of over €800m as part of its Shared Island Initiative. The package was part of the Irish Government's commitments set out in the [New Decade, New Approach](#) Agreement in 2020. The details of the February 2024 package include:<sup>31</sup>

- €600m for the A5 North-West transport corridor
- €50m for Casement Park in west Belfast
- Funding for Narrow Water Bridge connecting County Down and County Louth
- €12.5m for a new hourly rail service between Belfast and Dublin
- €10m in a renewed visitor experience at the Battle of the Boyne site in County Meath
- Commitment to work with the Astronomical Observatories of Ireland's three sites at Dunsink, Armagh and Birr
- Developing pilot cooperation schemes by enterprise agencies (up to €30m) and on education (up to €24m)

Additional details of the package and its “outworkings” are awaited.

#### **Potential Scrutiny Points for Consideration:**

10. How do the Departments of Finance, Economy and Infrastructure, as well as The Executive Office, plan to ensure prompt use of the Irish Government's Shared Island

<sup>31</sup> <https://www.gov.ie/en/press-release/2c23e-unprecedented-funding-of-over-800m-for-shared-island-investment-priorities-including-a5-road/>

Initiative funding? Please detail, including conditions, timings, planning, etc.

### 2.2.5 Multi-year budgeting

The Executive Budget 2024-25 obviously is for only this financial year. That contradicts the [New Decade, New Approach](#) political agreement, which committed the Northern Ireland Executive to:

*From 2021/22 the Executive will put in place multi-year budgets (minimum 3 years) where the UK Government has provided multi-year funding. The Executive commits to delivering a balanced budget for Northern Ireland and to take steps to put Northern Ireland's finances on a sustainable footing<sup>32</sup>*

In December 2021, the then Finance Minister produced a [Draft multi-year Executive Budget](#), covering the period 2022-25. However, with the collapse of the Executive in February 2022, that Budget was not agreed. The return of the Executive in February 2024 meant a Budget 2024-25 would be compiled in the final year of the current Spending Review period (which is to end March 2025), and in an election year to Westminster.

On 26 March 2024, the current Finance Minister laid a statement confirming the [Budget 2024-25 - Treasury Funding Available](#), including a single-year Budget. The Minister of Finance explained further:

*I laid that statement on 26 March. It only covers the 2024-25 year, as that is the last year of the current spending review. Therefore, the Secretary of State could not tell me how much funding will be provided in the following two years, and, without that confirmation, I could not lay a Budget for those years. I can only budget according to*

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<sup>32</sup> [https://assets.publishing.service.gov.uk/media/5e178b56ed915d3b06f2b795/2020-01-08\\_a\\_new\\_decade\\_a\\_new\\_approach.pdf](https://assets.publishing.service.gov.uk/media/5e178b56ed915d3b06f2b795/2020-01-08_a_new_decade_a_new_approach.pdf)

*the funding that has been notified to me, so it is not possible, at this point, to have a multi-year Budget.*<sup>33</sup>

Moreover, considering the future of multi-year Northern Ireland Executive Budgets, DoF officials have indicated that the next Executive Budget may also be a single-year budget, as DoF requires direction from HMT on what will be Northern Ireland's Spending Envelope from central government, which informs the majority of funding available to the Executive for its Budget. This will be dependent on the forthcoming election, the date of which, will be a significant factor in what is made available. On 1 May 2024, the DoF Officials [explained](#) to Committee for Finance that:

*The Treasury has indicated that the next spending review will not be until after the general election, and we do not have a date for that.*

*The other issue is that, the later the date of the general election, the greater the risk that there will be a single-year spending review. My understanding is that the Treasury will need to put funding envelopes for the next financial year in place by the end of this calendar year.*

*That may push it into doing a single-year spending review, which would again push back our chance to do multi-year budgeting*<sup>34</sup>

## 2.2.6 Local Taxation

Under prevailing devolution arrangements in Northern Ireland, the current Public Finance Framework (PFF) provides the Executive with a limited range of fiscal levers, as set out in the HMT's [Statement of Funding Policy](#) (SFP) and other relevant sources<sup>35</sup>. The SFP states:

*The Northern Ireland Executive and, where applicable, local councils have responsibility for expenditure self-financed from various sources of revenue such as taxes, levies and charges.*

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<sup>33</sup><https://aims.niassembly.gov.uk/officialreport/reportssearchresults.aspx?&m=0&per=1&c=0&p=0&s=1&o=0&ov=0&mv=0&cv=1&pv=0&sv=26&mi=All%20Members&pi=All%20Parties&si=2023-2024&k=o/8tEplVVqi8k+rHfnTYBcUXIPtfdjqG&fd=&td=&pm=0>

<sup>34</sup><https://aims.niassembly.gov.uk/officialreport/minutesofevidencereport.aspx?AgendaId=32685&evidID=16668>

<sup>35</sup> <http://assist.assemblyni.gov.uk/business-areas/raise/public-finance-scrutiny-workshop-series/>

*Determining the levels of revenue available to them, and where to spend it, is a matter for the Northern Ireland Executive and the local councils themselves.*

In this context, it also is important to note that since the Northern Ireland Act 1998 (as amended), a number of subsequent fiscal levers have been legislated for at Westminster, devolving power to Northern Ireland. These included:

- Long-haul rate for Air Passenger Duty (APD) on direct flights (available to the Executive, but no such flights at present; hence Northern Ireland's annual Block Grant adjustment, amounting to approximately £2.3m per year)
- Corporation Tax (not yet commenced by the United Kingdom government)

For more information about local taxation and how the Northern Ireland Executive Budget is a sub-cycle within the United Kingdom Government's Budget cycle, refer to the RalSe-PFSU's "Public Finance Scrutiny Workshop Series"; available to MLAs through the Assembly's intranet – at bottom left corner of RalSe's homepage [assist/business-areas/raise/](#) ) and the Members' Portal <http://assist.assemblyni.gov.uk/members/the-members-portal/>.

The remainder of this section provides additional detail on each of the above.

### **2.2.6.1 Long-haul APD**

In 2012 [Air Passenger Duty \(Setting of Rate\) Act \(Northern Ireland\) 2012](#) devolved the power to the Northern Ireland Executive to adjust the rate on direct long-haul flights departing from airports in Northern Ireland. The Northern Ireland Executive decided to set a zero rate which has been [effective from January 2013](#)

However, long-haul flights ceased from Northern Ireland in October 2018. To date, this has annually resulted in a Block Grant adjustment of approximately [£2.3 million](#) per year. Regardless, Northern Ireland Executive remains

responsible for Block Grant adjustments arising from the rate cut whether or not there are long-haul flights departing from Northern Ireland.

In recent years, there have been announcements of new long-haul flights from Northern Ireland. TUI [announced](#) a summer charter between Belfast to Orlando, Florida in the United States beginning June 2023. In November 2022, it was [announced](#) a new airline FlyAtlantic would resume trans-Atlantic flights between Northern Ireland and North America. The first scheduled flights were scheduled for summer 2024. However, in June 2023, the airline [issued](#) a statement which stated these flights would be pushed back and are now scheduled for Spring 2025.

**Potential Scrutiny Points for Consideration:**

11. To date, what consideration – preliminary or more detailed - has DoF or other given to adjusting the long-haul APD rate? If so, when and what was considered, and by who? What potential implications could arise from any adjustment considered to date? Please detail. If no such consideration to date, are there any plans to initiate such consideration as part of the ongoing revenue raising DoF consultation, which NISoS directed? Please detail.

12. As long-haul APD rate is a devolved matter, what consideration – preliminary or more detailed - has been given to Northern Ireland devolved government promoting direct long-haul travel - for example, via strategy documents or other, issued by the Executive, departmental and or arm's length bodies, such as Investment Strategy for Northern Ireland or the Economic Strategy for Northern Ireland. Has either featured airport investment, etc? Please detail. If no such consideration to date, why hasn't that been considered; and what is the plan to do so going forward? Please detail.

### 2.2.6.2 Corporation Tax

As part of the [Stormont House Agreement](#), agreed December 2014, the United Kingdom Government committed to devolving the power to set the rate of Corporation Tax to the Northern Ireland Assembly. The Agreement committed to:

*.... legislation will be introduced as soon as Parliament returns to enable the devolution of corporation tax in April 2017. Progress of legislation will proceed in parallel with the implementation of key measures to deliver sustainable Executive finances<sup>36</sup>*

In 2015, United Kingdom Houses of Parliament enacted [Corporation Tax \(Northern Ireland\) Act 2015](#). This Act empowered Northern Ireland Assembly to set the corporation tax rate on trading profits in Northern Ireland. However, legislation has not been commenced to date by the United Kingdom Government. In September 2016, His Majesty's Revenue and Customs (HMRC) issued [draft guidance: Northern Ireland Corporation Tax regime](#) in which the Government's position for commencing the legislation was presented:

*The government will commence the Act and devolution of the power can be completed once a restored Northern Ireland Executive demonstrates its finances are on a sustainable footing<sup>37</sup>*

In November 2015, multi-party talks between, the United Kingdom Government, Irish Government and political parties in Northern Ireland conclude with the [Fresh Start Agreement](#). This reaffirmed the United Kingdom Government's commitment to commencing and also presented the Northern Ireland Executive's position on Corporation Tax, as outlined below:

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<sup>36</sup>[https://assets.publishing.service.gov.uk/media/5a7f008c40f0b62305b84842/Stormont\\_House\\_Agreement.pdf](https://assets.publishing.service.gov.uk/media/5a7f008c40f0b62305b84842/Stormont_House_Agreement.pdf)

<sup>37</sup>[https://assets.publishing.service.gov.uk/media/5a75b61a40f0b67f59fcf05b/NI\\_CTregime-draft\\_guidance.pdf](https://assets.publishing.service.gov.uk/media/5a75b61a40f0b67f59fcf05b/NI_CTregime-draft_guidance.pdf)



- *As a means of rebalancing the economy and addressing the social and economic challenges facing Northern Ireland, the Executive is committed to an affordable and more competitive Corporation Tax rate.*
- *In this context the Executive attaches importance, on the basis of fairness and proportionality, to Northern Ireland bearing the full costs and receiving the full benefits of the devolution of Corporation Tax consistent with the Azores criteria.*
- *In accordance with the requirements of the Stormont House Agreement, the Executive reaffirms its commitment to take all the actions necessary to demonstrate that its finances are on a sustainable footing for the long term including successfully implementing measures in the Stormont House Agreement, this Agreement and subsequent reform measures.*
- *On this basis:*
  - *The NI Executive commits to a commencement date of April 2018, and a Northern Ireland rate of 12.5%<sup>38</sup>*

Following the Fresh Start Agreement, there was a number of periods of interrupted devolution between 2017 – 2020 and 2022 -2024. As part of the process to restore devolution in February 2024, the United Kingdom Government published a command paper in January 2024, entitled [Safeguarding the Union](#).

As part of this command paper, the United Kingdom Government reaffirmed its commitment to commencing the devolution of Corporation Tax to Northern Ireland:

*...notwithstanding the commitments made in the Stormont House and Fresh Start Agreements, the process of devolving corporation tax powers to the Northern Ireland Executive has*

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<sup>38</sup> [https://assets.publishing.service.gov.uk/media/5a80a8a5e5274a2e8ab516ce/A\\_Fresh\\_Start\\_-\\_The\\_Stormont\\_Agreement\\_and\\_Implementation\\_Plan\\_-\\_Final\\_Version\\_20\\_Nov\\_2015\\_for\\_PDF.pdf](https://assets.publishing.service.gov.uk/media/5a80a8a5e5274a2e8ab516ce/A_Fresh_Start_-_The_Stormont_Agreement_and_Implementation_Plan_-_Final_Version_20_Nov_2015_for_PDF.pdf)

*stalled in the period since. We will change this, and swiftly progress these commitments as part of this deal. That is why we are committed to a rapid, focused process, supported by the necessary resource from within HM Treasury, on the implementation of corporation tax devolution through a new Joint Exchequer Committee. The Committee will take forward urgent work on this process once a new Finance Minister is in place*

**Potential Scrutiny Points for Consideration:**

13. To date, what consideration – preliminary or more detailed – has DoF or other given to commencing the devolution of Corporation Tax in Northern Ireland? If so, when and what was considered, and by who? What potential implications could arise from doing so considered to date? Please detail. If no such consideration to date, are there any plans to initiate such consideration as part of the ongoing revenue raising DoF consultation, which NISoS directed? Please detail.

### 3 Observations

After two-year political hiatus in Northern Ireland, the Executive returned in early February 2024. The circumstances in which the Executive Budget 2024-25 was agreed have challenging – politically, economically and financially - as highlighted throughout this Paper. Northern Ireland public finances appear to have entered the 2024-25 financial year in a better position than in previous years due to the financial package that accompanied the Executive's return. However, as stated earlier in this Paper, the Executive agrees a higher level of funding is required to address the demands being made on all departments. That was compounded still further over 2022 and 2023, during when the Northern Ireland Assembly was not fully-functioning, by the wider economic challenges, which exacerbated an already difficult situation with the impact of

inflation, cost of living and global conflict feeding through to impact local economic and financial conditions. As such, all that has been and is having an impact on Northern Ireland's departmental budgets and their ability to deliver public services, amongst other things.

The United Kingdom Government's [financial support package](#) for Northern Ireland – as confirmed in February 2024 – should ease – to lesser or greater extents - some of the issues for this financial year (for example, public sector pay claims) and beyond. However, this funding is time-limited and addresses short term issues to some extent. When considering medium to long-term funding issues, those are to be addressed - in part - with the agreement of an [Interim Fiscal Framework](#) for Northern Ireland, including a funding formula for Northern Ireland (the Barnett formula), which should help to address departmental pressures to some extent.

This Paper has noted that the NISoS has expressed the opinion that these Interim Fiscal Framework negotiations could take time, and further negotiations could be required, to ultimately agree a Final Fiscal Framework for Northern Ireland. It is important to be aware that agreeing that Framework may be impacted by other issues raised in this Paper, in particular a number of known matters arising in the near future, notably the United Kingdom Parliamentary election and subsequent Spending Review. There therefore appears to be uncertainty going forward; to what extent shall be seen.

Moreover, in addition to the funding provided by the financial package, several conditions have been placed on the Executive to receive all the funding that had been specified, as reiterated in the context of the Interim Fiscal Framework. This includes the Executive having to introduce revenue-raising measures of £113m, as part of a sustainability plan, which is required to be submitted to HMT in August 2024. Another condition of the package was the creation of a Transformation Board. Funding made available for transformation cannot be allocated until a Transformation Board is established and authorises projects.

Again, it also should be noted that the Executive Budget 2024-25 has been agreed without an Executive agreed PfG in place. A PfG will set the Executive's priorities for the coming years. OECD good practice in budgetary management

states budgets should align with established government priorities. However, the Executive Budget 2024-25 has not yet been compiled such strategic priorities in an agreed PfG for Northern Ireland.

Moreover, the financial year 2024-25 has the added complexity that it is at the end of the current Spending Review period and a general election to Westminster on 4 July 2024. These two factors have been referenced in terms of the limitations in producing multi-year budgets and knowledge of what will happen, for example, to EU successor funding.

In summary, the Executive Budget 2024-25 has been agreed in a challenging context – politically, economically and financially. While the Northern Ireland Assembly has now been restored, two years have passed in which decisions could not be made and services delivered by departments experienced significant financial pressures. While the funding provided by the financial package for the Executive's restoration has eased some of the short-term pressures, it should be remembered this is one-off funding and time-limited. The agreement of an Interim Fiscal Framework – assuming it includes an appropriate needs-based formula - will help with future funding. However, a final Fiscal Framework will require more time to be negotiated and agreed. While some agreement has been reached quickly in comparison to other devolved Fiscal Frameworks, whatever time it does take to reach a final agreement leaves a degree of uncertainty in the interim for Northern Ireland's public finances.

Co-ordinated budget cycle scrutiny across the Assembly – throughout all stages in the cycle (Formulation, Approval, Execution and Audit) – would serve to increase openness and transparency in budgetary/public finance matters in Northern Ireland. That, in turn, could serve to increase Executive and departmental accountability *via* Assembly plenaries and committees. To facilitate that such Assembly engagement throughout the entire budget cycle, there is a need to improve the accessibility of departmental information and data – including accessibility in terms of timeliness, level of granularity, consistent format presentation and accompanying rationales clearly articulating underlying reasons for decisions taken. Moreover, there is a need to continue

to increase knowledge and understanding amongst key actors about good budgetary practice identified by the OECD.

Providing research and information services to the Northern Ireland Assembly, information/data gleaned from such reports could better support committee when seeking to engage on budgeting and public spending matters and exercising their advisory and scrutiny roles. That in turn, could support the delivery of more efficient, transparent and accountable governance in Northern Ireland through informed scrutiny and oversight