

ORAL STATEMENT FOLLOWING ANNOUNCEMENT OF CHANCELLOR'S AUTUMN BUDGET – 30 OCTOBER 2024

Last Wednesday the Chancellor presented the Autumn Budget. I wanted to update members today at the earliest opportunity after recess on the implications of this budget for our public finances.

I have been very clear that delivering quality public services and a strong economy that supports businesses are key priorities for me to improve the lives of workers, families and communities .

The scale of the current pressures is so severe that it will take time and significant further investment to turn the tide and undo the damage caused by underfunding of public services, from years of Tory austerity. The amount of money announced by the British Chancellor last week reflects the state of public services and the urgent need for investment, something I have been pointing out since I took up post. But let's be real, the impact of 14 years of austerity is not going to be reversed by one Budget.

I have been calling for greater investment in our infrastructure for some time now. I therefore welcome the Chancellor's announcement that they will change their self-imposed debt rules to free up capital funding. However, the proof of this announcement will be in its delivery.

The change in fiscal rules is a first step, now we must see the Chancellor deliver the resources that the Executive needs to invest properly in our

public services in the long term. Next year's Spending Review will be the test of that.

I also welcome the pause being lifted on the Causeway Coast and Glens and MidSouth West Growth Deals. The pause should not have happened in the first place. But I am glad that common sense has prevailed, and the right decision has been made to enable these Deals to go ahead which will be key drivers for economic growth.

Whilst there are things in the Chancellor's budget which on a first review are encouraging of a different approach to public services, there are also clear areas of concern including the impact of increased Employer National Insurance Contributions particularly for our small businesses, the change in treatment of our Agricultural funding, changes to Agricultural Property Relief and the reduction in the Shared Prosperity Fund.

2024/25 Funding

But firstly, turning to the extra funding we will receive for the rest of the current financial year.

The Autumn Budget will see the Executive receive an additional £609.3 million of Resource DEL and £30.4 million Capital DEL for 2024-25. This is on top of the £308.9 million of additional Barnett consequentials received from Spring Budget and Westminster Main Estimates, which I allocated in the June Monitoring round. This makes a total of £918.2 million additional Resource DEL funding in 2024-25.

This level of in-year funding is unprecedented (outside of covid) and while it is to be welcomed, again it's worth pointing out the scale of this funding which reflects the reality of just how badly public services have been funded as a result of 14 years of austerity.

As a result of the Interim Fiscal Framework, which I agreed in May this year, the Executive has received £184 million more than it would otherwise have done, in 2024-25.

I will now move quickly to propose allocations to the Executive to get this funding out to Departments as part of the October Monitoring round.

As you are aware Departments previously identified Resource DEL pressures of £770 million, so the extra funding falls short of what is needed and is not sufficient to meet the trajectory of overspend that Departments have indicated for this year. This **will inevitably mean departments having to take decisions** to live within budget.

Reserve Claim

The overcommitment figure does not include the costs of a number of exceptional items, such as the costs of the PSNI Data Breach, Holiday Pay and McCloud Injury to Feelings.

It was anticipated that if these costs were to crystallise in 2024-25 that they might be funded by a Reserve claim. However, given the level of in year funding provided to the Executive in this Autumn Budget, the Chief Secretary to the Treasury has indicated, that while further conversations are possible, the Treasury position is that in the first instance, that these should be funded from the settlements announced.

It is my clear view however that these items would be unaffordable given the existing pressures facing departments and therefore I would be seeking to negotiate for a Reserve claim.

In terms of 2025-26 Funding

The Chancellor's Statement on Wednesday also outlined the first year of a multi-year Spending Review that will conclude in the Spring. This sets the Executive's funding envelope for 2025-26.

It is welcomed that the Chancellor has recognised the recurrent nature of the pressures being faced in 2024-25 by baselining the addition £609 million of Resource DEL consequentials provided in the Autumn Budget.

The same approach has however, not been taken for the Autumn Budget 2024-25 Capital DEL consequentials.

As a result of the Interim Fiscal Framework, the Executive's capital borrowing limit for 2025-26 will be increased from £220 million to £225.7 million.

The Executive will also receive an additional £601 million Resource DEL and £270.8 million Capital DEL as a result of announcement.

As a result of the Interim Fiscal Framework, the needs based factor has also been applied in 2025-26, meaning the funding provided is £248 million than higher than it would otherwise have been.

This brings the total additional funding provided as result of the Interim Fiscal Framework to £431.4 million. This demonstrates the difference this Framework is already making by providing additional hundreds of millions of funding for public services here.

While Barnett consequentials are unhypothecated and it is for the Executive to decide how these are used, I have included a breakdown of the Barnett consequentials for both years in an Annex accompanying this statement.

In addition to the Barnett funding for 2025-26, including the Restoration Package, the Executive will receive £668.7 million Resource DEL and £91.6 million Capital DEL of non-Barnett funding.

The 2025-26 settlement equates to a real terms uplift of 1.3% in Resource DEL against the latest 2024-25 position but given the continued pay and inflationary pressures and growing demands on our services this still represents a challenge for the Executive and highlights the need for the transformation of our public services.

Agriculture Funding

Previously the Executive received a ringfenced allocations for both agricultural and fisheries support based on the level of EU funding in 2019. This £332.5 million has now been included in the Executive's baseline from 2025-26. It will therefore now be for the Executive to agree funding for Agriculture as part of the budget process.

As well as the direct impact on the Executive's finances as a result of last week's Budget, there were a number of other announcements that are worth highlighting. **Impact of changes to Employer National Insurance Contributions**

On Wednesday the Chancellor announced changes to Employer Rate National Insurance Contributions policy.

While the Treasury has advised that it will provide support funding to the public sector for the additional costs, we do not yet know whether that will be sufficient to offset the costs. I will provide a further update on this in due course.

Employers' National insurance - impact on small businesses

Of course, the bigger impact of this change will be felt by businesses.

There is no doubt the taxation increase on businesses will prove challenging for many small businesses which are the bedrock of our local economy.

Although the 1.2% rate increase announced is lower than the 2% some has speculated it would go up by, this will be cold comfort to those businesses impacted.

And while the increase in the employers allowance from £5,000 to £10,500 will help protect the smallest of our businesses, I have no doubt that, the increased cost of National Insurance will be difficult for many businesses to manage.

While the Chancellor has said this Budget is about putting more money into people's pockets, the Office of Budget Responsibility has said in their analysis that they assume that three quarters of the National Insurance Costs increase cost is eventually passed on to employees through lower real wages. This will impact on individuals who are still being impacted by the cost-of-living crisis.

It is disappointing that the Chancellor didn't move to abolish the two-child limit or reinstate funding for the Winter Fuel Payment which will have a detrimental impact on the well-being and health of older people here. This highlights again the impact of bad decisions taken at Westminster on people here and unfortunately with the huge pressure already on our budgets, the Executive cannot mitigate against every such bad decision.

Agricultural Property Relief (Inheritance Tax)

The Chancellor also announced changes to Agricultural Property Relief. I understand the concerns raised by many farmers of the potential impact that these changes may have on the sustainability of the family-farming business here.

The importance of our farming sectors was raised in the meeting the First and deputy First Ministers and I had with the Chancellor on 12 September, and I will continue to make the case for all of our small farmers and small businesses who are vital to our economy here.

The changes to Agricultural Property Relief will mean that from April 2026, the first £1 million of combined business and agricultural assets will continue to attract no inheritance tax at all, but for assets over £1 million, inheritance tax will apply at an effective rate of 20%.

The Treasury has indicated that they expect only around 500 agricultural estates across Britain and the North to be affected next year by this change. They have also argued that small family farms are protected. Clearly, we need to see the proof of that.

My officials have already been in contact with Treasury counterparts to better understand the impact locally. However, Treasury officials have not been able to provide specific figures for how many farms could face a higher bill locally.

It is important that changes to Agricultural Property Relief don't jeopardise our small family farms here in the North. My officials will continue to engage with Treasury and DAERA colleagues to get a better understanding of this change, and the options available to farmers impacted.

Shared Prosperity Fund (SPF)

The announcement that the Shared Prosperity will continue as a transition year is welcome and avoids a potential cliff edge in March 2025. It allows consideration of post 2026 arrangements. However, the total funding of £900million for 2025-26 which was announced last week represents a 40% reduction in quantum from 2024-25.

In discussions with Ministry for Housing, Communities and Local Government (MHCLG), my officials understand the transition year is a discreet pot of funding for its one-year timeline.

Our allocation for 2025-26 is not yet known, but MHCLG have advised information will be available shortly to provide certainty for groups and projects who use the funding. I have already made clear to the Chief Secretary to the Treasury that I do not believe a reduction in the funding is acceptable and will continue pressing hard for at least the same level of funding as before.

Closing

I hope this statement has provided members with an overview of the implications of the Autumn budget.

While the additional funding is to be welcomed, the reality is that public services are still stretched and the level of funding announced last Wednesday still not does plug the current gap. We will need to see continued investment over the coming years to help transform public services.

As an Executive we have committed to taking a more strategic, longer-term approach to the budget process with the Executive Budget Sustainability Plan published earlier this month. We are committed to transformation and reform to help our services become more sustainable and efficient going forward.

The multi-year Spending Review coming in Spring will give us the ability to plan on a longer-term basis.

My immediate focus is on allocating the funding for 2024-25 before quickly turning our attention to the 2025-26 Budget which I intend to bring to the Executive in the coming weeks.

There is no doubt there will be challenges ahead but working together we will be better placed to meet them and for all of our citizens.

Annex A

Table 1: Barnett Consequential 2024-25

	£millions	
Whitehall Department	Resource DEL	Capital DEL
Business and Trade	0.120	0.687
Cabinet Office	0.000	0.000
Culture, Media and Sport	6.775	6.118
Defence	0.000	0.000
DLUHC Levelling Up, Housing and Communities	20.036	1.638
DLUHC Local Government	2.459	0.000
Education	82.369	6.037
Energy Security and Net Zero	0.000	0.000
Environment, Food and Rural Affairs	17.560	3.018
Foreign, Commonwealth and Development Office	0.000	0.000
Health and Social Care	333.894	0.000
HM Revenue and Customs	0.000	0.000
HM Treasury	0.000	0.000
Home Office	14.294	0.000
Justice	34.375	0.000
Law Officers' Departments	6.036	0.000
Science, Innovation and Technology	0.000	0.000
Single Intelligence Account	0.000	0.000
Small and Independent Bodies	1.124	0.000
Transport	43.279	12.886
Work and Pensions	46.955	0.000
TOTAL	609.28	30.38

Table 2: Barnett Consequential 2025-26

£millions			
Whitehall Department	Resource DEL	Capital DEL	FTC
Business and Trade	-0.09	0.84	-0.46
Cabinet Office	0.00	0.00	0.00
Culture, Media and Sport	-3.76	1.30	0.00
Defence	0.00	0.00	0.00
DLUHC Levelling Up, Housing and Communities	-22.55	59.50	-5.21
DLUHC Local Government	117.32	0.00	0.00
Education	152.56	21.49	4.54
Energy Security and Net Zero	2.24	31.67	-3.17
Environment, Food and Rural Affairs	-8.48	-1.04	0.00
Foreign, Commonwealth and Development Office	0.00	0.00	0.00
Health and Social Care	357.46	37.70	0.00
HM Revenue and Customs	1.00	0.61	0.00
HM Treasury	0.00	0.00	0.00
Home Office	27.30	15.12	0.00
Justice	27.86	19.29	0.00
Law Officers' Departments	2.48	0.65	0.00
Science, Innovation and Technology	-0.09	5.62	0.03
Single Intelligence Account	0.00	0.00	0.00
Small and Independent Bodies	1.31	1.52	0.00
Transport	-3.53	70.58	0.00
Work and Pensions	29.56	5.97	-0.30
Business Rates	-79.66	0.00	0.00
TOTAL	600.93	270.83	-4.58