

## **Response from Pivotal to consultation on Northern Ireland Executive's draft Budget for 2025-26**

Pivotal is an independent think tank which aims to contribute to improved policy-making in Northern Ireland. Launched in 2019, Pivotal does deep-dive research reports into current topics (for example [Economic inactivity in Northern Ireland](#) and [Achieving greater integration in education and housing](#)), as well as publishing regular reviews of how government is functioning (for example [Review of the first year of the restored Northern Ireland Executive](#)). You can find out more about Pivotal and our work on our website [here](#).

Pivotal welcomes this opportunity to comment on the draft Budget for 2025-26. Agreeing a draft Budget is an important milestone for the Executive. There has been more time for public consultation this year, which is another step forward. It is unfortunate that the UK Government's one-year approach means that this is another single year budget. We emphasise again the importance of the NI Executive setting a multi-year budget when possible, to enable longer term planning for service delivery, workforce and reform.

### **1. Improvements should be made to the information provided about the draft Budget allocations**

We are disappointed by the lack of information available on which to base this response. In most cases, only headline total allocations have been published for each Department, rather than any more detailed information. The lengthy Budget document published in January (100 pages) is largely a description of the economic context and Departments' responsibilities, with little further detail about spending plans (and there is an inconsistent approach in the sections provided by each Department). Equality Impact Assessments for Department for Infrastructure and Department of Health provide some more information about how their total funding might be allocated across their programmes, but these are not final numbers. This point about a lack of information for the Budget consultation has been made in previous years, but there does not seem to have been any change.

It would be helpful to see the numbers in the Budget documents presented compared to both the original Budget allocation for 2024-25 and the final plan figures for 2024-25 (i.e. including in-year additions). These comparisons to final plan figures have since been provided by the NI Fiscal Council and are very helpful. While we recognise that providing the Budget numbers compared to last year's original allocation is the normal practice, providing the final plan figures as well is useful,

since it gives a more accurate representative of the actual outturn spend during the year.

## **2. There is only a weak link between the draft Budget and the Programme for Government**

Budgetary decisions should be strongly influenced by the priorities agreed in the Programme for Government (PfG) and the Investment Strategy (which has still not been published). There is some evidence of the Budget following PfG commitments, for example specific funding for housing, water infrastructure and childcare.

However, the vast bulk of the available funding has been allocated to Departments in a similar way to previous years, rather than being reflective of the newly agreed PfG priorities. A specific example arose when the final PfG was published, with uncertainty around whether extra funding had been allocated to Department of Health to reduce waiting lists, or whether this was still to be decided by the Executive. This remains unclear.

## **3. Making public sector pay awards absorbs most of the available additional funding**

The large addition of funding for 2025-26 in the UK Budget in October had brought some optimism, as initially it looked like it would bring some relief to NI's budgetary pressures in 2025-26 and allow for some funding to improve public services.

Unfortunately this has not turned out to be the case, particularly given the cost of making public sector pay awards on the basis of pay parity. It is concerning that the big injection of extra funding from the UK Budget is all being used up just to stand still, rather than to fund any improvements to services. This is likely to remain the situation in future years if pay parity is maintained, because of the larger size of the public sector workforce in NI compared to England.

## **4. The cliff-edge in 2026-27 is now approaching and needs to be resolved**

The one-off additions of funding for 2023-24, 2024-25 and 2025-26 in the February 2024 financial package provided substantial boosts of funding, but on a non-recurrent basis. There is therefore a cliff-edge drop in funding in 2026-27 of around £520m. It is completely unrealistic to expect Northern Ireland to absorb this, and we welcome the UK Government's commitment that it will be addressed in this year's Spending Review.

**5. Discussions about the level of need in Northern Ireland should not distract from other efforts to get the most out of NI's available funding**

The Executive is continuing to make the case to the UK Government for a higher uplift than 124% from England's spending per head. We would caution against too much focus on this, since even if successful it would yield a relatively small amount of extra funding per year. The Executive needs to also give top priority to finding other ways to get the most from its existing funding, including short-term efficiencies, longer-term transformation and additional revenue raising.

**6. Public services as currently configured are not affordable**

The NI Fiscal Council has indicated that NI's need for public spending is around 124% of England's, and that current funding per head for Northern Ireland is around that level. However, it is proving impossible to deliver good public services with this amount of funding, as demonstrated by recent budgetary problems and poor outcomes in (for example) health, housing and policing. Why is this the case if Northern Ireland receives a 'fair' funding allocation according to its need? Pivotal's conclusion is that services as currently configured are unaffordable, so we are trying to fund systems that need to be much more cost effective. This underlines the unavoidable and urgent need for transformation and greater efficiency, so that we can deliver better services with the funding we have. Without significant transformation, a recurring cycle of budgetary problems and declining outcomes is inevitable.

**7. Transformation needs to be an urgent priority in all public services**

We welcome 'Reform and transformation of public services' being a priority in the Programme for Government. In light of this, we would like to see clearer evidence of reform and transformation being reflected in the Budget 2025-26 allocations. While the recently announced Transformation Fund allocations are welcome, these are very small amounts of funding compared to the whole of the Executive's spending. Transformation needs to be 'mainstreamed' to be a central part of every Department and every public body's activities, for example through service reconfiguration, early intervention, cross-department working, and greater use of technology and AI. To this end, the new Delivery Unit and Office of AI and Digital are very welcome.

**8. There is ever-increasing demand for public services, putting upward pressure on spending now and into the future.** For example, health spending is estimated to need to rise by 6% per year just to maintain the same level of service (because people are living longer with more complex conditions, more treatments are available, and cost inflation). Our conclusion from this is that public services as currently configured are going to become increasingly unaffordable in the future. This underlines again the importance of transformation in how services are delivered.

**9. There is a accumulating list of current and future budgetary risks**

While Northern Ireland's budget for 2025-26 is very tight, there is a growing list of emerging issues that make the future outlook even more concerning. In the short term, there are likely to be significant costs arising from the PSNI data breach, claims relating to holiday pay, and the McCloud pension case. The UK Government's decision to shift towards more defence spending may have an effect on NI's funding allocation, given that defence spending is non-Barnettable. Proposed reductions in some social security benefits in England may lead to the NI Executive wanting to retain these benefits here, the cost of which would have to be funded from existing budgets.

**10. Serious consideration of increased local revenue raising is needed**

While unpopular, there needs to be a realism about the impact of choosing not to raise more revenue locally. Northern Ireland households pay around £550-900 less per year on average in household charges than in England, Scotland and Wales. Pivotal would suggest that more local revenue raising should be given proper consideration by the Executive, for at least four reasons:

- Increasing the amount of funding available to spend on local services;
- If appropriately structured, enabling a fair and progressive system that requires a greater contribution from those who are able to pay more;
- Fairness in public finances across the UK, noting that at present NI households pay far less
- Demonstrating NI's commitment to taking action to manage its own finances.

**11. The draft Budget does not offer a solution to the crisis in Northern Ireland's water infrastructure**

It is well-known that the poor condition of Northern Ireland's wastewater infrastructure is holding back or even halting development in many areas. There is no evidence in either the Programme for Government or draft Budget that the Executive has a plan to address this on the scale that is needed. This issue is only going to become more pressing and needs to be treated as an urgent priority.

**12. The Executive should focus on growing Northern Ireland's economy**

A key to long term sustainability in Northern Ireland is a vibrant, growing and inclusive economy. The Executive should therefore always give consideration to how its funding is being used to increase productivity, promote innovation, invest in skills, improve infrastructure, and address our very high levels of economic inactivity.

**Ann Watt, Director**

**13 March 2025**