

## **Weak NI budget control compounds pay and inflation pressures**

NI departments are overspending significantly against their available funding this year, with the unavoidable impact of inflation and pay pressures being compounded by weak budget management in the absence of a functioning Executive, according to a new report by the NI Fiscal Council, the independent body appointed to scrutinise NI's public finances.

New data requested by the Council from the Department of Finance suggests that departments expect to overspend their available funding for the day-to-day costs of public services and administration by £650 million (or almost 5 per cent) and for capital investment by £187 million (or just over 10 per cent). As usual, departments do not expect to be able to spend the additional funding available to them for giving loans to or taking equity stakes in the private sector.

In the absence of corrective action, additional financing from the UK Government or a display of flexibility by the Treasury, any overspends would be clawed back from the NI Block Grant next year. This would intensify an already tight squeeze on spending relative to England and introduce greater volatility into the funding position that will only make planning and reform more difficult.

With caretaker ministers having left office on 28 October and an Assembly election due to be called next year, it will now fall to the Secretary of State for NI to set departmental budgets for the rest of this year and to the UK Parliament to provide the statutory authority to spend them. The Secretary of State will have to decide which departments to prioritise, whether to implement the recommendations of the UK pay review bodies and whether to borrow the £140 million for capital spending that was pencilled into the stalled Draft Budget last year. These are all decisions on which the Executive would take a collective view under normal circumstances.

The prospective overspends in large part reflect unexpectedly strong upward pressure on inflation and pay settlements which will be common to Whitehall departments and the other devolved administrations. But the Council argues that the arrangements in place for the management of public spending in NI in the absence of an Executive are compounding an already difficult situation.

Contributing factors include the absence of an agreed Budget, the absence of In Year Monitoring Rounds at which departmental allocations can be adjusted, the ability of caretaker Ministers to take spending decisions for which they do not have funding, the limited power of civil service accounting officers to impose discipline and

the absence of Assembly committees to scrutinise the evolution of the public finances through the year and make recommendations.

Sir Robert Chote, chair of the council said:

“Higher inflation and upward pressure on public sector pay are creating challenges for public services right across the UK. But the absence of a functioning Executive and the inability of the previous one to agree a Budget are making it even harder to manage these pressures here. As well as confronting the difficult near-term decisions, Stormont and Whitehall should think carefully about how best to manage similar situations in future before they occur again.”

Notes to editors:

1. The full report is available here: [The NI Executive's 2022-23 Budget: an update | NI Fiscal Council](#)
2. Loans and equity stakes in the private sector are funded through Financial Transactions Capital (FTC).
3. Further information on the NI Fiscal Council is available here: <https://www.nifiscalcouncil.org/>
4. Follow us on Twitter: [@NIFiscalCouncil](#)