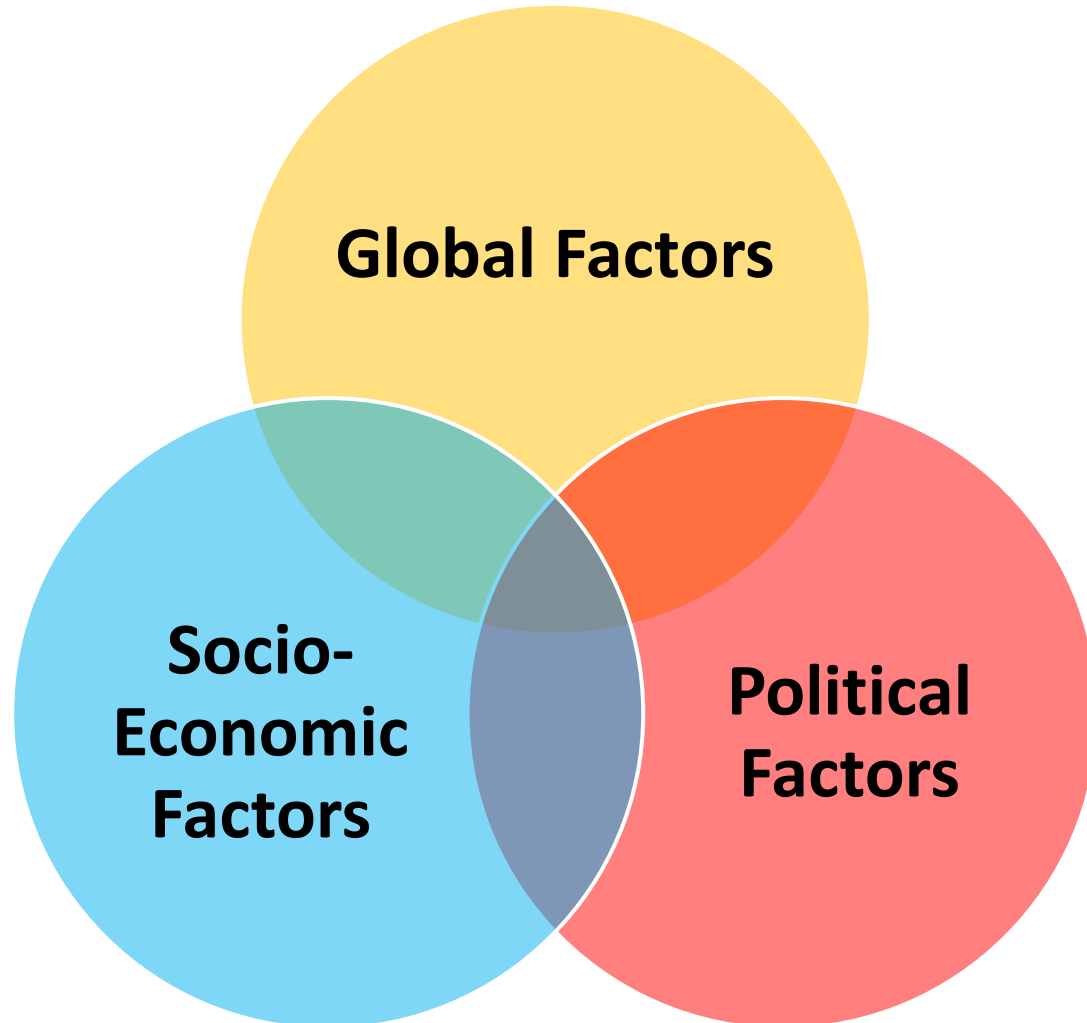


**Neil Gibson, Permanent Secretary,
Department of Finance**

**Northern Ireland Fiscal Council
Annual Conference**

Monday 18 September 2023

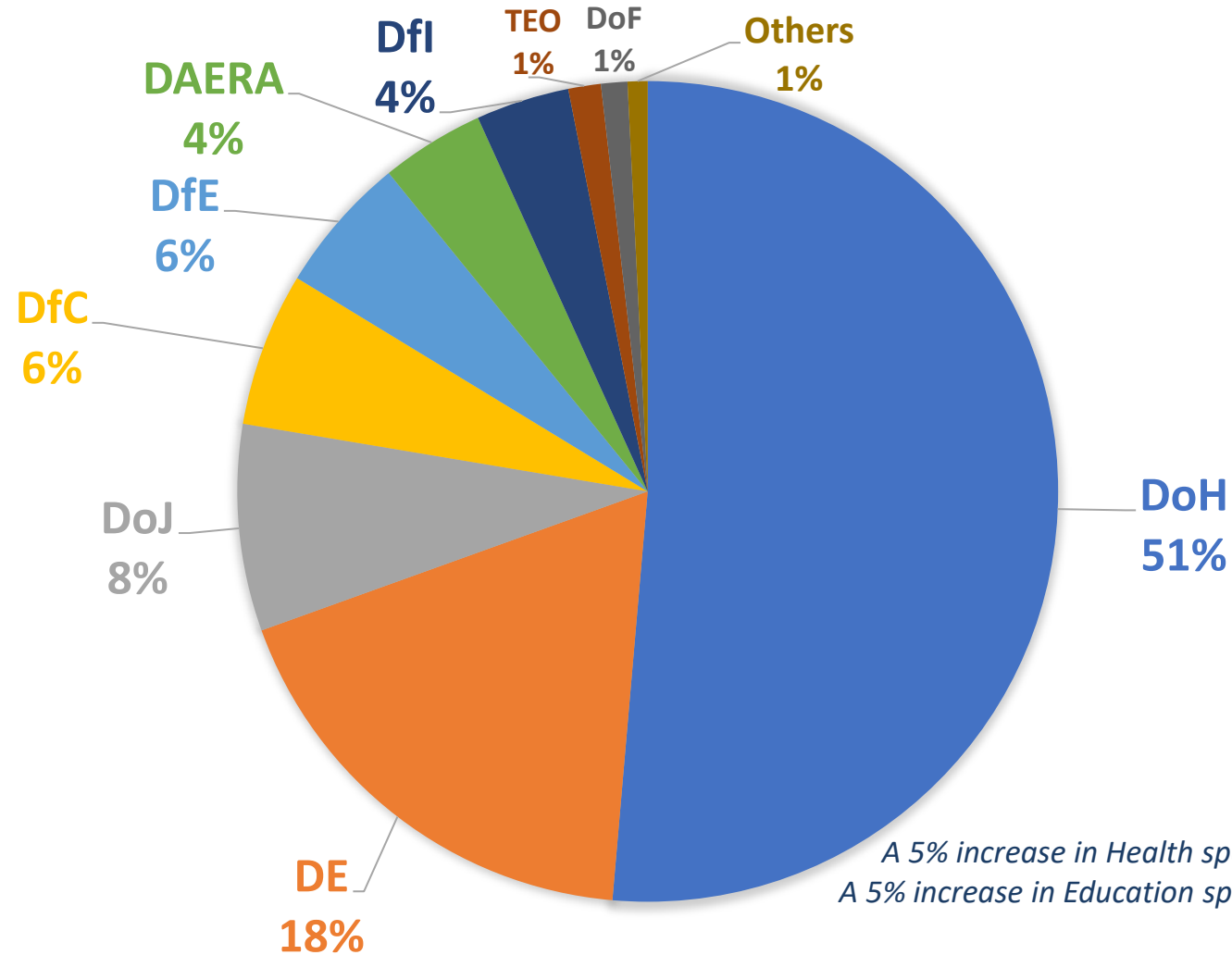




Other cross-cutting issues

Cost of Living	Geopolitics
Net-Zero	Lack of Assembly / Executive
Public Expectations	Budgets & Pay

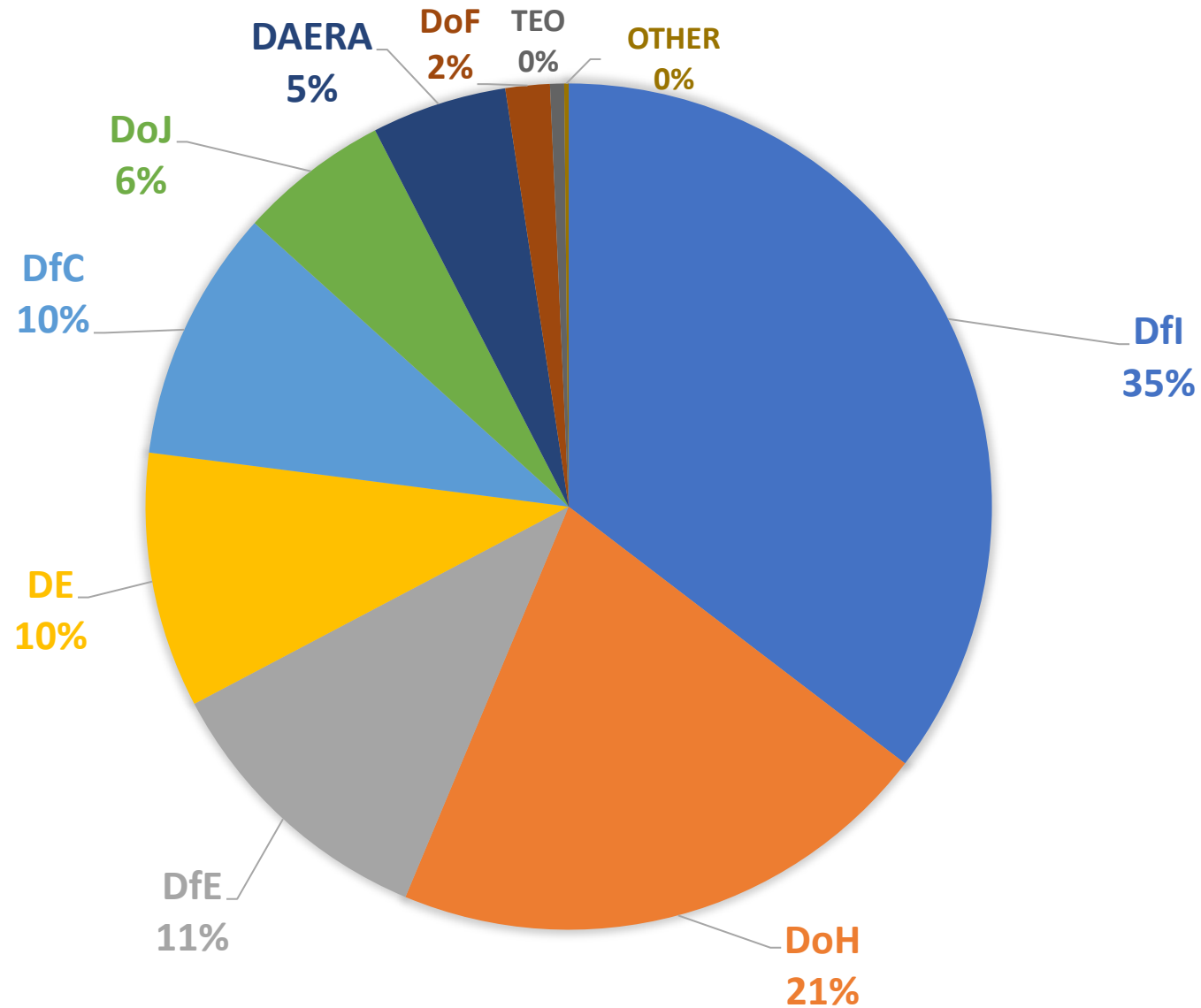
Resource DEL
c.£14bn



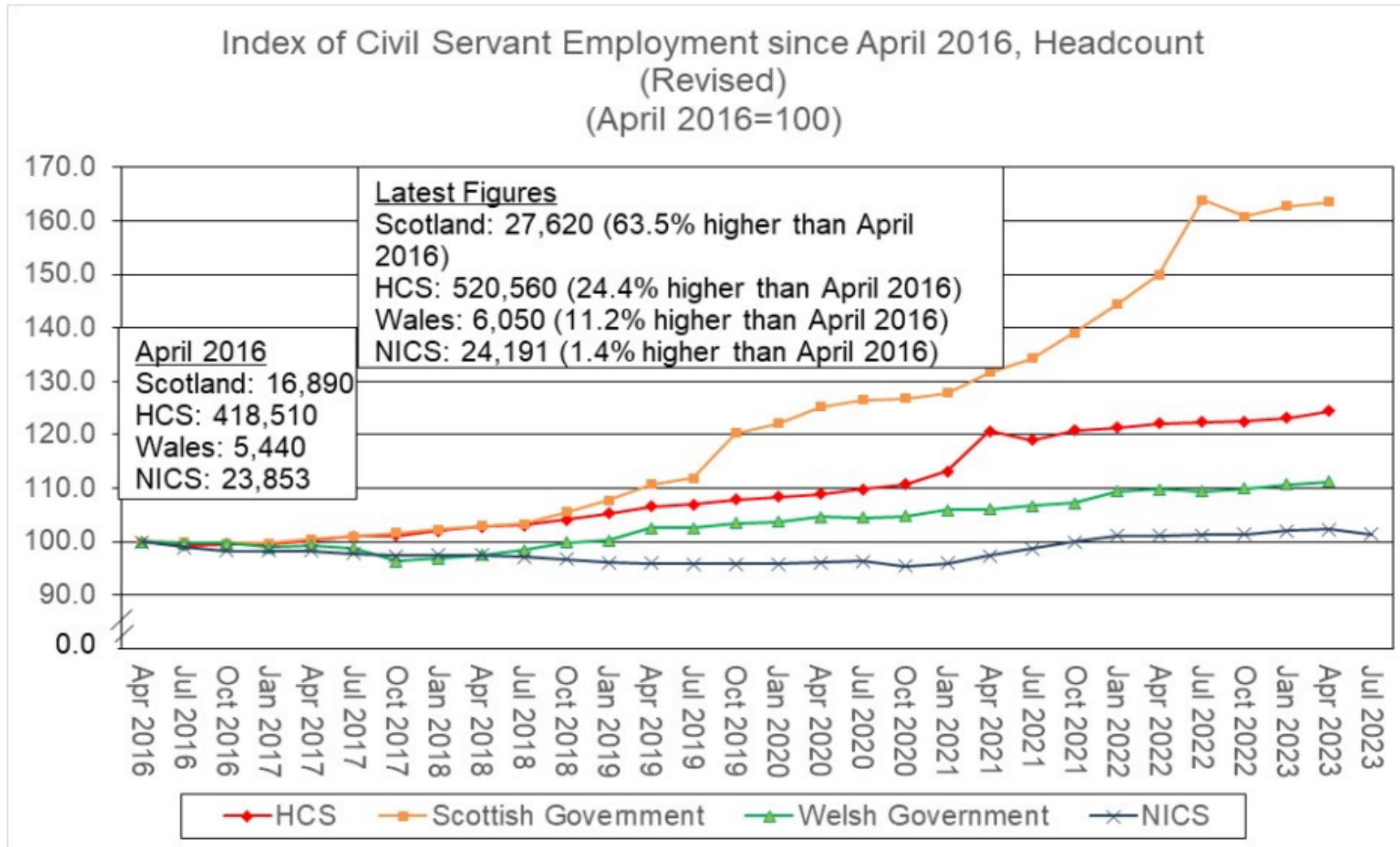
*A 5% increase in Health spend would equate to ~£365 million.
A 5% increase in Education spend would equate to ~£129 million*

Source: SOS April 2023 Written Ministerial Statement.

Capital DEL £2bn

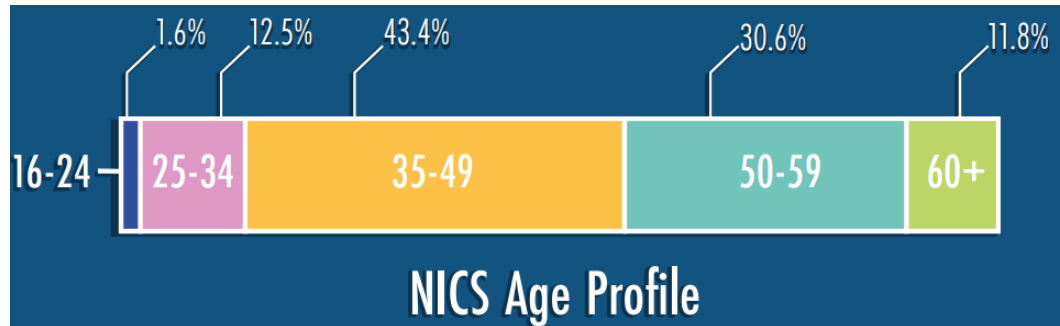
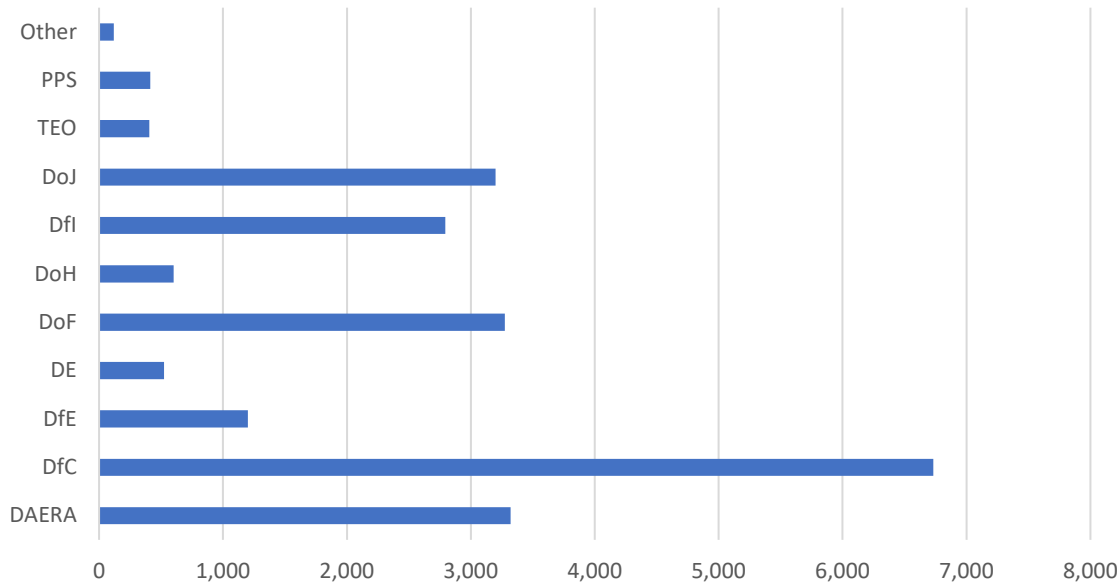


NICS Context – Our Workforce



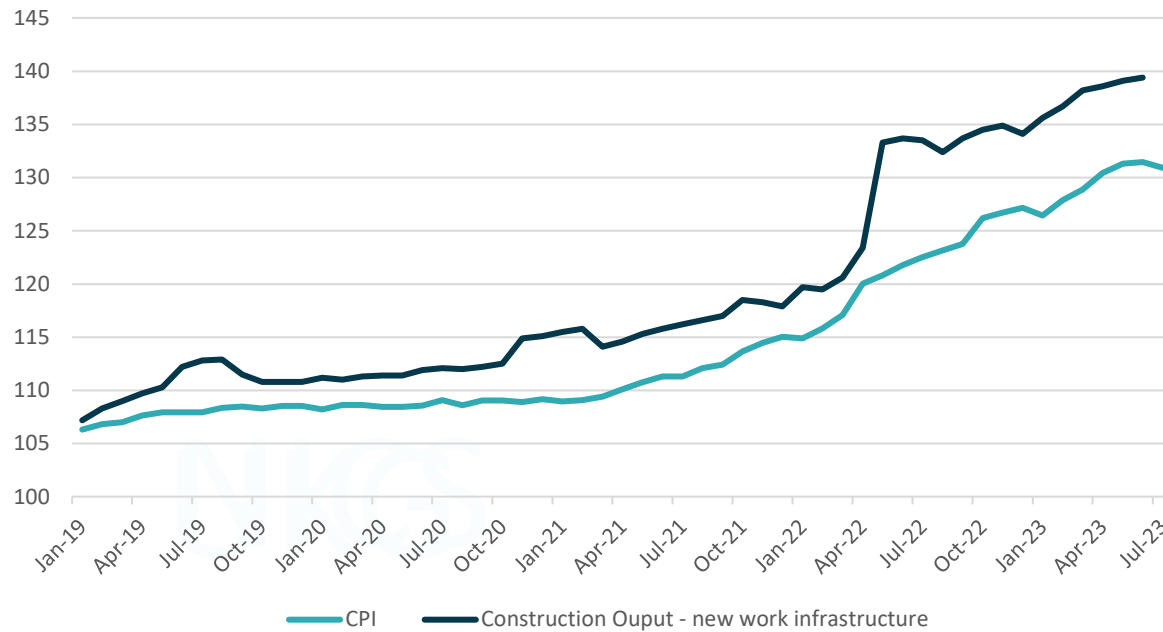
NICS Context – Our Workforce

Total NICS FTE 1 Jul 2023



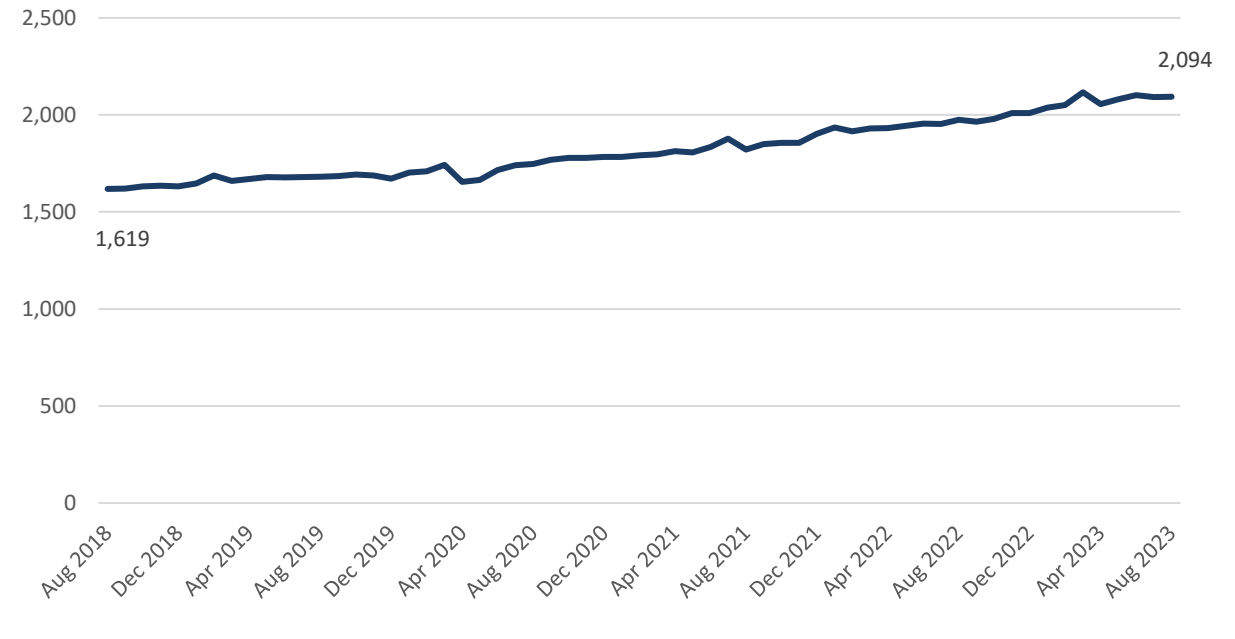
Top 12 Occupations	Staff headcount	% of total workforce
General Service	15,969	65.43
Prison Grades	1,293	5.30
Industrial Grades	705	2.89
Computing	616	2.52
Science Grades	613	2.51
Civil Engineers (Technical)	559	2.29
Vehicle and Driving Examiners	464	1.90
Legal Grades (Solicitors)	380	1.56
General Service (Accountant)	348	1.43
Statisticians	344	1.41
Agricultural Inspectors (Group)	328	1.34
Agricultural Inspectors (Grade)	308	1.26

NICS Backdrop – Prices, People and Pay



Source: ONS, Consumer price inflation, UK: July 2023; Construction output price indices: June 2023

- **Compared to January 2019, the Consumer Price Inflation (CPI) value has risen by 25% as of July 2023. In July 2023 CPI increased by 6.8% in the last 12 months, down from 7.9% in June.**
- **Price levels have increased in the Construction sector at an even faster rate than changes in CPI. Between January 2019 and June 2023, the price level for new infrastructure work increased by 32%.**



Source: NISRA Labour Market Report, August 2023

- **NI employees had a median monthly pay of £2,094 in August 2023. A small increase of £2 (0.1%) over the month and an increase of £119 (6.0%) over the year.**
- **NI median pay in August 2023 remained the lowest of any UK region. NI also had the third lowest annual increase of the 12 UK regions.**
- **Since March 2020, earnings in NI have increased by 20.1%, 2.2pps lower than the increase in the UK (22.4%) and lowest of all the UK regions.**

Fiscal Climate – Our Tax Take

Tax	2021-22 £m	17-18 to 21-22 change
Value Added Tax (VAT)	4,564	12%
Income Tax	3,555	25%
Social Contributions	3,291	26%
Excise Duties	1,877	-1%
Rates	1,470	9%
Other non-tax revenue	1,194	-10%
Corporation Tax	1,182	44%
Other tax revenue	1,047	8%
Interest and dividends	796	72%
Capital Taxes	321	67%
Total Tax take	19,297	16%
Total Managed Expenditure	33,238	26%
Net Fiscal Balance	13,941	42%

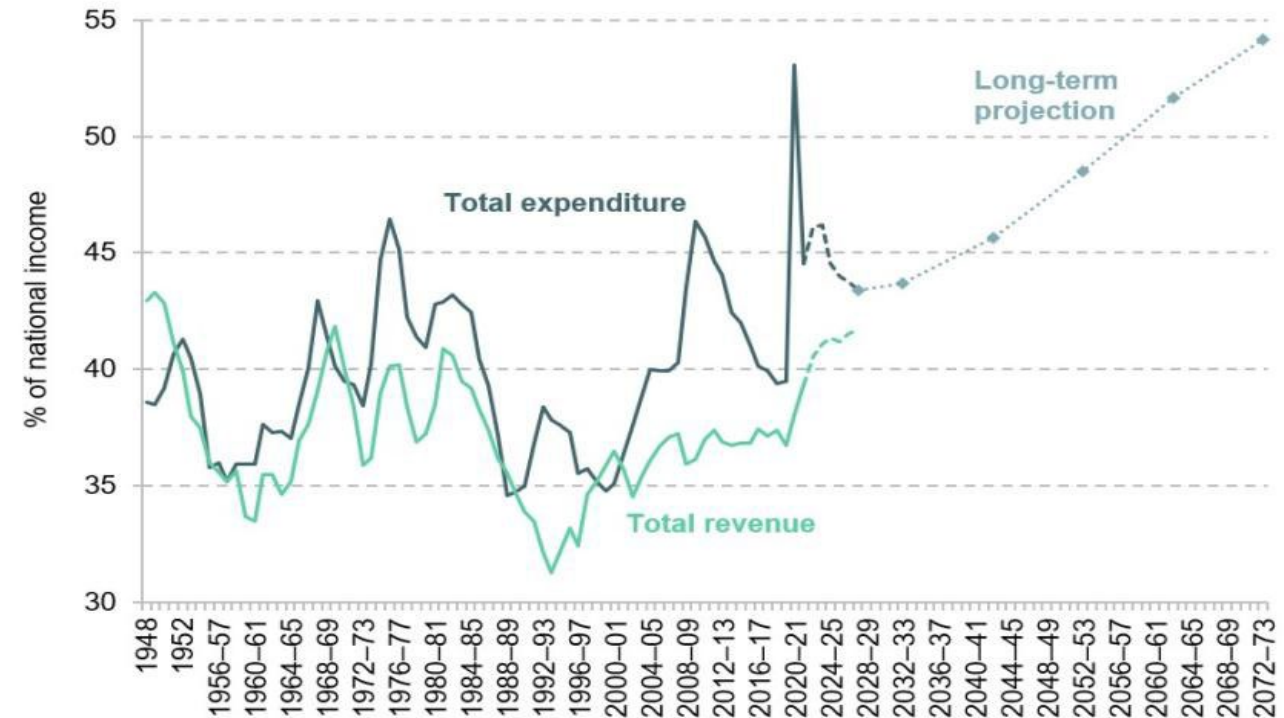
Source: ONS Country and regional public sector finances, UK: financial year ending 2022.

TME: includes identifiable spend and non-identifiable spend, including Local, Devolved and UK National Govt; and accounting adjustment. 2021/22 tax and spend will still have been impacted by Covid to some extent. Notes: 2021-22 is the most recent year of data available. There are timing differences between Budgets and ONS, typically arising from differences in recognition between budgeting/financial accounting rules used by the UK public sector and standards for economic data e.g., differences in approach to the timing of capital cost/capital consumption

“Urgent and difficult decisions will be needed about the short-term stabilisation of public services, and a longer-term programme of transformation and reform – and how to balance the tension between those two considerations.”

Governing without Government – Pivotal September 2023

IFS – UK public finances, past and future



Source: IFS https://ifs.org.uk/sites/default/files/2023-08/IFS-Report-R270-Tax-and-public-finances-the-fundamentals_final.pdf

**Meeting our
need**



**Commitment to
deliver change**



**Resolve
unknowns**

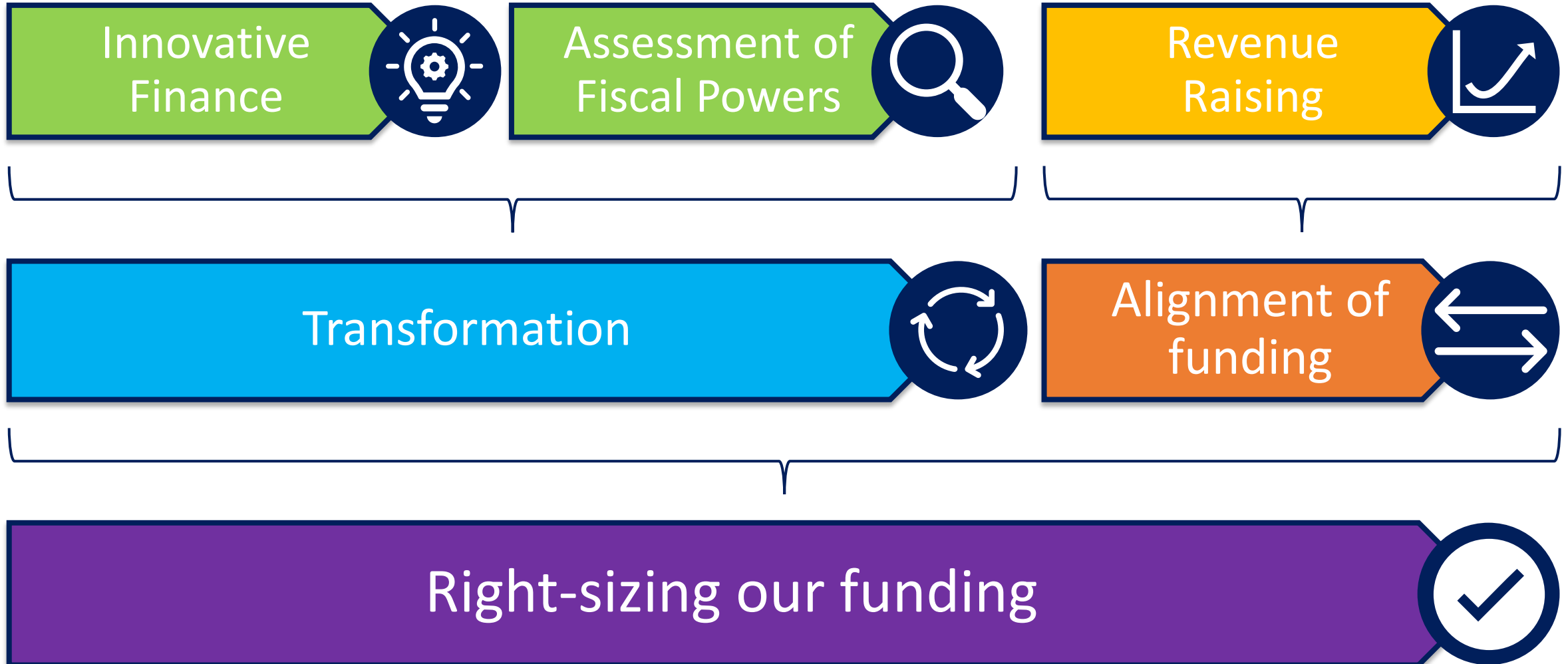


**Innovative
finance**



Powers





How a 'fiscal floor' could benefit NI

- Fiscal Council estimated a fiscal floor in NI would have generated significant additional Barnett over the SR period, if adopted on a similar basis to Wales.
- PLUS additional Barnett funding in the final year would be baselined for the following year and all subsequent future years.

	2022-23 (£m)	2023-24 (£m)	2024-25 (£m)	Total (£m)
Barnett Consequentials provided to NIE by UKG (FC estimates)	1,341	1,796	1,907	5,044
	<u>Additional Barnett generated by a fiscal floor</u>			
Level of Relative Need – FC main estimate of 124	322	431	458	1,211

Source: NI Fiscal Council calculations, May 2023, 'Updated estimate of the relative need for public spending in Northern Ireland'

*Total amount NI will lose out **across the SR period**, if no fiscal floor is implemented to emulate the recurrent impact from first year of SR.*

*NI will also **lose out from the recurrent effect** of additional Barnett not being baselined for future years.*

Transformation – A possible model

<u>Service Level Transformation</u>	
Projects aimed at transforming public services.	
Major Service Level Transformation	
Projects across the public service aimed at delivering significantly: reduced costs for services; constrained growth of service costs; improved efficiency and effectiveness; or improved service delivery for citizens.	
Service Delivery Research	Digital Transformation
Increasing R&D, in line with NI's economic vision, and ensuring a focus on tracking and coordinating implementation of research recommendations from service reviews.	Projects across the public service delivering citizen and workforce focussed change to improve efficiency and effectiveness.
Consolidation and collaboration	Right-sizing / future proofing public estate
Reducing duplication and unnecessary bureaucracy in terms of multiple Departments and ALBs carrying out broadly similar, or closely aligned functions; simplifying engagement with external partners to reap economies of scale benefits and make working with Government easier.	Realising savings across the public sector estate and accelerating the journey towards a right sized, modern and environmentally sustainable estate that will help to attract and retain staff.

<u>Fiscal Level Transformation</u>	
Measures aimed at increasing public funding to meet service delivery requirements.	
Structural, Governance and Funding Reform	Revenue Raising
Reform of how public assets are governed and operate. This includes, but is not limited to, the asset base of NI Water and the Housing Executive.	Options for funding service delivery in Northern Ireland.
Public Sector Workforce Planning	Fiscal Floor
Agreeing the size and shape of the public sector workforce and its skills requirements, to deliver a sustainable workforce aligned to public need and skilled to meet tomorrow's challenges.	As part of a wider fiscal devolution framework, agree a fiscal floor to avoid NI spending falling below independently measured need.

Ambition, Realism and Making Progress

- **Difficult choices lie ahead...**
- **Unlikely to be enough resource** even for transformation activity...
- **Attitudinal change required** - with every ask / suggestion:
 - who pays?
 - with what?
 - who benefits and when?
- **Prioritisation is key** - easier said than done
- But... **we need to start somewhere**
- NICS playing its part - **where and how can we do more?**