

Financial package offers short-term support but raises long-term questions

The UK Government's support package for the incoming Executive provides a substantial cash injection to address immediate pressures on departments. But questions remain over whether it offers a realistic route to long-term financial sustainability, according to a briefing on the deal from the NI Fiscal Council.

The various components of the package provide almost £850 million to help the Executive balance its budget this year, including meeting the cost of backdated pay settlements. It then provides more than £750 million in both 2024-25 and 2025-26, before dropping sharply to around £320 million in 2026-27.

This apparent 'cliff-edge' in additional support is presumably there to encourage the Executive to take decisive action on revenue-raising, budget savings and public service reforms – of which there is no immediate evidence as Stormont Ministers take their posts. This incentive is sharpened by the prospect of having to repay £560 million of calls on the Treasury Reserve in 2025-26 if a convincing budget plan (including a 15 per cent rise in the rates, or its equivalent) is not put in place.

Over the longer term, the most significant feature of the package is a 24 per cent increase in the so-called 'Barnett consequential' increases in the Block Grant that the Executive receives when the UK Government increases spending on public services and capital investment in England. This will help ensure that spending per head on public services in NI remains significantly higher than in England rather than gradually converging as would otherwise be the case. The 24 per cent figure is based on the broad-brush estimate of relative need we published last year.

It remains unclear exactly how this mechanism will operate, how far below the 124 estimate of relative need we are starting from, and how the premium of Block Grant funding over equivalent UK Government spending will evolve. The uplift will not take the total funding premium to 24 per cent immediately or guarantee to keep it there. But in time the overall funding per head premium could exceed 24 per cent because the NI population is projected to grow more slowly than England's.

"The funding package should balance the Executive's budget this year, provide significant support over the next two years and arrest the 'Barnett squeeze' over the longer term. But if the deal is to deliver sustainability, the Executive will need to take and implement tough decisions on revenue, spending and public service reform and some may question whether this is realistic to expect in the time available", said Sir Robert Chote, chair of the Council.

Notes to editors:

1. The full report is available here: [NI public finances and the UK Government's financial support package for the restored Executive | NI Fiscal Council](#)
2. Further information on the NI Fiscal Council is available here: <https://www.nifiscalcouncil.org/>
3. Follow us on Twitter: [@NIFiscalCouncil](#)