

ADDITIONAL TREASURY FUNDING ENSURES THE EXECUTIVE'S DRAFT BUDGET BALANCES BUT NOT WITHOUT RISKS

The Fiscal Council today publishes its assessment of the Executive's 2025-26 Draft Budget for NI Departments.

Budget 2025-26: Budget balances but risks remain

Following a return of stability to the NI administration the Executive's draft budget for 2025-26 balances but with uneven spending profiles ahead. In particular there remains a 'cliff edge' in 2026-27, and other risks the Council identifies in this report: the affordability of public sector pay; the £100 million gap in funding for NI departments higher employer NICs; and other exceptional pressures which might total £300 - £400 million. All this means there remains a challenge for the Executive (and decisions to be made) to ensure no overspending this year.

Compared to their allocations in the final Budget for 2024-25, all departments with the exception of Economy and Agriculture received an increase in cash terms.

The lack of transparency around the current level of NI's funding premium over England is an additional complication when considering the prospects of NI's public finances in the near to medium term.

If the block grant grows (by £540 million) in line with projections this may reduce the impact of the cliff edge (£520 million reduction) in 2026-27 however there will still be real term reductions in resource funding available. The Barnett richness of UK spending will also influence the degree to which UK spending results in greater spending power for the Executive. For example, if welfare funding is cut in the UK to fund increased Defence spending, that would force the Executive to decide whether to enforce similar cuts or to fund them from other areas within its own budget.

With continued uncertainty it is more important than ever that the Executive's spending plans are fiscally sustainable and the Council notes a number of interventions that the Executive could use to help ease budgetary pressures, including reviewing pay parity, and greater household contributions.

Sir Robert Chote, chair of the Council, said:

“We acknowledge the positive impact the UK Autumn budget has had on the Executive’s draft budget for 2025-26 but most of the additional funding meets existing pressures rather than enabling new priorities, or public service transformation. The question of whether NI will be funded at need in future remains an open one, but this shouldn’t distract the Executive from continuing to ensure NI’s public finances are made more sustainable ”

Notes to editors:

1. Further information on the NI Fiscal Council is available here:
<https://www.nifiscalcouncil.org/>. Follow us on Twitter: [@NIFiscalCouncil](https://twitter.com/NIFiscalCouncil).