Northern Ireland Fiscal Council

Bringing transparency to NI's public finances

2025 Conference Report:

Conference held on 12 September 2025

October 2025

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Foreword

The NI Fiscal Council was established by Executive agreement on 11 March 2021, following the New Decade, New Approach agreement, with a clear mandate: to bring greater transparency and independent scrutiny to NI's public finances[1].

Since our 2024 conference, the 124 per cent uplift factor that we proposed for NI's Barnett formula has come into effect following the agreement between the UK Government and the Executive of NI's Interim Fiscal Framework. Additionally, we have:

- published an **assessment of the Executive's latest one-year Budget** (for 2025–26 Draft Budget);
- **responded to the 2025 Spending Review**;
- produced a **report on the sustainability of water and sewerage** services in NI;
- Produced an estimate of the degree to which the **fees and charges** received by Executive departments stem from other Executive budgets; and
- launched our **Public Spending Databank**.

Building on the themes of our 2023 and 2024 conferences, this year we focused on the drivers of meaningful public service transformation, the challenges unique to NI, and the lessons that can be drawn from the experience of senior leaders and experts. Responding to feedback from previous events, we also sought to help deepen understanding of the Barnett formula and its practical impact on NI's funding envelope.

We are grateful to the expert speakers who shared their insights with candour and clarity. Their contributions helped delegates better understand the fiscal landscape and sparked thoughtful and constructive discussions throughout the day.

We extend our sincere thanks to PwC for once again generously hosting the conference at their Merchant Square offices, and for their support in helping us prepare for the event. We also wish to acknowledge the dedication of our small staff team, whose efforts were instrumental in delivering a successful programme.

Special thanks go to our conference compere, Mark Simpson, whose energy, clarity, and engaging style brought life to what can be a technical and complex subject matter, making the event engaging and accessible for a wide range of stakeholders.

Finally, we are grateful to all those who attended the conference and continue to support the work of the Council. We hope the event was as valuable for them as it was for us.

Sir Robert Chote

Chair of the NI Fiscal Council

[1] https://www.nifiscalcouncil.org/terms-reference

Conference format

The NI Fiscal Council hosted its third annual conference in Belfast on Friday, 12 September 2025. The event convened a diverse group of speakers and participants from across NI and further afield, to examine key topics which shape NI's public finances.

Building on the Council's ongoing work, the conference sought to broaden perspectives by inviting contributions from experts with varied experience in public finance. Attendees represented a wide spectrum of backgrounds, including the public sector, politics, academia, finance, and independent fiscal institutions.

The conference was designed to foster meaningful dialogue and deepen understanding amongst key stakeholders and across the wider public. These discussions are especially relevant as engagement on a Final Fiscal Framework between the NI Executive and UK Government continue, and as public sector transformation remains a central priority within the Programme for Government.

The event opened with remarks from Deborah Stevenson, Partner at PwC, followed by Dr Esmond Birnie, NIFC Member, and John O'Dowd MLA, Minister of Finance.

The Finance Minister took the opportunity to launch a new NISRA website[2] designed to improve public understanding of government expenditure. He emphasised that transparent financial data enables a better public understanding of government expenditure, helping to build trust and accountability. The Minister also referenced his Department's ongoing work to develop a Budget Improvement Plan, reinforcing the Executive's commitment to allocating resources transparently and effectively. He highlighted the NI Fiscal Council's role in providing independent scrutiny and evidence to support fairer funding arrangements and noted the continued progression of legislation to place the Council on a statutory footing.

The main programme featured two plenary sessions, each addressing a key area of NI's public finances:

1. Overview of the Barnett Formula.

This session provided a practical overview of the Barnett Formula's operation and its impact on the NI Block. Speakers discussed recent developments, including the introduction of a needs-based adjustment for NI, and explored how the formula might evolve in the years ahead.

Speakers:

- Joanne McBurney - Deputy Secretary, Public Spending, Department of Finance NI
- Prof Gerald Holtham – Visiting Professor at Cardiff Metropolitan University; Managing Partner at Cadwyn Capital
- David Phillips – Associate Director and Head of Devolved and Local Government Finance, Institute for Fiscal Studies

[2] https://www.nisra.gov.uk/statistics/business-economy-and-trade/ni-executive-spending

2. Public sector transformation.

This session explored the drivers of successful public sector transformation, examining the conditions that enable genuine change and innovation in service delivery. Drawing on current case studies, the panel discussed what works, what doesn't, and how context influences transformation across services and sectors.

Speakers:

- Mike Farrar - Interim Permanent Secretary, Department of Health NI
- Prof Jodie Carson - Professor of Strategic Policy in Practice & Co-Director of the Strategic Policy Unit, Ulster University

We had also anticipated hearing from Robert Watt, Secretary General at the Department of Health in Ireland, who was due to share insights from his experience at the heart of the Irish Civil Service during periods of significant change and reform. Unfortunately, travel disruption prevented his attendance.

The full agenda, speaker biographies, and presentations from both plenary sessions are available on the NIFC website.

Discussion points

Each panel discussion was followed by an engaging Q&A session, where speakers responded to questions from the audience and shared their insights on a wide range of topics. The main themes and issues raised during these discussions are summarised below.

Overview of the Barnett Formula

The first panel sought to get under the bonnet of the Barnett Formula and considered how it affects the NI Block, with contributions from Professor Gerald Holtham, Joanne McBurney, and David Phillips.

Joanne McBurney provided an overview of how NI's DEL (Departmental Expenditure Limit) is funded, highlighting the central role of the Block Grant (£18.2bn in 2025-26), supplemented by regional rates, RRI borrowing, and other sources. She explained how the Barnett Formula is used to calculate uplifts to NI's Block Grant, based on changes in UK Government spending in Whitehall Departments. Its components include changes to UK departmental spending, comparability percentage, population proportion, needs-based factor (currently 124 per cent), and NI's VAT abatement. The recently introduced needs-based adjustment has delivered significant additional funding (£1.3bn over 2024-26), but there are ongoing budget challenges, such as limited flexibility and timing issues.

Professor Gerald Holtham discussed the rationale and recent updates to the needs-based element in the Block Grant, referencing data on poverty, health, and population sparsity. He emphasised the importance of matching devolved responsibilities with appropriate funding, noting that while initial transfers may be adequate, the Barnett Formula's focus on incremental changes can lead to misalignment over time. He raised concerns about the lack of flexibility in capital budgeting and borrowing, arguing that current arrangements constrain long-term planning and investment in infrastructure. Prof Holtham suggested that the needs adjustment should be clarified—whether it is intended to maintain a given level of relative need or simply prevent further divergence.

Finally, David Phillips, joining online, also highlighted the funding boost associated with the new needs factor which will likely preventing further convergence with the rest of the UK. He warned that over time relative funding could exceed relative need due to demographic and spending trends. He suggested that service- or department-specific needs factors, updated periodically, would better reflect actual requirements. He also outlined the difficult funding outlook for NI, with real-terms increases slowing sharply after 2025-26. He introduced the concept of "super-parity" (e.g. lower water charges, tuition fees, property taxes), noting that while these policies are not necessarily wrong, they should be regularly assessed for value. Finally, he explored the limited scope for fiscal devolution and borrowing, noting that while income tax devolution could raise significant revenue, it also brings risks and trade-offs.

The subsequent panel discussion and audience Q&A picked up on the following themes:

- **Public Sector Pay Parity.**
  There was broad recognition of the desire for pay parity in the public sector, but also acknowledgement of the significant financial challenges this poses. Maintaining parity would require difficult trade-offs, such as higher taxes or changes in fiscal powers, and evidence suggests that higher pay does not necessarily improve recruitment or retention.

- **Needs Assessment and Infrastructure.**
  Questions were raised about whether infrastructure needs are adequately reflected in the needs-based adjustment. It was noted that assessing infrastructure requirements across regions is complex and would require independent evaluation, as current data does not provide a clear basis for comparison.

- **Borrowing Powers and Fiscal Devolution.**
  The discussion highlighted the limited borrowing powers available, and the constraints placed on long-term planning. Greater fiscal devolution could enable more borrowing but would also increase local responsibility and risk.

- **Block Grant Adjustments and Methodology.**
  Concerns were expressed about fluctuations in the needs-based factor and the transparency of the methodology used. Ongoing discussions with HM Treasury on a Full Fiscal Framework aim to address these and other issues.

- **Rates and Revenue.**
  It was noted that households in NI pay lower rates than elsewhere in the UK, which is a political choice but limits revenue-raising capacity.

- **Cost of Division.**
  The financial cost of political division in NI was discussed, with the observation that there is insufficient data available to support a specific adjustment for this factor.

The session provided a comprehensive overview of the Barnett Formula's operation, the impact of recent needs-based adjustments, and the ongoing challenges facing NI's public finances. There was consensus that while recent changes have provided a funding boost, significant structural and fiscal challenges remain.

Public Sector Transformation

The Public Sector Transformation plenary featured presentations from Mike Farrar and Professor Jodie Carson, each offering distinct perspectives on the challenges and opportunities facing NI's public services.

Mike Farrar's presentation focused on the urgent need for sustainable transformation within NI's health and care system. Drawing on international best practice, he argued that effective change requires a shared vision and collective leadership at every level of the system. He outlined his approach built around seven core components, including a greater emphasis on prevention, the adoption of new neighbourhood models, and the use of digital innovation to drive efficiency. He stressed that financial discipline and new operating models are essential to address the region's significant health deficit, which currently stands at £600 million. He also highlighted the importance of cultural change, advocating for a more empowered workforce and new ways of working that break down silos and encourage collaboration across departments.

Professor Jodie Carson set out the broader fiscal and political context for public sector transformation in NI. She described a landscape marked by single-year budgets, increasing financial constraints, governance gaps, and demographic pressures. She argued that meaningful transformation will require not only additional resources but also a shift towards preventative and green budgeting, as well as the strategic use of technology, including artificial intelligence. She called for a more cohesive and outward-looking approach to reform, drawing on lessons from other jurisdictions. The appointment of a dedicated "transformation tsar" could provide the necessary leadership and accountability to drive change across the public sector.

The subsequent Q&A session reinforced many of these themes. Participants noted that public sector leaders are often too busy to consider new ways of working, underlining the need for dedicated time and funding to support innovation. The discussion highlighted the stark funding gap facing NI's health system compared to England, and there was some support for the idea of a transformation tsar with clear accountability. Attendees also emphasised the importance of building resilience to overcome risk aversion, engaging honestly with civic society, and involving unions to secure buy-in and learn from frontline experience. Other issues raised included the constraints on capital and preventative investment due to limited fiscal flexibility and the need to better account for climate and business costs in policy making.

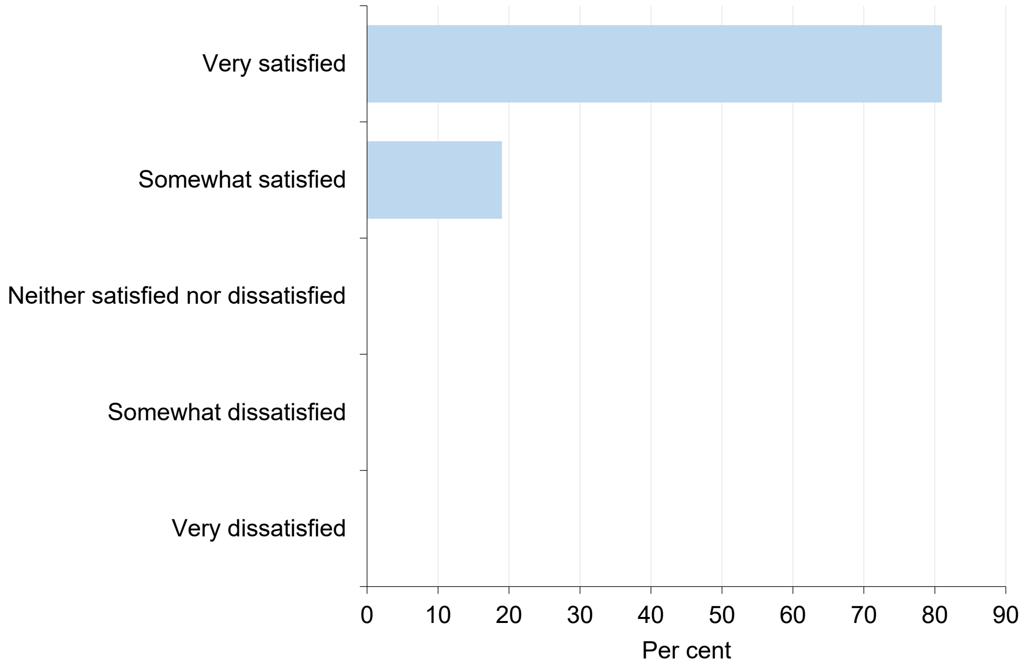
In summary, both speakers agreed that transformation in NI's public sector will require strong leadership, new ways of working, and a willingness to confront structural and fiscal challenges directly. The plenary and Q&A made clear that dedicated resources, honest engagement, and accountable leadership are essential to delivering meaningful and lasting change.

Stakeholder feedback

We issued 80 surveys following the 2025 conference. The response rate was 26 per cent, which shows relatively high engagement from conference attendees.

The survey included five multiple-choice questions and four questions asking for free-text feedback. The multiple-choice results are summarised below, together with free-text feedback as it relates to them.

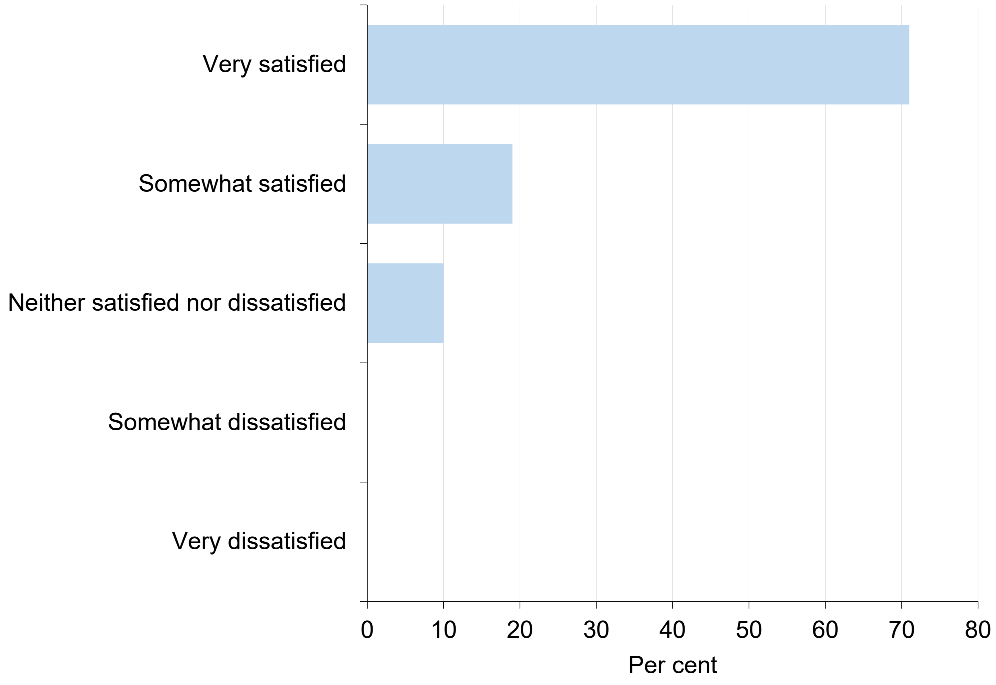
Question 1: How satisfied were you overall with the event?



81 per cent of respondents were 'very satisfied' with the conference, and the remaining 19 per cent were 'somewhat satisfied'. This is comparable to the previous two years. In 2024 88 per cent of respondents deemed the conference to have been 'good' or better, with 12 per cent considering it to have been 'fair', and in 2023, every respondent rated it as 'good' or better.

Review of the free-text comments of those who were ‘somewhat satisfied’ suggest a degree of dissatisfaction with the amount of time given for discussion - two considered it to have been too short. One respondent suggested it would have been better to conduct the second plenary before lunch, and to conclude the with the networking lunch. One respondent in this category offered feedback on the sound quality, suggesting it could have been better.

Question 2: How satisfied were you with the venue and catering?



71 per cent of respondents were ‘very satisfied’ with the venue and catering, and a further 19 per cent were ‘somewhat satisfied’. The remaining 10 per cent gave a neutral assessment of ‘neither satisfied nor dissatisfied’. The venue and catering arrangements were very similar to the 2024 conference, and it is therefore unsurprising that results are comparable.

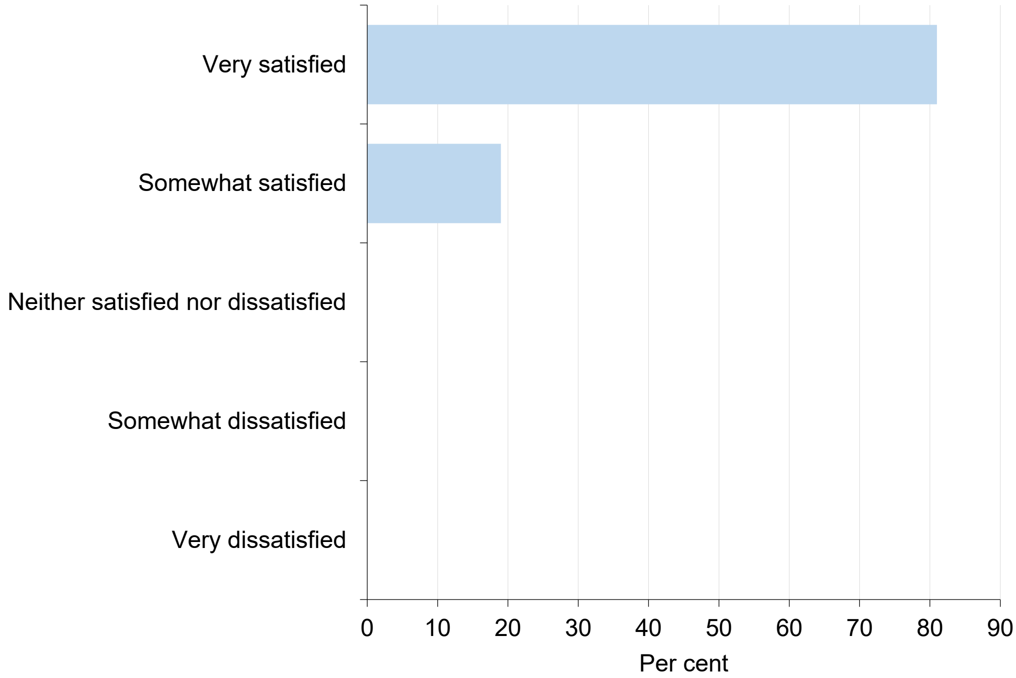
The free-text questions yielded a range of positive and negative feedback on the catering provision. Positive comments on the food included ‘excellent’ and ‘perfect’. Others advised it was ‘disappointing’ and ‘could have been better’.

One respondent highlighted that it is easier to network over a sandwich lunch rather than with hot food. Another suggested that two serving stations, rather than just one, would have reduced queuing times and made the process more efficient. A suggestion was also made that healthier and lighter options should be considered in future. The greater variety and choice at breakfast was welcomed.

In relation to the venue, verbal feedback on the day from participants and attendees was highly positive, owing to the modern facilities, ample space, pleasant atmosphere and scenic surroundings. One speaker joined through video conferencing facilities, and the technology enabled his smooth participation.

However, there were some difficulties with the microphones at the venue which, at times, made it difficult to hear the speakers and audience questioners. Three survey respondents also highlighted this within their free-text comments.

Question 3: How satisfied were you with the speakers and sessions?



81 per cent of respondents were 'very satisfied' with the speakers and sessions, and the remaining 19 were 'somewhat satisfied'. This compares to previous years where 94 per cent of respondents in 2024 rated the speakers as 'good' or better, and 95 per cent in 2023.

The format of the day followed a similar structure as in 2024, with two minor differences. There was one fewer introductory speech at the start, which ensured more time for discussion later, and there was a short Q&A session after the Finance Minister's address. Both changes received positive verbal feedback on the day.

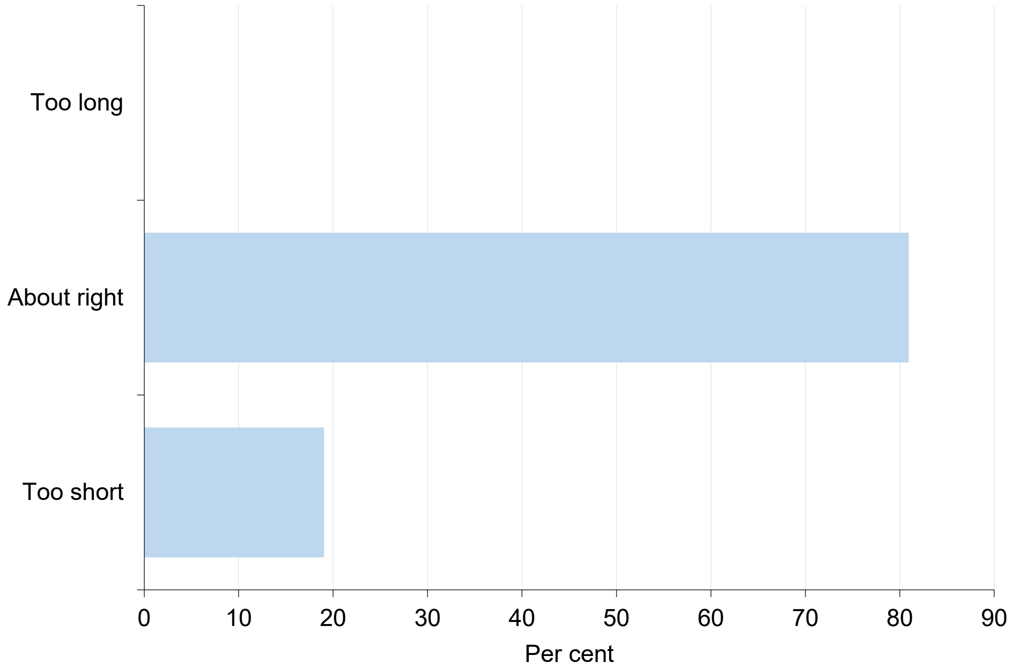
We responded to last year's feedback by covering the mechanics of the Executive's funding in the Barnett Formula plenary, and by focusing on public sector transformation as it is relevant to achieving long term fiscal sustainability.

The free-text comments from respondents were generally very positive. Mark Simpson was commended for keeping discussions flowing and sticking to time. Panel discussions and Q&A sessions were described as lively and well-managed. Presentations were seen as "concrete and rigorous," especially in the morning. The relevance of topics to current public finance challenges was appreciated.

A variety of suggestions were made in relation to topics for future conferences. These included:

- The importance of effective decision making in NI's public finances and the associated trade-offs.
- A fuller and empirical treatment of devolution, with comparisons between NI, Scotland and Wales' fiscal positions.
- How the NI Executive might respond to its fiscal sustainability challenges, including the use of digital and Artificial Intelligence.
- The geo-political changes that are impacting the fiscal environment.
- An overview of the work of the NI Fiscal Council to date, and future work plan.
- A fuller treatment of public sector transformation, with the perspectives of senior leaders who have brought about transformative change.

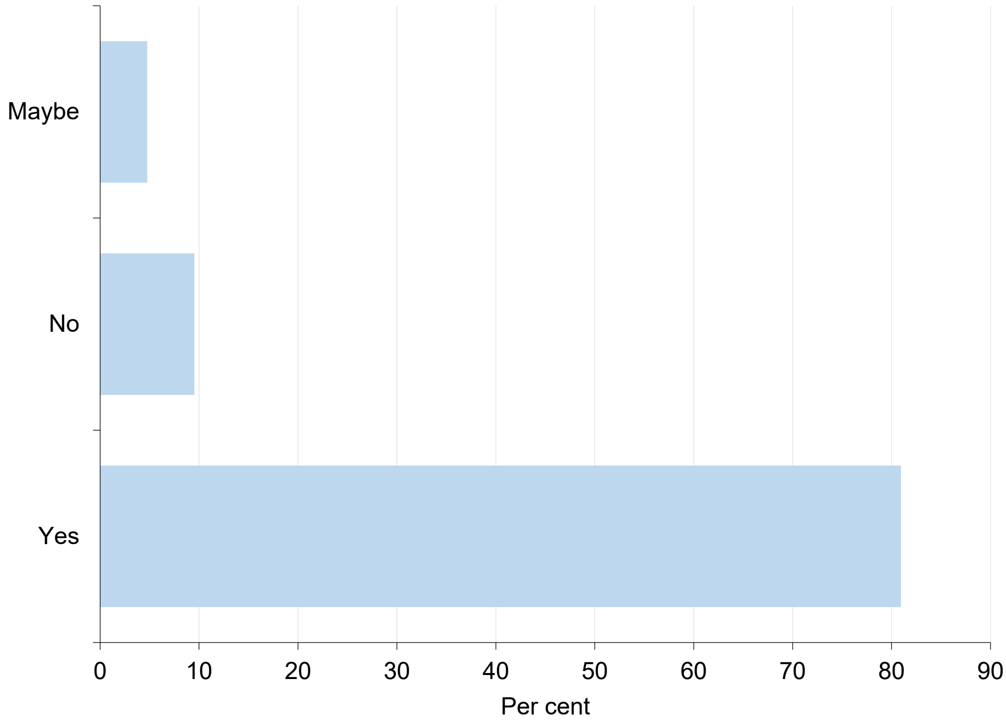
Question 4: Was the time for discussion during sessions appropriate?



As with last year, most attendees were content with the time dedicated to discussion. 81 percent of respondents deemed it to have been 'about right'. However, there was a marked increase on the previous year in the percentage of respondents who felt that the time for discussion was 'too short' (19 per cent in 2025, compared to 6 per cent in 2024). This may have been due to some presentations overrunning their 10-minute allocation, which compressed time for Q&A. Regardless, survey respondents generally enjoyed the panel discussions and Q&A sessions, describing them as engaging and well-managed. Mark Simpson was also commended for keeping discussions flowing and sticking to time.

Considering feedback at last year's conference we reduced the time devoted to introductory speeches at the beginning of the day, which freed up additional time for panel discussion and Q&A later. A short time of Q&A with the Finance Minister, after his address, presented a further opportunity for audience engagement.

Question 8: Are you likely to participate in one of our events in the future?



81 per cent of respondents indicated they were likely to attend future NIFC events - an increase from 76 per cent last year. However, comparisons should be made with caution, as a third response option, ‘maybe’, was introduced in this year’s survey. Encouragingly, feedback from those who selected ‘maybe’, ‘no’, or who skipped the question was generally positive, with 75 percent of respondents in this collective group reporting they were ‘very satisfied’ with the event.

Reflections of the Council

The conference provided a valuable opportunity to hear from experts and our stakeholders at a time when NI’s public finances are under ever-increasing scrutiny. We hope the conference has also helped to improve knowledge and understanding of the current workings of the Barnett Formula and changes that may be introduced with a Full Fiscal Framework.

The discussions prompted reflections on the challenges associated with the reform and transformation of public services, and the conditions which drive success in this endeavour.