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Your ref: 2025/092

Mr Matthew O'Toole

Chairperson to the Committee for Finance

22 October 2025

Dear Matthew,

Department of Finance – Aligning Budget to Programme for Government

Thank you for your letter for sharing the Department of Finance's new publication discussing the alignment of Northern Ireland's Programme for Government with the 2025-26 budget allocations.

At the outset we should note that we have been consistently advocating for better alignment between the Executive's strategic priorities and financial planning. In our most recent budget assessment, we wrote that stakeholders have long argued that the Executive's Budgets should be linked as closely as possible to its Programme for Government (PfG) and Investment Strategy (ISNI).¹ It is also true that we, like most other stakeholders, have not specified what form the linkages should take.

We have not reviewed the PfG in detail – to do so would be an exercise outside of the resources of the Fiscal Council – but bearing that in mind, we are happy to offer some broad comments.

¹ <https://www.nifiscalcouncil.org/files/nifiscalcouncil/documents/2025-03/NIFC%20-%20The%20NI%20Executive%27s%2025-26%20Draft%20Budget%20-%20an%20assessment%20%20WEB%20VERSION.pdf> (page 4)

This new document is a helpful first step in mapping current expenditure to the various strands of the PfG. As is clear from the methodology, the estimate is done by apportionment at this stage, given the difficulties in assigning areas of spend to discrete PfG goals because a single area of spend can simultaneously contribute to more than one PfG area.

The document acts as a bridge between the uncosted PfG and the Budget (which was not previously aligned to PfG priorities). This is useful as a one-off exercise and to provide a baseline. Hopefully by a process of iteration, future PfGs and Budgets will be able to align with each other more closely. This would be facilitated to a much greater degree with a Budget database system that allowed for expenditure lines that were coded to PfG priorities, which we understand is something the department is currently considering.

This mapping exercise already improves transparency on the level of spending towards individual PfG targets. Previously only ring-fenced allocations in the Budget, or specific sums noted in the PfG itself could easily be linked to definite targets. Even with the caveats provided, this exercise gives a much more useful picture of the relative levels of spending on the various PfG targets. And it gives a baseline that future Budgets and PfGs can be compared to.

Of itself, that progress is welcomed.

The document recognises that the broad linkages to the highest level of PfG could be improved by a purely 'bottom-up approach' – assigning expenditure to the smaller Wellbeing domains and 'summing up' to the Missions. The Council agrees that this would be more accurate and very likely reduce the degree of misalignment – although given the complexity of the exercise and the lack of a one-to-one relationship, it will never be possible to map PfG and expenditure perfectly.

The level of energy and resource that the Department commits to this exercise should be in line with the purposes which the work is designed to support. A relatively high-level exercise like this for each budget (until an improved database system can be put in place) could helpfully contribute to transparency and to debate about the funding of different PfG aims. But given the degree of estimation and manual processing involved, the Council would suggest that there is less value in updating this more regularly until it can be done quickly (and to a degree we expect more accurately) by automation.

Joachim Wehner, an expert in legislative budgeting, has noted that performance budgeting is intuitively appealing and various governments have been trying different approaches for many years. But he has warned that in the experience of the OECD (and the OECD experience is especially relevant given that DoF use arguments made by the OECD to justify their investigation of the Budget-to-outcomes alignment) the budget process can easily become over-burdened

when it is the primary focus for assessing performance.² Because elected representatives often have large volumes of material to process, it might be beneficial if the Committee were involved at an early stage in considering the design of any successor report to this, in order to tailor it to have the maximum benefit to elected representatives.

While the Council has no plans at this stage to analyse the fiscal impacts of the PfG, we are likely to refer to this document (and any future iterations of it) when considering our mandatory Budget reports.

Sir Robert Chote

Chair of the NI Fiscal Council

² <https://business.senedd.wales/documents/s27756/FIN4%20-%20BPBP06%20Dr%20Joachim%20Wehner%20London%20School%20of%20Economics.pdf>