Northern Ireland Fiscal Council
Bringing transparency to NI's public finances

PRESS RELEASE

TREASURY SUPPORT MASKS DEEPER FISCAL STRAIN AS THE EXECUTIVE FACES HARD CHOICES

The NI Fiscal Council today publishes its assessment of the Finance Minister's proposed multi-year Budget for 2026-27 to 2028-29/29-30.

NI departments are on course to overspend their budgets again this year by almost £460 million. But the Treasury has agreed to provide a loan of £400 million from its Reserve, to be repaid over three years. This reduces, but does not remove, the cliff edge reduction in real funding for public services in 2026-27.

The Treasury loan acts as a de facto bailout. By offering substantial assistance without any significant conditionality, the Treasury risks signaling that similar interventions are likely to be available in future years. This could dull the Executive's incentive to take difficult fiscal decisions on revenue, the size of the public sector workforce and the sustainability of pay parity with Great Britain.

Health and Education will enter 2026-27 with opening budget allocations that are lower than the amounts they expect to spend this year despite these departments being responsible for this year's overspend. Public sector pay remains the dominant structural pressure, as NI's comparatively large public sector workforce means that when the UK Government increases spending to deliver a particular percentage pay deal in England the Block Grant does not rise sufficiently to finance the same deal in NI. Rising pay settlements, overspend recovery and restricted flexibility due to earmarked funding heighten the likelihood of renewed overspending in the next Budget period.

Although the draft figures balance on paper, the Budget is unlikely to unfold as presented. The other political parties in the Executive have rejected the Finance Minister's proposal, but it is not clear that there is an alternative configuration of the available resources that would command widespread support. This implies a significant risk that no Budget is agreed before the new financial year.

Sir Robert Chote, Chair of the Council, said:

“The Treasury loan has softened what would otherwise have been a much steeper fall in real spending power next year. But repeated exceptional support risks making such interventions appear routine rather than exceptional and may reduce the incentive to address the underlying causes of overspending.”

Notes to editors

1. Further information on the NI Fiscal Council is available at www.nifiscalcouncil.org.

2. Follow the Council on X/Twitter at @NIFiscalCouncil and on LinkedIn