Northern Ireland Fiscal Council

Bringing transparency to NI's public finances

The Finance Minister's proposed 2026-27 to 28-29/29-30 Budget: an assessment

February 2026

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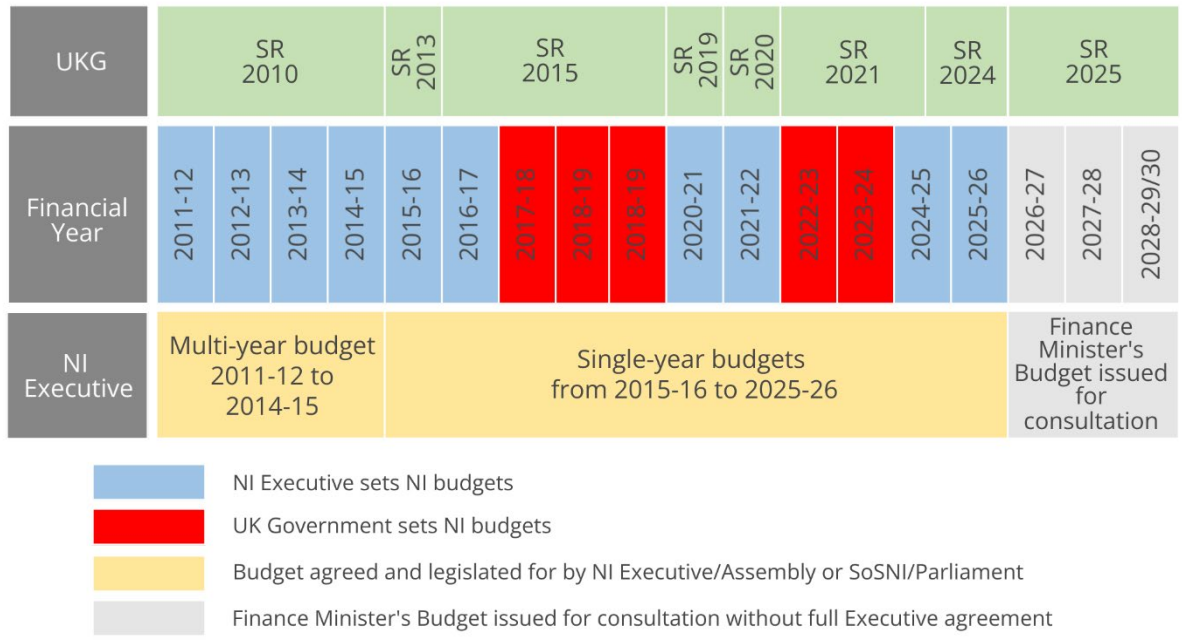
Foreword

The Northern Ireland (NI) Fiscal Council was established in 2021. It is chaired by Sir Robert Chote and the other members are Professor Alan Barrett, Dr Esmond Birnie and Maureen O'Reilly. Our aim is to bring greater transparency and independent scrutiny to the region's public finances, focusing on the NI Executive. In doing so we hope to inform public debate and policy decisions to the benefit of everyone in NI.

Within this mission, our Terms of Reference require us to *"prepare an annual assessment of the Executive's revenue streams and spending proposals and how these allow the Executive to balance their budget"* (as it is required to do).

The Finance Minister has now published for consultation a draft multi-year Budget from 2026-27 to 2028-29 for resource spending and to 2029-30 for capital spending. After a decade of single-year Budgets – five set by the Executive and five by the UK Government – this would (if agreed) be the first multi-year Budget in NI since 2011-12 to 2014-15 (Figure 1). For the Executive to set a multi-year Budget, two conditions need to be in place. First, the UK Government needs to have announced a multi-year Spending Review (and thus a Block Grant settlement). Second, a sitting Executive and Assembly has to be in place to agree it and legislate for it. These conditions are currently in place. But the next Assembly election is due on or before 6 May 2027 so departments will be conscious that an incoming Executive might revisit these plans from 2027-28 onwards.

Figure 1 - Multi- and single-year Budgets in NI since 2011



In this paper we:

- Provide an **overview of developments** since the 2025-26 Budget was agreed and how these affect the 2026-27 to 2028-29/29-30 Budget.
- Outline the **Budget process** and the **funding position** for 2026-27 to 2028-29/29-30.
- Describe the changes to the funding and spending position over the period implied by **the proposed Budget** and assess to what degree it balances.
- Offer some **concluding reflections** on the proposed Budget and the pressures facing the Executive as it seeks to agree a Final Budget.

1. Executive Summary

In 2025-26 NI Civil Service departments have been overspending against their budgets and, for the fourth year in a row, the Treasury has provided the Executive with additional funding to help balance the books. To cover the overspending in 2022-23 and 2023-24, the Treasury provided a £559 million loan (which was later written off). For 2024-25 and 2025-26, additional funding of £520 million was provided in each year as part of the UK Government financial package that supported the restoration of the Stormont institutions in 2024.

To address most of the projected overspend this year, the Treasury has agreed to provide the Executive with a loan from its Reserve of £400 million, and in addition has agreed to the Executive's request for this to be repayable over the next three years (£80 million in 2026-27, £160 million in each of 2027-28 and 2028-29) rather than entirely next year. This has smoothed the 'cliff edge' that we identified would arise at the cessation of the £520 million in additional support funding. However, 2026-27 remains a challenging year and similar pressures to overspend are likely with the next set of Assembly elections looming in May 2027.

By providing short term financial support, without any conditionality and in addition agreeing to a relatively generous repayment period – the Treasury is helping NI departments ameliorate what would otherwise be a sharp fall in their real spending capacity next year. But by offering another *de facto* bailout, and thereby sending a signal that similar support might be available in future years, the Treasury is also potentially discouraging the Executive from facing up to some difficult fiscal choices that it needs to engage with – such as whether and how to raise more revenue or whether to maintain current public sector employment levels and pay parity with the rest of the UK. The Treasury's Statement of Funding Policy says that overspending against available budgets by the devolved governments constitutes "serious financial mismanagement", but by accommodating it there is a danger of normalising it.

Alongside the access to the Reserve, the Treasury and the Executive have agreed to an 'open book review' of the Executive's finances. While the Treasury might see this as a way to identify potential savings, the Executive will probably see it is an opportunity to make the case that they are still underfunded (perhaps in comparison to the other Devolved Administrations) despite being funded by the UK Government broadly in line with estimated need.

On 6 January 2026 the Finance Minister John O'Dowd (Sinn Féin) published a proposed multi-year Budget for the Executive running from 2026-27 to 2028-29 (for resource spending) and to 2029-30 (for capital spending). This mirrors the periods for which the UK Government has set out its own spending plans, and thus the Block Grant settlement that pays for a very large proportion of the Executive's spending.

The proposed resource and capital budgets 'balance' (as they are required to do) *ex ante* – planned spending as set out in the draft proposals is matched by expected funding from the Block Grant, the Regional Rates, permitted borrowing and external funding. The proposed allocation between departments is also relatively neutral:

once specific commitments already made by the Executive have been met, the proportion of the resource budget allocated to each department is broadly in line with the outturns of recent years, rather than reflecting – for good or ill – any big strategic or political reallocation.

And yet the chances of the Budget being endorsed and unfolding as proposed *ex post* look relatively slim. Various factors contribute to this, among them:

- The Democratic Unionist Party (DUP), the Alliance Party, the Ulster Unionist Party (UUP) – within the Executive – and the Social Democratic and Labour Party (SDLP) – outside the Executive – have all rejected the proposals.
- Departments are currently overspending relative to the Budget and funding available for the current financial year, 2025-26, with the overshoot on course to exceed £450 million, and requiring a loan from the Treasury Reserve this year. In addition to casting doubt in general on the Executive's willingness and ability to stick to Budget totals, the overspend will partly be deducted from the Block Grant in 2026-27 (as well as the two following years).
- The Executive made several spending commitments late last year that limited the amount of money available to distribute to departments on top of the baseline allocations (based on past spending minus one-off items). Partly as a result, departments have been allocated an even smaller proportion of the money they bid for next year than is usually the case.
- Public sector pay pressures largely explain the likely overspend this year and could well prove a structural problem over the whole Budget period, because of NI's relatively large public sector. When the UK Government increases spending to finance an x per cent pay increase for public sector workers in England, the Block Grant does not increase sufficiently to finance the same percentage increase in NI. If the Executive maintains pay rate parity (i.e. equal percentage pay increases as in England) without shrinking the public sector, it is hard to balance the Budget.

With the Stormont institutions in place and the UK Government having set out a multi-year spending review, NI can set its first multi-year Budget for more than a decade. This should be an opportunity for reform and long-term decision-making, but this requires tough choices on spending and a willingness to consider greater revenue raising. Alas there appears little political appetite to seize the moment.

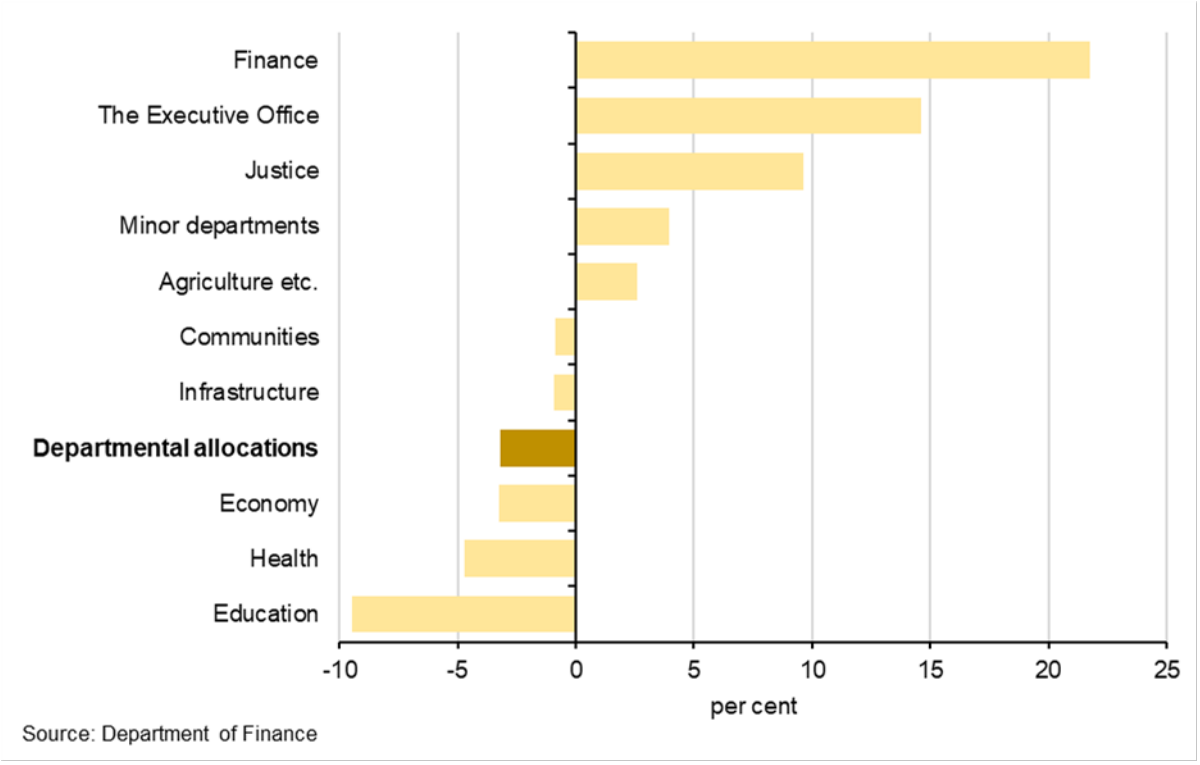
This report provides the Council's assessment of the Finance Minister's proposed budget set in the context of NI's funding framework, recent in-year developments, and the practical constraints that shape Budget delivery.

Chart 1.1 compares the Finance Minister's proposed 2026-27 opening departmental resource budgets with 2025-26 Final plan. This highlights the major risks to budgetary balance: two of the three biggest spending departments – Health and Education - are amongst those that look set to lose funding. Justice fares better,[1] but

[1] Finance and The Executive Office also appear to do well in comparison to 2025-26 final plan as a result of the inclusion of earmarked funding for Finance for the Rates Rebate scheme and a new finance and HR system ('Integr8'), and earmarked funding for Historical Institutional Abuse, Victims payments and Truth Recovery for the Executive Office.

that is because of the inclusion of earmarked funding for the PSNI data breach. These big spending departments have clearly found it difficult to contain their expenditure this year. If they begin next year with a lower budget baseline, and have to make repayments to the Reserve, overspend pressures have the potential to return in 2026–27. While several pay review bodies have yet to make a recommendations for 2026-27, the NHS pay review body has already recommended a 3.3 per cent increase for Agenda for Change staff, which it suggests would cost Health around £120 million next year.[2]

Chart 1.1 - Comparison of 2026-27 resource budgets with 2025-26 Final plan



The backdrop to the Budget

NI enters this Budget period at a point of unusual opportunity and unusually high risk. The opportunity lies in the return of multi-year Budgeting after a long run of single-year settlements. The Draft Budget would be the first multi-year Budget since 2011-12 to 2014-15, enabled by a UK multi-year Spending Review settlement and the presence of devolved institutions capable of agreeing and legislating for it.

The risk is that the Budget begins from a position of entrenched in-year instability:

- The Executive is forecast to overspend in 2025-26 by over £450 million, driven by pressures in Health and Education.
- Under an agreement with Treasury to access the Reserve – and avoid the qualification of departmental accounts - this overspend will be recovered

[2] https://assets.publishing.service.gov.uk/media/698df41175466636847f6a93/NHSPRB_39th_Report_2026.pdf

through a deduction from the Block Grant in each year of the Budget period, compounding pressures in 2026-27 and thereafter.

- This comes immediately after 2025-26 benefited from £520 million of temporary UK Government support, which does not continue into 2026-27—creating a "cliff-edge" dynamic when combined with the overspend recovery and new commitments.

Within the Budget framework, the Executive must balance three components: resource DEL, conventional capital DEL, and financial transactions capital (FTC). This is achieved through a mixture of the Block Grant, limited revenue raised locally, and restricted borrowing for capital purposes.

Two structural features of this backdrop matter for budget sustainability over the period:

1. Limited fiscal flexibility relative to Scotland and Wales: NI has tight constraints on carrying funding forward between years and on multi-year borrowing, relying instead on Budget Exchange within narrow limits.
2. A persistent mismatch between pay parity ambitions and Barnett-based funding mechanics, which grow with population share rather than the size of NI's public sector workforce.

The Budget process

Seasoned observers of the NI Budget process will recognise the recurring pattern: the formal steps are well-understood, but year-to-year developments are unpredictable. In "normal" circumstances the process moves from departmental bids, to an Executive-agreed Draft Budget, consultation, then an Executive-agreed Final Budget and Assembly legislation.

For this Budget, the process is materially disrupted:

- The Finance Minister published a proposed Draft Budget without Executive agreement, and the consultation period is curtailed.
- Ministers from other parties have publicly questioned the feasibility of allocations and the realism of implied savings requirements, creating uncertainty over whether a Final Budget can be agreed on time for the start of the financial year.

The current year position

Having overspent in 2022–23[3] - and having come close to overspending in each of the three years since, avoided only by the restoration package[4] and higher-than-expected Barnett consequentials at the Autumn Budget 2024[5] - the Executive is once again on course to exceed both its available funding and the Treasury's spending limits this year (2025-26). The primary drivers are the declared overspends in the two largest resource-consuming departments: Health

[3] https://aims.niassembly.gov.uk/officialreport/minutesofevidencereport.aspx?AgendaId=31564&evelD=16400
[4] https://www.nifiscalcouncil.org/publications/ni-executives-2024-25-budget-assessment
[5] https://www.nifiscalcouncil.org/publications/ni-executives-2025-26-draft-budget-assessment

and Education. As a result, the Executive enters the 2026–27 Budget period with an overspend recovery requirement.

There exists a combined resource DEL pressure in Education and Health of £457. million (January 2026). Within that, Education reports a forecast overspend of £231 million and Health £212 million, with public sector pay identified as a dominant pressure. Education reports a further £14 million as an 'overcommitment' which it is taking action to mitigate by the end of the fiscal year. Treasury has agreed to a loan of £400 million from the Reserve to meet these pressures, to be repaid in instalments: £80 million in 2026-27, £160 million in 2027-28 and £160 million in 2028-29. Any overspend in excess of the Reserve claim will be deducted from 2026-27.

In-year decisions on pay have added to a "rolling" Budget problem. For example, Health pay uplifts are being implemented adding significantly to what was already potentially a level of overcommitment, making almost inevitable a Block Grant deduction next year and leaving the Executive to absorb both (i) the ever rising higher pay bill and (ii) £80 million - and potentially even more - of overspend recovery in 2026-27.

Even before considering new policy ambitions, 2026-27 starts from a tighter practical baseline than the published numbers alone suggest, because the published totals do not yet incorporate the £80 million due to be repaid to the Reserve.

The medium-term funding environment

The Draft Budget sits within the settlement from the 2025 Spending Review, which implies relatively low real-terms growth in the NI Block Grant over the period (around 0.5 per cent real growth for NI over the SR horizon, compared to higher UK average growth), reflecting the unwinding of prior restoration-package support.

The continuation of the 124 per cent needs-based uplift factor is a medium-term consideration for the Executive's planning assumptions. Treasury figures from the Spending Review currently project that NI could cross the 124.05 per cent threshold that would trigger a decrease to a transitional 105 per cent uplift rate - although the lower uplift rate would only apply to changes to funding from UK fiscal events during the SR period, it will not apply retrospectively to funding already announced.

The "cliff edge" in effect combines three moving parts into a single planning challenge for 2026-27: (a) the end of temporary support funding; (b) the deduction of £80 million to recover in part the 2025-26 overspend; and (c) reduced headroom due to new commitments and earmarked funds.

The proposed NI Budget 2026-29/30

Across the period, the proposed Budget is presented as balancing DEL control totals, but there are significant practical caveats about how that "balance" is achieved and whether it can be maintained.

Resource DEL (day-to-day spending)

Taking into account the overspending in 2025-26, the Block Grant was 2.6 per cent larger in real terms than in the previous year. With the planned repayments of the Reserve loan, the Block Grant is set to drop by 2.7 per cent in 2026-27, then rise by

0.2 per cent in 2027-28 and 0.6 per cent in 2028-29. This significant drop in spending levels makes for a very challenging year in 2026-27. The proposed resource budget—particularly for 2026-27— largely rolls forward existing baselines, leaving limited scope for reprioritisation once Executive commitments and earmarks are met. Key points highlighted include:

- Very limited unallocated headroom in 2026-27 once first calls are met (with the Draft Budget citing a small residual sum). PSNI data-breach costs absorb a large portion of what is available.
- Lower headroom than is implied in the figures presented in the Draft Budget document due to presenting totals that do not yet reflect the repayments to the Treasury by way of overspend recovery.
- The proposal to hold centrally-managed "strategic reserve" amounts in later years of the period (£200 million and £400 million in successive years), intended to address unforeseen pressures. The profiling of overspend recovery over three years may affect the Executive's ability to maintain these sums in reserve.
- The contribution of local revenue to easing pressures is limited. Rates-based spending power is not increasing significantly in real terms and, in effect, there is no marked increase in fiscal effort built into the plans.
- Finally, the scale of unmet demand remains large. Departmental bids in aggregate far exceed available resources—an enduring feature of the process, but one that takes on heightened significance when the "starting point" already assumes deliverability pressures from pay and overspend recovery.

Conventional Capital DEL (infrastructure and investment)

On capital, the Executive's room to manoeuvre is increasingly constrained by contractual and policy commitments, alongside the reality that capital plans are often "locked in" to existing project pipelines and earmarked allocations. The proposed allocations place Infrastructure as the largest recipient (reflecting roads, water and wastewater, and projects including the A5), with Health the next largest share across the period.

Financial Transactions Capital (FTC)

There remains a longstanding difficulty in deploying FTC effectively, because it can only be used for loans or equity injections in private entities (including universities). The proposal includes an uplift in FTC over the period, concentrated in Communities and Economy, and raises the familiar risk that underspends can recur if suitable vehicles are not available at scale.

Implications for next year's budget

The immediate practical implication is that 2026-27 is likely to be tighter than the published Budget tables suggest, once the £80 million overspend recovery is applied and because new pay settlements for 2026-27 will need to be funded.

There is a particular risk in the interaction between;

- Pay pressures (and the political commitment to maintain parity),
- Flat or near-flat real-terms departmental envelopes, and
- The assumption that departments can "absorb" future pay increases, even though departments already overspent under the current year's envelope.

In this context, the Budget faces a credibility challenge: it may satisfy the formal balancing requirement while still implying outcomes that departments cannot deliver without additional in-year funding, new revenue measures, or significant reductions in service provision.

Concluding reflections

The Council's overall assessment is that the proposed Budget should be read less as a settled plan for service delivery and more as a statement of constrained choices within a difficult fiscal framework.

Three conclusions stand out:

1. Overspending has become a recurrent feature rather than an exception. There is the danger that institutional culture is changing or fiscal discipline is relaxing in such a way that over-spending is becoming a standard operating procedure. The combination of in-year pressures and future-year recovery mechanisms increases constraint in a system already short of flexibility.
2. The structural drivers - especially the gap between pay parity costs and Barnett-based funding growth - cannot be resolved through short-term fixes.
3. Without either (a) meaningful service transformation, (b) greater local fiscal effort, or (c) a material change in the funding settlement, the proposed Budget balance is unlikely to be sustainable over the period, regardless of whether it can be made to "add up" in the Budget document.

2. The backdrop to the Budget

The scope of the Budget

Throughout this paper, our use of the term 'Budget' refers to the financing and spending of the NI Executive covered by the Departmental Expenditure Limits (DEL) set for it by the UK Treasury. This has three main components: **resource spending**, which covers the day-to-day costs of public services, grants and administration; **conventional capital spending**, which pays for infrastructure, buildings and the like; and **financial transactions capital spending**, which involves equity injections into or loans to private sector entities, including universities.

The DEL Budget excludes the Executive's Annually Managed Expenditure (AME), primarily on state and public sector pensions and social security benefits. It is therefore demand-led and is fully financed by the UK Government outside the DEL envelope, except where the Executive makes an AME programme more generous than in the rest of the UK. Any consequent 'super-parity' costs must be met from the DEL Budget.

The NI Act 1998 requires the Executive to balance each of the component DEL Budgets, so that spending does not exceed available financing. In practice, this means that the planned DEL expenditure must be covered by a combination of:

- Agreed **UK Government funding through the Block Grant**. This is by far the largest source of funding for all three types of DEL spending. The core element is adjusted year by year according to the Barnett Formula, so that when the UK Government increases spending in England on services that the Executive provides in NI the Block Grant rises by roughly the same cash amount per head, plus (since 2024-25) a 24 per cent top-up. This top-up reflects the recognition that NI needs to spend more per head than the UK Government does in England to deliver equivalent services, for example because NI has a more rural population. The Block Grant also includes 'non-Barnett additions', including funding for political packages and City and Growth Deals. These are typically earmarked and time limited.
- **External funding**, such as that committed by the Irish Government for the A5 road project (conventional capital) or by the European Union for PEACEPLUS programmes, which continue EU support to peace and prosperity across NI and the border counties of Ireland until 2027 (resource). External funding contributes very modestly to total funding.
- **Income generated by the Executive** itself. The Executive's only major tax lever is the Regional Rate, charged on domestic and non-domestic properties. This contributes to the funding of resource spending. Individual departments also levy fees and charges to cover some of the cost of some services. These are treated (rather opaquely) as negative spending within each Department's DEL envelope, allowing it to undertake more positive spending without breaching its agreed limit. Recent discussions around NI

retaining a share of benefit fraud recovery might be treated similarly.[6] We estimate that the flow of money into the NI public sector from fees and charges (as distinct from flows between different parts of the public sector) actually contributes more to the funding of overall resource spending than the Regional Rates do – around £815 million versus £600 million in 2022-23[7] but fees and charges do not appear transparently in the Budget.

- **Permitted levels of borrowing** – notably the Reinvestment and Reform Initiative (RRI) to fund capital programmes. This is subject to an annual limit on borrowing agreed with the Treasury and a £3 billion cap on total outstanding debt set out in legislation. For 2024-25, it was agreed that the Executive could borrow up to £220 million, with the amount rising in subsequent years in line with whole economy (GDP deflator) inflation. This took the borrowing limit to £226 million in 2025-26 and it is now set to rise to £232 million in 2026-27 and £245 million by 2029-30. The Executive's outstanding debt at the end of 2025-26 is expected to be £1.8 billion, so the annual borrowing limits are currently more binding than the debt ceiling.

In some respects, the Treasury treats the Executive more like a Whitehall department than the other devolved administrations in Scotland and Wales. For example, the Executive has relatively limited scope to change the profile of its resource spending by transferring funds between fiscal years, even over a multi-year Spending Review period for which Block Grant funding has already been set. Unlike the other devolved governments, it cannot run a reserve – which would allow it to backload spending – or borrow over multiple years – which would allow it to front-load spending. (The NI Act 1998 does allow the Executive to borrow up to £250 million to finance resource spending, but only for the purposes of in-year cash management. To set this in context the Welsh Reserve is capped at £350 million although the Welsh Government can only drawdown £125 million and £50 million for resource and capital spend respectively in any one year.) The Department of Finance can also hold some DEL funding centrally in-year before allocating it to departments and in this Budget refers to some of this as a "strategic reserve".

In lieu of a reserve capable of carrying money between financial years, and in common with Whitehall departments, the Executive can avail itself of the Treasury's 'Budget Exchange' facility. If the Executive were to underspend against its DEL, Budget Exchange allows it to carry forward 0.75 per cent of its resource budget and 1.5 per cent of its capital budget into the following fiscal year, with any remaining underspend forfeited to the Treasury.

If the Executive overspends any of its DEL budgets, the Treasury's Statement of Funding Policy says that: *"Breaches by the devolved government of their control totals would represent serious financial mismanagement. The presumption is that the following year's Block Grant would be reduced by an amount equivalent to the*

[6] Benefits are demand-led spending funded by the Treasury (this is called AME funding) so in order for the Executive to receive a share of any savings, a mechanism for providing additional DEL Budget cover would have to be agreed.
[7] In our Fees and charges technical paper we examine the revenue generated by departments through fees and charges in 2022-23 and 2023-24 (https://www.nifiscalcouncil.org/publications/technical-paper-0325-fees-and-charges) For 2023-24 we estimate an inflow of £905 million and the rates contribution to overall spending was £662 million (see https://www.nifiscalcouncil.org/publications/ni-public-expenditure-databank).

breach."[8] Without additional penalties, this could in practice be regarded as a short-term loan facility, albeit accompanied by disapproving language.

NI Departments were on course to overspend the aggregate resource DEL limit in both 2022-23 and 2023-24. Rather than see a formal breach, the Treasury provided additional funding from its own reserve to allow the budget to be balanced in both years. The resulting £559 million debt to the UK Government was then forgiven when the Executive met a requirement to raise more revenue that formed part of the financial package accompanying the restoration of Stormont in 2024.

Table 2.1 summarises the way in which the three DEL Budgets were balanced in 2024-25. It underlines the continued overwhelming importance of the Block Grant. As the table shows, the Department of Finance does not present the repayment of debt as a category of spending, but rather nets it off Regional Rates revenue.

Table 2.1 - Non-ringfenced resource spending and financing

£ million	RDEL 2024-25 Outturn	CDEL 2024-25 Outturn	FTC 2024-25 Outturn
FINANCING			
Barnett-based funding	14,358	1,789	10
add			
Non-Barnett funding	1,264	180	28
Block Grant	**15,622**	**1,970**	**38**
Regional Rates revenue (before repayment of RRI principal)	824	-	-
less			
Repayment of RRI principal	*114*	-	-
Regional Rates (post debt repayment)	*710*	-	-
Other sources of funding			
Irish Government Funding	-	49	-
RRI borrowing	-	220	-
TOTAL FINANCING	**16,332**	**2,239**	**38**
pays for			
SPENDING			
Departmental spending	16,277	2,239	32
Debt interest (RRI)	55	-	-
FTC Repayment	-	-	6
TOTAL SPENDING	**16,332**	**2,239**	**38**

Source: Department of Finance & HM Treasury

The Budget process

Seasoned observers of the NI Budget process know all too well that it does not proceed in a predictable and consistent fashion from year to year. This in part reflects the fact that responsibility for setting the Budget can lie in different hands – those of the Executive or the UK Government, each assisted by the NI Civil Service –

[8] https://assets.publishing.service.gov.uk/media/684859e3d0ca5d7801e4e6f6/Statement_of_Funding_Policy.pdf

and that when it is in the hands of the Executive, agreement between the constituent political parties can be hard to reach, as has been the case this year.

In 'normal' times, the key elements of the process are;

i) the commissioning and assessment of departmental bids by the Department of Finance;
ii) the publication of a Draft Budget agreed by the Executive;
iii) a period of public consultation leading to the publication of a Final Budget agreed by the Executive; and
iv) legislating for the Budget in the Assembly, through the mechanism of two Budget Acts.

On this occasion the commissioning process proceeded according to plan, but the Executive failed to agree a Draft Budget. So the Finance Minister has published his own proposals with time only for a curtailed consultation period. With other Ministers publicly rejecting the Finance Minister's proposal, it remains to be seen whether the Executive can agree a Final Budget for the Assembly to consider before the end of the financial year. This would not be the first time this has happened and there are legislative arrangements to allow departments to continue spending into next year. The whole process is overshadowed by the fact that NI departments are once again overspending relative to the Budget set for this year and available funding.

Table 2.2 - Milestones in the Budget process

	Date
Chancellor announces Spending Review outcome	11 June 2025
Information gathering returns due from departments	4 September 2025
Chancellor's Autumn Budget	26 November 2025
Finance Minister's Oral Statement to the Assembly on Autumn Budget	1 December 2025
Draft Budget paper sent to Executive	24 December 2025
Responses on Draft Budget proposals due back to Finance	30 December 2025
Written Ministerial Statement (WMS) on Draft Budget	06 January 2026
WMS, factsheet and summary document issued for consultation	06 January 2026
Oral statement on the draft Budget to the Assembly	12 January 2026
Full Draft Budget document published	21 January 2026
Consultation ends	03 March 2026
Final Budget agreed by Executive	*Possibly late March 2026*
Budget Document issues	*Possibly late March 2026*
Assembly Debate	*Possibly late March 2026*

Source: Department of Finance

The commissioning of departmental bids

The starting point for the Executive's Budget process was the Spending Review settlement announced by the Chancellor on 11 June 2025. This set the overall Resource and Capital DEL envelopes within which departments were required to prepare their bids. The outcome of the Spending Review for Northern Ireland is shown in Table 3.1. The Department of Finance wrote to departmental finance directors on 30 June 2025 requesting input to the Budget by 4 September. The

request covered resource budgets for 2026-27 to 2028-2029 and capital budgets for 2026-27 to 2029-2030, mirroring the Spending Review period.

Based on the overall funding envelopes implied by the Spending Review settlement, and projected revenue from the Regional Rates, the Department of Finance asked departments to make bids for resource funding relative to baseline allocations reflecting each department's 2025-26 Budget allocation, minus funding already earmarked by the Treasury and Executive for particular purposes. As we set out in Chapter 4, the bids – as usual – far exceeded the resources available.

Departments were asked to submit, in ranked order, realistic bids that would support Programme for Government priorities and enable transformation of public services. The Department of Finance indicated that first call on available funding above the baseline position would be for existing Executive commitments. Funding for these is usually provided to departments as earmarked by the Executive. Departments were asked to set out any updates to costs for these commitments (and these areas were not included in the baselines provided by Finance).

In making their bids, the Department of Finance instructed departments to plan for public sector pay (e.g. nurses and teachers) based on their best assumptions, including likely Pay Review Body recommendations. For NICS staff, departments were told to plan for upward progression of staff within pay scales and 3 per cent overall growth of those pay scales for each of the next three financial years. The Finance Minister also signalled an intention to increase the funding available for transformation through the Public Sector Transformation Board by £50 million per annum across the multi-year budget period. Departments were therefore asked to indicate bids that would be made to the Board.

As regards conventional capital budgets, bids were supposed to be linked to the, as yet unpublished, draft Investment Strategy. Capital budgets are built from a zero base so departments bid for capital funding without any baseline. Projects are identified as earmarked, inescapable, pre-committed, high priority or desirable.

The Department of Finance indicated that, as with Resource DEL, the first call for capital allocation would be previous Executive commitments including:

- City and growth deals and the city deals Complementary Fund
- The Inclusive Future Fund and NDNA commitment to the Graduate Medical School
- Executive Flagship projects
- Strule Shared Education Campus
- Irish Government funding for A5

The total outstanding cost for completion of these projects, from 2026-27 onwards is estimated to be in the region of £3 billion.[9]

[9] Estimation based on identification of each commitment and its funding structure from authoritative public sources, inclusion of only the NI Executive's exposure and exclusion of any spend prior to 1 April 2026.

Executive consideration of the Draft Budget

When soliciting bids from departments, the Department of Finance said that it was aiming to publish the Draft Budget in the autumn, followed by a 12-week public consultation, with a Final Budget agreed by the start of the financial year.

However, the Draft Budget could not be agreed in time to allow for a 12-week consultation. The Finance Minister, John O'Dowd of Sinn Féin, circulated a Draft Budget paper to the Executive on 24 December 2025, for responses by 30 December. Following this engagement, he published his proposed Draft Budget paper on 6 January 2026. The content of the Draft Budget was not agreed by the Executive, although Ministers have urged engagement with it.

Ministers from the other parties making up the Executive have publicly voiced their opposition to the proposed allocations in the Draft Budget:

- The deputy First Minister, Emma Little-Pengelly MLA of the Democratic Unionist Party (DUP), stressed that the Draft Budget "*is John O'Dowd's Budget, it has not been agreed by the Executive*,"[10] and warned that it lacks DUP support. She argued that the proposals are "*deeply flawed*" and must change significantly to prioritise frontline services, particularly education, while eliminating wasteful spending. Ultimately, she insisted the Finance Minister "*must return with proposals that put essential public services first*" to secure DUP backing. She encouraged the public to engage with the consultation and to offer views.

- In a Written Ministerial Statement,[11] the Education Minister, Paul Givan MLA of the DUP, warned that the draft Multi-Year Budget "*would be undeliverable in reality*," noting that it would require significant cuts in the education budget - £826 million in 2026-27 alone - and that even the most extreme cost-saving measures would fall well short. He stressed that, as 82 per cent of the education budget is spent on staff, the only way to bridge the gap would involve mass compulsory redundancies- "*around 6,700 teachers and 3,100 non-teaching staff*" - with 'catastrophic' consequences for schools.

- The Alliance Party said their ministers had "serious concerns about their ability to meet their statutory obligations and fulfil Programme for Government commitments".[12]

- The Ulster Unionist Party's Finance Spokesperson, Dr Steve Aiken MLA, said the Draft Budget fails to deliver service transformation, ignores fiscal advice, and should prioritise reform and efficiency before any new revenue-raising. He noted "*the allocations are insufficient to achieve the necessary transformation*," with waste and inefficiency needing addressed first.[13]

[10] https://x.com/little_pengelly/status/2008537851827261810
[11] https://www.education-ni.gov.uk/publications/written-ministerial-statement-response-publication-draft-multi-year-budget-consultation
[12] https://www.bbc.co.uk/news/articles/c98j34k56wgo
[13] https://www.uup.org/ulster_unionist_party_warns_draft_budget_ignores_public_service_reform_and_fiscal_advice

The leader of the opposition and chair of the Assembly's Finance Committee, Matthew O'Toole MLA (Social Democratic and Labour Party, SDLP), argued that the Finance Minister's Draft Budget lacked both authority and credibility. He characterised it as a *"ghost Budget"*[14] without official standing until it is agreed by the whole Executive. He added that it sets *"no real clear ambition… consistent with the Programme for Government"* and does not properly incorporate the scale of expected in-year overspends (especially pay-related pressures in Education and Health), risking a major hole at the start of the new Budget year.

Taken together, these public positions from Ministers within the Executive and from the wider Assembly parties reduce the prospects of the Draft Budget being endorsed in its current form. Substantial revisions to the Draft Budget would create winners and losers among the departments and political parties, so it may be that the Executive will be unable to reach a Final Budget before the start of the financial year. That said, the Treasury's willingness to provide access to the Reserve this year could encourage the Executive in agreeing a Final Budget, anticipating that further support might be forthcoming.

Legislating for the Budget

The Assembly usually passes two Budget Acts each fiscal year, each with a detailed accompanying Estimate showing the anticipated spending within each department:

- The **first Budget Act** for each fiscal year usually passes through the Assembly in June or July. It is accompanied by the **Main Estimate**. The Budget Act sets statutory limits on the net resources that can be expended by each department, the income they are authorised to retain ('accruing resources') and their net cash limit. Together the Act and Estimate provide the statutory authority for the expenditure and associated financing within the ambit of each department.

- During the fiscal year, the amount of financing available changes and (partly as a result) so too do departmental budgets. These are authorised by the Assembly towards the end of the fiscal year (often around February) in a **second Budget Act** and **Spring Supplementary Estimate**, mirroring the process at Westminster. Because the legislative calendar commences on 1 January, this second Budget Act closing the fiscal year (in February) is labelled the first Budget Act of the calendar year, and the Budget Act at the start of the fiscal year (in June) is labelled the Budget (No.2) Act of the calendar year, which does not help with public understanding.

The Assembly, like the UK Parliament, is unusual by the standards of other legislatures in considering Budget legislation once the fiscal year is already under way, rather than beforehand. This creates a period at the beginning of each financial year in which departments require legal authority to continue spending in the absence of an agreed Budget.

This is enabled through a 'Vote on Account' (VoA), a legal mechanism by which the Assembly allows departments to spend some money in the first few months of the

[14] https://aims.niassembly.gov.uk/officialreport/report.aspx?eveDate=2026/01/12&docID=465134

coming fiscal year before the full Budget is passed. The level at which the VoA ceiling is set has practical implications for cash management and for the risks arising if agreement on a Final Budget is delayed.

The Department of Finance usually includes the Vote on Account in its Spring Supplementary Estimate legislation (the Budget Act closing the preceding fiscal year). The Vote generally authorises spending equal to 45 per cent of the allocation for each department for the previous year. This figure is designed to achieve a balance of allowing departments to continue business prior to the agreement of the Budget for the fiscal year, while limiting the amount of funding that can be spent without Assembly approval. At Main Estimate, this initial percentage limit is replaced with figures based on the agreed budget for that fiscal year.

In the Spring Supplementary Estimates, at the time of writing, it is understood the Executive intends to set the 2026–27 Vote on Account cash ceiling at 45 per cent of last year's voted provision.[15] This keeps to long-standing practice and suggests that the Executive expects the Main Estimates to be approved in early June and come into effect in late-July/early-August, as was the case in 2021 and 2025.

By contrast, in 2024–25 the timetable was tighter after the Executive returned in February 2024. The ceiling at Spring Supplementary Estimates was raised to about 65 per cent to stop departments running out of cash before the Budget (No. 2) Act received Royal Assent. DAERA and Education still needed cash advances - £50 million and £90 million, respectively - but the higher ceiling kept services going until the Budget Act came into effect on 18 October 2024.

For 2026–27, a 45 per cent ceiling makes timely Executive agreement on a Final Budget more important. If the timetable slips, cash pressures like those seen in 2024–25, which necessitated an increase in the ceiling, could reappear.

Other elements of the Budget process

Beyond the mechanics of the commissioning process, there are several wider issues that affect both the transparency of the Budget and the extent to which it reflects the Executive's strategic priorities. They include:

Additional funding

The transparency of the Budget and bidding process is hampered by the fact that at the beginning of most fiscal years the Department of Finance already expects some additional funding to arise during the year that it is not allowed (by legislation)[16] to reflect in the spending envelopes published in the Written Ministerial Statement accompanying the Draft Budget. This stems from additional UK Government funding, such as under the NI Protocol/Windsor Framework and funding from the New Decade New Approach agreement. These pots can only be incorporated formally once they are officially confirmed by the Secretary of State, which generally follows the start of the financial year. These (relatively small) sums will likely be allocated in the first Monitoring Round in June (see below). The prohibition on

[15] https://niassembly.tv/committee-for-finance-meeting-wednesday-18-february-2026/
[16] https://www.legislation.gov.uk/ukpga/1998/47/section/64

including this additional expected funding in the Draft Budget presentation hampers transparency to little apparent benefit.

In-Year Monitoring

Following agreement on the Final Budget, the Department of Finance typically revises departmental allocations periodically as the total amount of funding changes and as the relative needs of departments change. These revisions take place at In-year Monitoring Rounds. The Department sets out this process in its *In Year Monitoring Guidance* at the start of each financial year. The Executive has held two monitoring rounds in the current year, in June and December.

Equality impact assessments (EQIA)

NI departments will conduct equality screening (and if appropriate impact assessments) during the consultation period. Under Section 75 of the NI Act (1998) policies must be screened for adverse impact on any of the nine protected characteristics (e.g. age, sexual orientation or political opinion). Where a potential adverse impact is identified, a policy is 'screened in' and a full impact assessment is conducted in order to minimise the impact or find ways to mitigate it, if possible. This will then allow the Executive to consider if any changes to funding allocations are required in light of those assessments.

As an example of when this happened, the Infrastructure Minister increased funding for community transport services in 2025-26 following feedback from the EQIA. Likewise the Economy Minister lifted the pause on the launch of All Age Apprenticeships following feedback obtained as part of the EQIA in 2023-24.

Alignment with the Programme for Government

One longstanding criticism of NI Budgets is the lack of a clear link between the allocation of funding to departments and the priorities set out in the Programme for Government (PfG) that Executives are required to produce. Steps have been taken to improve this and it will interesting to see if completion of this Budget process – if that proves possible – allows further progress to be made.

In February 2025, the Executive agreed its Programme for Government (PfG) after the Budget had already been developed, setting out key objectives across areas such as economic growth, health, education and infrastructure. Costs were attached to objectives for the reduction of waiting lists (up to £135 million per year) and improving elective care (a further £80 million per year), but not (for example) to plans to build 5,850 new homes or deliver better support for children and young people with special educational needs. For areas that were costed, the source of funding was not identified.

In December 2024 the Finance Minister said the 2025-26 Budget was prepared "*through the lens of the PfG*", but that further work would be carried out to align the PfG priorities with Budgets.[17] In October 2025, the Department of Finance published a report intended as the first step in this process, detailing initial linkages

[17] https://www.niassembly.gov.uk/globalassets/documents/official-reports/written-ministerial-statements/2022---2027/bv169_dof_wms_19122024.pdf

between PfG and high-level spending areas within departments.[18] They described it as *"a foundational study, providing a platform to build upon for future analyses."*

The report provided an overview of earmarked allocations against PfG priorities in addition to general allocations from departments' budgets that also contribute to PfG priorities for both RDEL and CDEL. It concluded that approximately 42 per cent of the total resource budget and 28 per cent of the capital budget would contribute reasonably directly towards PfG priorities. If agreed, it will be interesting to see if any adjustments are made in the upcoming Final Budget to align spending allocations more closely with the PfG, and how robust the claimed links are.

As regards capital spending, a similar critique has been made of the lack of alignment between spending allocations and an explicit Investment Strategy. Almost two years after Stormont's return, a draft Investment Strategy remains under consideration by The Executive Office, with the timetable for approval and publication to be decided by the Executive[19]. Once again, it may be that funding decisions risk running ahead of strategic planning.

The current year position

This year sees the Executive on track to overspend its available funding and the Resource DEL limits set by Treasury. This is not an uncommon position for the Executive in recent times. In 2022-23 it overspent by £297 million, required borrowing and exceptional measures to avoid an overspend in 2023-24,[20] and in 2024-25[21] extra Barnett allocations following the Autumn Budget helped departments stay within their limits. This year's overall overspend is due to declared overspending in the two largest resource-consuming departments, Health and Education. Public sector pay is the largest resource pressure in both departments.

The latest plans for departmental spending were set out in the January 2026 In-Year Monitoring Round. Small amounts of additional funding were made available through the Westminster Spring Supplementary Estimates process (£13.4 million RDEL, £15.6 million CDEL and a reduction in FTC of £3.4 million). Allocations of £25 million (which included the reallocation of departmental reduced requirements) were made to Health (£18.3 million) and Education (£6.8 million) towards meeting health service and teachers pay costs. On capital, allocations of almost £30 million were made (including the reallocation of reduced requirements) to Infrastructure (£17 million) to cover general pressures across transport, water and roads. Further allocations were made to Communities (£6.5 million) and Education (£6.4 million). This exercise also enabled some technical adjustments.

[18] https://www.finance-ni.gov.uk/publications/budget-sustainability-pfg-alignment-final-budget-2025-26
[19] https://aims.niassembly.gov.uk/questions/printquestionsummary.aspx?docid=459290
[20] https://aims.niassembly.gov.uk/officialreport/minutesofevidencereport.aspx?AgendaId=31564&eveID=16400
[21] https://www.nifiscalcouncil.org/publications/ni-executives-2025-26-draft-budget-assessment

Table 2.3 January In-Year Technical Exercise RDEL and CDEL Funding and Allocations 2025-26

£ million	RDEL (excluding depreciation)	CDEL
Position at December Monitoring	**17,101**	**2,415**
less Departmental Reduced Requirements	*-11*	*-17*
Executive Allocations	*25*	*30*
Technical Adjustments	*52*	*-3*
Position Post January Technical Exercise	**17,168**	**2,424**
Additional Executive Allocations related to reserve claim	*400*	*-*
Revised January Position	**17,568**	**2,424**

Source: Department of Finance

As Table 2.3 shows, there was £17,568 million (including the reserve claim of £400 million) available to spend in the resource budget, with Health and Education as usual the largest-spending departments. Departments have been forecasting that they will overspend this total since October, when it became clear that Ministers would give the NICS formal directions to implement pay awards despite not having the money to pay for them.

Table 2.4 - December monitoring versus Final plan non-ringfenced RDEL position

£ million	2025-26 Final plan	December Monitoring position	Difference between Final plan and December Monitoring position
Health	8,898	8,642	256
Education	3,584	3,360	224
Justice	1,437	1,437	-
Communities	930	932	-1
Economy	842	842	-
Infrastructure	661	661	-
Agriculture etc.	657	657	-
Finance	234	236	-2
The Executive Office	189	191	-2
Minor departments	135	134	1
Total	**17,568**	**17,101**	**467**

Source: Department of Finance, Written Ministerial Statement and monthly forecast outturn returns

The projected spending shown above reflects an additional £400 million of funding from the Treasury to meet the overspending in the departments of Health and Education. Pay is the main driver, with some non-pay pressures too. In January 2026 Education and Health reported a total resource pressure of almost £457 million as set out in Table 2.5. Treasury says that any overspend in excess of the £400 million Reserve claim will be deducted from the 2026-27 Budget.

Table 2.5 - Forecast overspends 2025-26

£ million	Overspend	Overcommitment	Total overspend	Reserve claim	Remaining overspend
Education	231	14	245	215	31
Health	212	-	212	185	26
Total overspend	**443**	**14**	**457**	**400**	**57**

Source: Department of Finance

As noted above, decisions on public sector pay are a key driver of the spending pressures this year. And, as we discuss in Chapter 4, they are likely to be an ongoing source of budget unsustainability because when the UK Government awards an x per cent pay increase to public sector workers in England, the Barnett Formula does not necessarily provide the Executive with an increase in the Block Grant sufficient to fund an equivalent deal in NI.

In early November 2025, with its Budget already on course to be overspent, the Executive agreed that the Health Minister should direct his Permanent Secretary to pay the percentage pay uplifts recommended by pay review bodies. These comprised a 3.6 per cent uplift for Agenda for Change staff (mostly nurses), 4 per cent for medical and dental staff, plus a one-off payment of £750 for all Resident Doctors).[22] These awards are to be backdated to 1 April 2025, with the expectation that staff will receive the pay uplifts and back pay from February 2026.

While the decision brings pay closer to parity with NHS staff in England, it is being financed without new money from Westminster to pay the additional cost. The background paper published in support of the ministerial direction explains that

> *"Although DoH is taking efforts to address the funding gap and put the HSC on a more sustainable footing, officials advised that the application of these recommended awards is not currently affordable under the agreed DoH budget and, if implemented, will increase the overall HSC Pay pressure to around £200 million."*[23]

Education and Justice faced similar pressure in relation to police and teachers' pay.[24] The Police Federation is calling for an urgent review of pay arrangements officers have expressed frustration over delays in incremental uplifts, and the erosion of real-terms pay since 2010. In addition, at the time of writing, teachers' unions have recently accepted a 4 per cent pay award for 2025-26.[25] In December 2025, the Education Minister issued a Ministerial Direction to progress the 2025–26 teachers' pay award, following Executive approval under the urgent decision procedure.[26] These decisions will also have repercussions for future years, not least because the Health Minister has stated his commitment "to [ensure] future pay awards are prioritised in [his] budget allocation at the start of the financial year and adjusted as necessary to ensure parity".[27]

The underlying difficulty for the Executive in managing public sector pay is structural, as we discuss further in Chapter 4. The Executive is committed to maintaining pay parity with Great Britain, but its funding through the Barnett formula grows in line with population share rather than the size of its public sector workforce, which is much larger than in England. Percentage pay awards applied to a larger workforce base therefore generate cost pressures that outstrip population-based funding consequentials. Although Barnett consequentials are uplifted by 24

[22] https://www.finance-ni.gov.uk/sites/default/files/2026-01/DoH%20-%20Implementation%20of%202025-26%20pay%20award%20for%20HSC%20staff.pdf
[23] https://www.finance-ni.gov.uk/sites/default/files/2026-01/DoH%20-%20Implementation%20of%202025-26%20pay%20award%20for%20HSC%20staff%20-%20background.pdf
[24] https://www.bbc.co.uk/news/articles/c867yz8vqlpo
[25] https://www.bbc.co.uk/news/articles/c24gv34r541o
[26] https://www.niassembly.gov.uk/assembly-business/official-report/written-ministerial-statements/department-of-education---update-on-teachers-pay-award-for-the-financial-year-2025---2026/
[27] https://www.health-ni.gov.uk/news/minister-confirms-restoration-pay-parity-health-service-staff

per cent to reflect higher relative need, this is not sufficient to reflect the cost of matching percentage pay increases in NI's relatively larger public sector. As a result, the cost of parity pay increases tends to outstrip the growth in funding. At the same time, NI raises less in local taxes and charges than England, further limiting its ability to absorb these pressures.

In 2025–26, the pressure is being absorbed by breaching the spending limit, although Treasury has intervened to provide additional funding. The result is that this year's Budget will be overspent (by over £400 million, based on the January forecast) and a deduction applied by the Treasury to the Block Grant over the three years of the proposed Budget. This means that in the 2026-27 Budget, the NI Executive would have to absorb both the ongoing cost of the now higher pay bill plus any further pay increases in 2026-27, and the deduction of £80 million towards the overspending this year. This will require reallocations and reductions in other areas. Budget breaches are in effect a short-term loan from future years into this year. But pay increases are baked into future years' spending, so although a breach may allow the paybill to be covered *this* year it will make it even more difficult to cover it *next* year.

3. The Draft Budget funding position

With the resource budget being overspent in 2025-26, resulting in a cut in the Block Grant over the next three years to repay the overshoot, the upcoming multi-year Budget does not get off to a promising start. But what of the underlying funding position?

As noted above, the NI Budget has three main components that the Executive is required by legislation[28] to 'balance':

- non-ringfenced resource spending,
- conventional capital spending; and,
- financial transactions capital spending.

In this Chapter we look at these three funding envelopes for the period 2026-27 to 2028-29/29-30 and put them into context of longer-term funding trends.

The Draft Budget is based on the funding level from the UK Government as set at the 2025 Spending Review, supplemented by the Executive's own revenue raising and borrowing. For completeness, this chapter sets out additional UK Government funding that has been announced since the Spending Review (at Autumn Budget), but this funding is not included in the proposed Budget and cannot legally be allocated to NI departments until an updated settlement letter is received from the NI Secretary of State – typically these funds are allocated at the first monitoring round of the fiscal year (in June). As a consequence, the Finance Minister's Draft Budget does not include the funding provided at the Autumn Budget. We highlight this additional funding to provide transparency around how the Budget position is expected to evolve once these sums can lawfully be allocated.

The 2025 Spending Review

The 2025 Spending Review (SR), announced on 11 June 2025, set out UK Government departmental spending plans from 2026–27 to 2028–29 for Resource DEL and 2026–27 to 2029–30 for Capital DEL. Table 3.1 shows that the plans at the SR for both resource and capital spending in England generated a 'peak and trough' profile to the additional funding (relative to the 2025-26 position) received by NI.[29]

[28] https://www.legislation.gov.uk/ukpga/2016/13/section/9/enacted

[29] More detail can be found in our publication https://www.nifiscalcouncil.org/files/nifiscalcouncil/documents/2025-07/NIFC%20response%20to%202025%20Spending%20review%C2%A0full%20document%20July%202025.pdf

Table 3.1 – Spending Review consequentials

£ million	2026-27	2027-28	2028-29	2029-30
Resource DEL excluding depreciation	533	482	495	-
Capital DEL (of which)	224	-40	37	30
General CDEL	*189*	*-41*	*11*	*8*
Financial Transactions Capital (FTC)	*34*	*1*	*26*	*22*
Total DEL	**757**	**442**	**531**	**-**

Source: HM Treasury

Resource and capital spending by UK departments was planned to grow by 1.5 per cent a year on average in real terms from 2026-27 to 2028-29 but the NI Block Grant grows by only 0.5 per cent a year.[30] The difference reflects the unwinding of the 2024 Stormont restoration package, which has temporarily raised NI's funding baseline. As this falls away, the Executive enters the SR period with relatively tighter settlements and a steeper challenge in sustaining pay parity and maintaining service levels.

Table 3.2 below sets out the RDEL and CDEL 'control totals' (spending limits set by the Treasury) following the Spending Review. This is the position the NI Draft Budget is legally required to reflect. Since the UK Government contribution via the Block Grant is the largest component of the Executive's financing, these control totals form the basis for the Finance Minister's Budget proposals.

Table 3.2 – Spending Review Control Totals for the Draft Budget period

£ million	2026-27	2027-28	2028-29	2029-30
Resource DEL excluding depreciation	16,348	16,835	17,334	-
Capital DEL (of which)	2,431	2,401	2,421	2,437
General CDEL	*2,339*	*2,308*	*2,302*	*2,296*
Financial Transactions Capital (FTC)	*92*	*93*	*119*	*141*
Total DEL	**18,779**	**19,235**	**19,755**	**2,437**

Source: Department of Finance

The 2025 UK Autumn Budget

The UK's Autumn Budget on 26 November 2025 updated these control totals, although the changes from Autumn Budget to NI's funding were relatively minor. As discussed above, due to the requirements of Section 64 of the Northern Ireland Act 1998, the Autumn budget funding cannot be included in the published draft Budget position until an updated settlement letter is received from the Secretary of State. The Finance Minister has therefore not included them in his proposals and we therefore set these figures out separately here but do not include them in the tables which follow in Chapter 4.

[30] For more information see https://www.nifiscalcouncil.org/publications/technical-paper-0125-ni-fiscal-council-response-2025-spending-review

Table 3.3 - Autumn Budget consequentials

£ million	2026-27	2027-28	2028-29	2029-30
Resource DEL	132	89	2	-
Capital DEL	10	84	2	35
Total DEL	**142**	**173**	**4**	**35**

Source: Department of Finance

Table 3.4 below shows the resource allocations the Finance Minister has proposed for the funds from Autumn Budget and table 3.5 shows the planned capital allocations of these Autumn budget consequentials. As these can not legally be included in the absence of an updated settlement letter from the NI Secretary of State, the earliest these could be allocated to departments is likely the June Monitoring Round.

Table 3.4 - Non-ringfenced Resource Autumn Budget Indicative Allocations

£ million	2026-27	2027-28	2028-29
Health	26	20	-
Education	27	20	-
Communities	10	7	-
Justice	10	7	-
Economy	10	7	-
Infrastructure	10	7	-
Agriculture etc.	10	7	-
Finance	5	4	-
The Executive Office	5	4	-
Total Indicative General Allocations	**113**	**80**	**-**
Communities - Welfare Support	9	10	2
Held Centrally - Business Support	10	-	-
Total Indicative Resource Allocations	**132**	**89**	**2**

Totals may not add up due to rounding

Source: Department of Finance

Table 3.5 - Non-ringfenced Capital Autumn Budget Indicative Allocations

£ million	2026-27	2027-28	2028-29	2029-30
Health	-	5	-	2
Education	2	18	-	10
Communities	5	20	2	10
Justice	3	5	-	-
Economy	-	5	-	1
Infrastructure	-	20	-	10
Agriculture etc.	-	5	-	2
Finance	-	5	-	1
The Executive Office	-	1	-	-
Total Indicative Capital Allocations	**10**	**84**	**2**	**35**

Source: Department of Finance

Table 3.6 sets out the post-Autumn totals for the three components of the NI Budget.

Table 3.6 - Post-Autumn Budget spending control totals

£ million	2025-26	2026-27	2027-28	2028-29	2029-30
Resource DEL	16,494	16,480	16,924	17,337	-
Capital DEL	2,207	2,349	2,392	2,304	2,331
Financial Transactions Capital	55	92	93	119	141

Note: 2025-26 includes subseqent in-year uplifts inlcuding £400 million reserve claim
Source: Department of Finance

The Spending Review and Autumn Budget taken together increased UK Government departmental spending and thereby, through the Barnett formula and the 24 per cent needs-based top-up, confirmed additional Barnett and non Barnett consequentials for NI. This included £386 million RDEL (this excludes the recent Reserve claim of £400 million) and £142 million CDEL in 2026-27, with resource rising by a further £444 million and capital by £43 million in 2027-28 and rising again in 2028-29 by another £413 million resource and with capital falling by £88 million before rising by £27 million in the last year of the multi-year budget.[31]

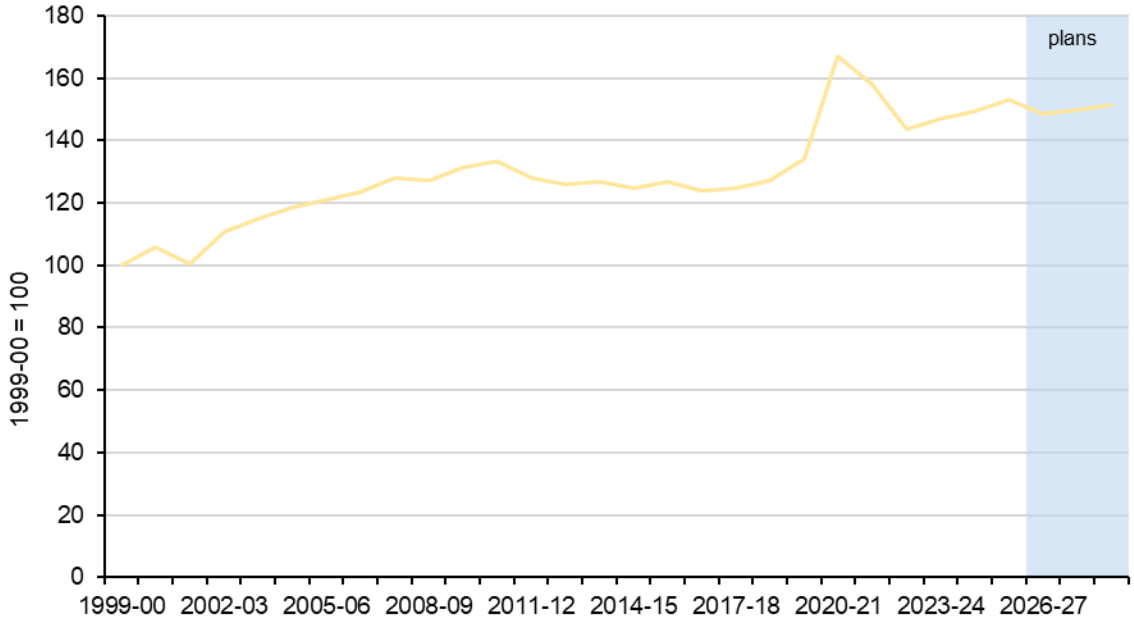
This additional funding has ameliorated the 'cliff edge' in funding that was anticipated in 2026-27 following the withdrawal of the £520 million of short-term Budget support agreed by the UK Government for 2024-25 and 2025-26 in the Stormont restoration package. Slower than expected population growth in NI relative to England has also increased relative spending per head in NI, modestly improving the funding position. Taken together, these factors mean that 2026-27 now appears on paper to represent a fairly flat settlement, with increases in the subsequent two years. However, the Minister's Draft Budget does not reflect the consequences of overspending in 2025-26. Once the required repayment is incorporated, the underlying funding position becomes materially tighter than the headline figures suggest.

The NI Budget 2026-27 to 2028-29/29-30 in context

We put the funding envelopes in the proposed Budget into a longer-term perspective by adjusting for inflation. Chart 3.1 shows the evolution of the Block Grant since 1999-00. It illustrates that the Block Grant increased in real terms throughout the 2000s but then declined during the post-financial crisis 'austerity' period, when the UK Government cut spending to lower the deficit. Spending rose again in real terms following the Brexit vote and more dramatically during the pandemic. It then fell back and has been broadly flat over recent years.

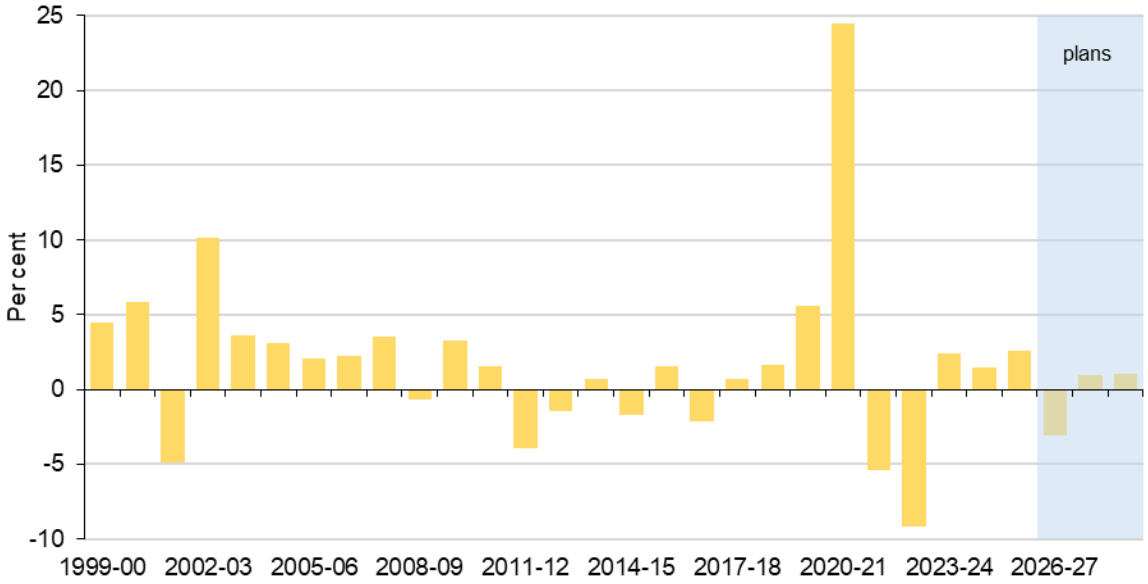
[31] Also included were non-Barnett allocations, including ongoing Windsor Framework implementation funding, public sector transformation funding, and support linked to City and Growth Deals. Capital support also included £50 million in Financial Transactions Capital to contribute to the Casement Park redevelopment, which is expected to be structured as an equity investment, with final drawdown timing dependent on the project securing the remainder of required finance.

Chart 3.1 - Real RDEL including Budget years in levels



Notes:
[1] RDEL Block Grant for 2025-26 as shown in Table 4.1 as Final plan
[2] Changes for the years prior to 2007-08 reflect the real-terms change in near-cash resource DEL, as published in PESA prior to PESA 2011
[3] Plan years (in blue shading) do not include the overspend recovery
Source: HM Treasury PESA, Department of Finance, HM Treasury GDP deflators (December 2025)

Chart 3.2 - Year on year changes in real RDEL including Budget years



Notes:
[1] RDEL Block Grant for 2025-26 as shown in Table 4.1 as Final plan
[2] Changes for the years prior to 2007-08 reflect the real-terms change in near-cash resource DEL, as published in PESA prior to PESA 2011
[3] Plan years (in blue shading) do not include the overspend recovery
Source: HM Treasury PESA, Department of Finance, HM Treasury GDP deflators (December 2025)

In some respects, 2026-27 looks better than originally feared. After the restoration of the Executive, we highlighted that the ending of the temporary £520 million support in the UK Government financial package could result in a 'cliff edge' for NI's public finances. The £520 million in each of 2024-25 and 2025-26 initially enabled the Executive to cover the cost of a pay deal on nurses' pay. Our assessment at that time was that when this temporary funding ran out "*there would – other things being equal – be an abrupt 'cliff-edge' drop in funding in 2026-27 that is unlikely to be offset by increased Barnett consequentials (even with the uplift).*"[32]

That prospective cliff edge has been ameliorated by unexpectedly large Barnett consequentials for NI generated by increased spending at the UK level, in particular at the June 2025 Spending Review (with some smaller additions from Autumn Budget).

But despite some smoothing to a degree in cash and real terms, the 2026-27 Budget position remains challenging, and the profile of year-on-year changes remains 'lumpy':

- The additional Barnett consequentials received by NI in part reflect increases in UK Government spending plans to cover the cost of pay deals. As discussed, this can actually make things harder rather than easier for the Executive, because even with the 24 per cent top-up NI struggles to match increases in percentage terms due to its relatively larger public sector.
- Towards the end of 2025, and before considering the 2026-27 Budget position, the Executive agreed a range of new commitments that swallowed up a significant portion of the cash it would have had available for allocation to departments, as shown in Table 3.7.
- The overspending in 2025-26 (sitting currently at above £450 million) will need to be repaid over the course of the three-year Budget period. But this still results in greater pressure in 2026-27 than in 2025-26.

[32] https://www.nifiscalcouncil.org/files/nifiscalcouncil/documents/2024-02/NI%20public%20finances%20and%20the%20UK%20Government%27s%20financial%20support%20package%20for%20the%20restored%20Executive%20-%20%20web%20version%2015.02.24.pdf

Table 3.7 - Executive commitments with likely future year impacts

Commitment	Department	2025-26 cost (£m)	Budget-year impact (2026-27+)	Notes
Total Executive agreed support for public sector pay awards	Health, Education, Justice, and Infrastructure	120.0	Recurrent pressure: pay awards increase baseline costs[1]	Announced as part of December and January allocations[2]
- Health and Social Care (HSC) pay award	*Health*	*87.6*	*Recurrent pressure: ongoing pay parity/baseline pressures for 2026-27 and beyond*	*Included in December and January allocations*
- Teachers' pay award	*Education*	*32.4*	*Recurrent pressure: contributes to 2025-26 pay settlement; ongoing pay costs carry into 2026-27*	*Included in December and January allocations*
- PSNI pay award	*Justice*	*4.6*	*Recurrent pressure: pay-related support*	*Included in December Monitoring Round allocations*
- Infrastructure workers' pay awards	*Infrastructure*	*4.6*	*Recurrent pressure: pay-related support*	*Included in December Monitoring Round allocations*
Executive's draft childcare strategy - new actions only[3]	Education	nil	Recurrent pressure: the draft strategy contains new proposals e.g to subsidise childcare costs for working families by more than 50 per cent	The draft strategy is out for consultation until 24 March 2026
PSNI workforce recovery costs[4]	Justice	7.0	Recurrent pressure: relates to recruitment of officers	To meet Year 1 of the PSNI's workforce recovery plan. Allocated within December Monitoring

Notes (see footnotes)

The overall pressure can be illustrated by comparing actual spending in 2025-26 Final plan with the resources available in 2026-27 once the overspend recovery has been applied. For illustrative purposes we have set out three scenarios in Table 3.8 and Chart 3.3:

1. The first scenario shows how spending would have evolved over the Budget period **without overspending**;
2. The second indicates what might have happened **if Treasury had strictly applied the rules** without agreeing to spread the repayment of the overspend over three years; and
3. The third scenario describes the Budget profile taking into account **the overspend recovery over the three years** of the Budget period.

[1] Recurrent pressures are likely to be higher than the allocations provided in December and January

[2] https://www.finance-ni.gov.uk/sites/default/files/2025-12/Oral%20Statement%20-%202025-26%20December%20Monitoring%20Round_1.pdf

[3] https://www.education-ni.gov.uk/news/givan-childcare-reforms-could-cut-costs-families-over-50

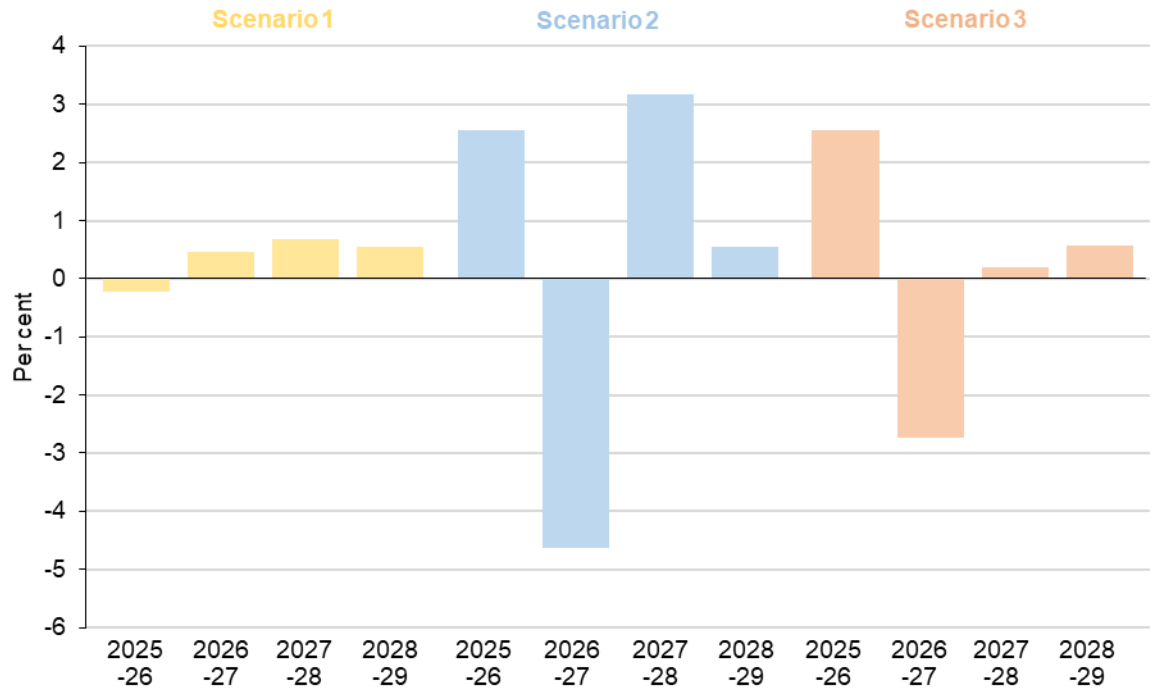
[4] https://www.justice-ni.gov.uk/news/long-confirms-psni-recruitment-funding-and-police-officer-pay-uplift

Table 3.8 Nominal and real-terms changes in Block Grant on previous year under three scenarios

£ million	2024-25 Outturn	NI Exe's 2025-26 Budget	2025-26 Final plan	Finance Minister's proposed 2026-27 Budget	Finance Minister's proposed 2027-28 Budget	Finance Minister's proposed 2028-29 Budget
Scenario 1 = no reserve claim						
Block Grant (nominal)	15,622	16,046	16,046	16,480	16,924	17,337
Annual % change	-	*2.7*	*2.7*	*2.7*	*2.7*	*2.4*
Block grant (2024-25 prices)	15,622	15,588	15,588	15,660	15,765	15,852
Annual % change	-	*-0.2*	*-0.2*	*0.5*	*0.7*	*0.5*
Scenario 2 = £400m reserve fully repaid in 2026-27						
Block Grant (nominal)	15,622	16,046	16,494	16,080	16,924	17,337
Annual % change	-	*2.7*	*5.6*	*-2.5*	*5.2*	*2.4*
Block Grant (2024-25 prices)	15,622	15,143	16,023	15,280	15,765	15,852
Annual % change	-	*-3.1*	*2.6*	*-4.6*	*3.2*	*0.5*
Scenario 3 (actual) = £400m reserve repaid £80m in 2026-27, £160m repaid in 2027-28 & 2028-29						
Block Grant (nominal)	15,622	16,046	16,494	16,400	16,764	17,177
Annual % change	-	*2.7*	*5.6*	*-0.6*	*2.2*	*2.5*
Block Grant (2024-25 prices)	15,622	15,588	16,023	15,584	15,616	15,705
Annual % change	-	*-0.2*	*2.6*	*-2.7*	*0.2*	*0.6*

Source: Department of Finance & HM Treasury deflators (December 2025)

Chart 3.3 – Real-terms change in Block Grant on previous year under three scenarios



Source: Department of Finance

We see the 'cliff edge' present in 2026-27 in both scenarios two and three, while scenario one is relatively flat in real terms. The overspending in 2025-26 sets the Executive up for a fall in spending terms the following year, even with the smoothing of the repayment over three years (scenario three). This will make 2026-27 difficult for the Executive to balance in practice. Public sector pay settlements in

England in the coming fiscal year will increase departmental pressures – especially in Health and Education, the two departments that contributed to the overspend in 2025-26. Managing these growing pressures with reduced funding could cause the Executive again to overspend especially in 2026-27, the most difficult of the three years of the Budget period.

In cash terms the funding available to the Executive represents an increase of 3 per cent since the opening budget for 2025-26 but a slight reduction in cash terms compared to the 2025-26 Final plan. Looking ahead to the final two years of the multi-year budget there is an increase of around 3 per cent year on year. It is in these later two years that the Finance Minister has proposed to set aside £200 million and £400 million respectively in a 'strategic reserve'[34] to 'meet unforeseen pressures that may arise'.[35]

There is one further potential technical issue for the NI Budget in years 2027-28 and 2028-29, related to the application of a lower uplift rate to the Barnett formula for NI (105 per cent rather than 124 per cent), see Box 1.

[34] This is not a Reserve like that in Wales and Scotland which can be used to transfer funds between fiscal years. In this proposed Budget, the term 'strategic reserve' refers to funding in a given fiscal year which has not yet been allocated and is instead centrally held by Finance for allocation within that year when pressures emerge.
[35] https://www.finance-ni.gov.uk/sites/default/files/2026-01/Minister%20of%20Finance%20WMS%20-%20Proposed%20Draft%20Budget%202026%20to%2029-30.pdf

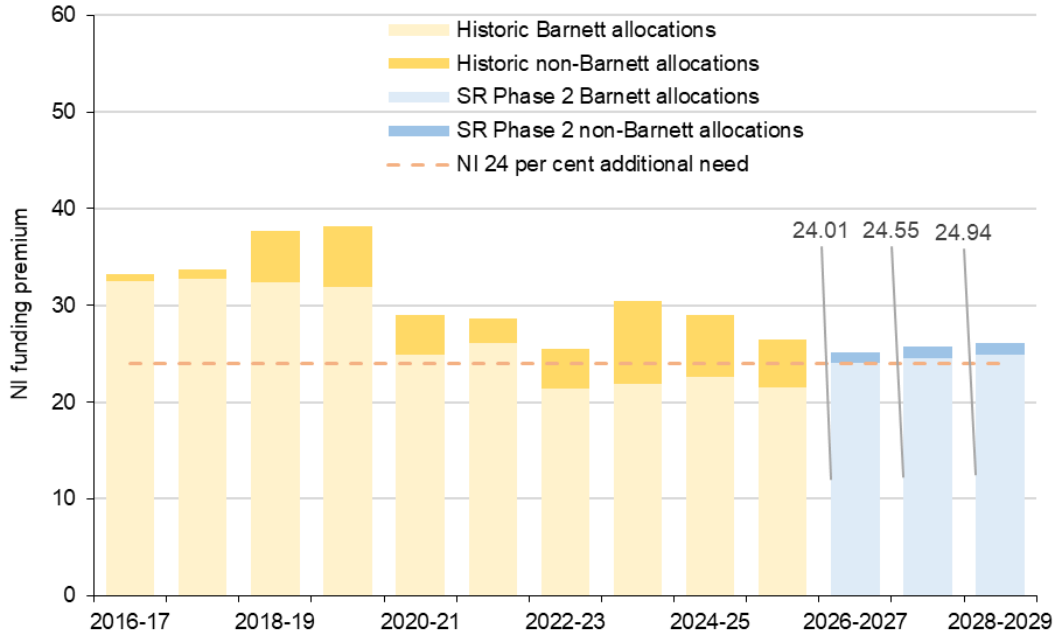
Box 1 – NI's Barnett uplift: 124 or 105 per cent of England's spending per head

The Interim Fiscal Framework [1](in the absence of a full framework) for NI governs the mechanism for the application of the Barnett formula including of the recently introduced uplift factor. Currently NI receives 124 per cent, per head of population, of spending in England on areas that are devolved to NI. However, the Framework sets out that this uplift continues only as long as NI is funded lower than its assessed level of need – "*If the Northern Ireland Executive's funding is above its relative need of 124 per cent, there will be a transitional needs-based factor of 5 per cent*".

The relative funding methodology published by UK Government as part of the Spending Review[2] clarifies that this means when NI's premium is over a certain threshold (124.05 per cent of spending in England) the lower uplift rate of 5 per cent (105 per cent of spending in England) is applied.

The effect of this is that when NI's spending premium is *below* its assessed level of need, the 124 per cent uplift factor brings it back up towards 124.0 per cent of England's. But should it go *above* its level of need by 0.5 percentage points, then the 105 per cent uplift factor will act to reduce the spending premium back below 124.05 (at which point the 124 factor kicks in again).

Based on published data,[1] NI's Barnett-based funding is projected to rise above the 124.05 per cent threshold during the SR period.



Source: HM Treasury

This would trigger the transitional 105 per cent uplift rate, but the lower rate would apply only for new funding generated at future UK Budgets, it will not apply retrospectively to funding already announced.

[1] https://www.finance-ni.gov.uk/publications/interim-fiscal-framework
[2] https://www.gov.uk/government/publications/northern-ireland-interim-fiscal-framework-implementation-update-relative-funding-methodology/northern-ireland-interim-fiscal-framework-implementation-update
[3] https://www.nifiscalcouncil.org/publications/technical-paper-0125-ni-fiscal-council-response-2025-spending-review page 10

Other sources of funding

In addition to the Barnett-formula based Block Grant provided by the UK Government, a number of other components come together to determine the total resources available to the Executive for its Budget:

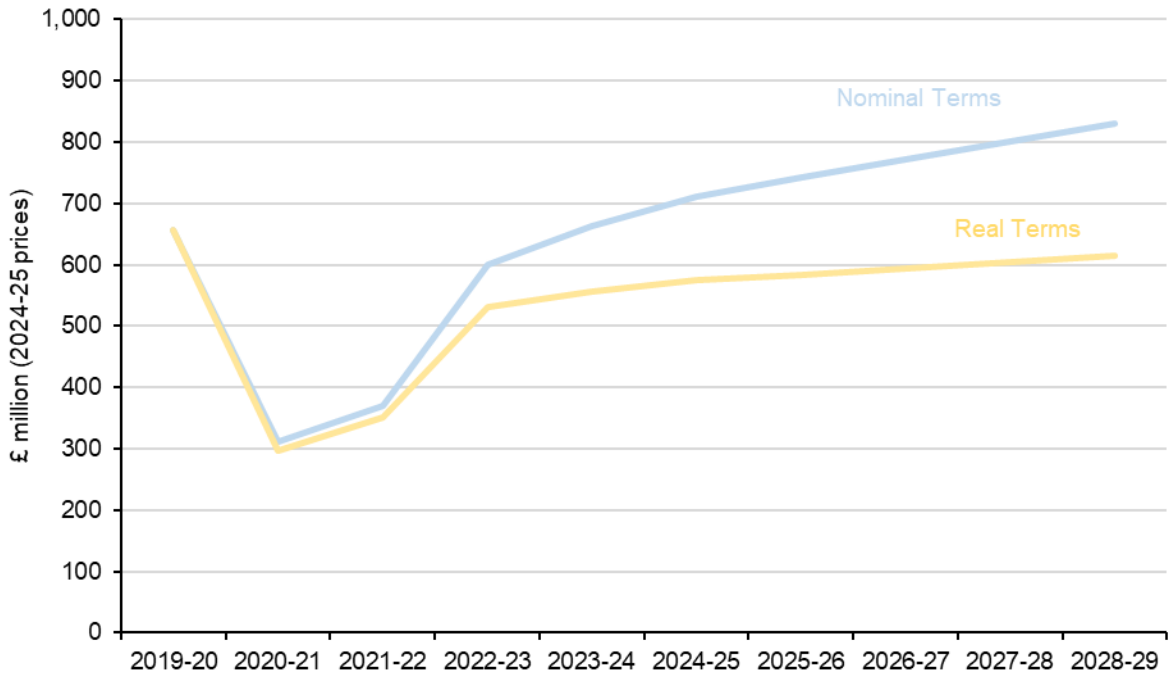
- Funding from the Executive's largest single source of revenue – **Regional Rates**;
- The Executive's **fees and charges** for goods and services. These are treated (opaquely) as negative DEL and so where fees are levied they increase the Executive's spending power, but do not appear in the Budget.
- **Non-Barnett additions** to the Block Grant, for example funding from political packages; and
- **Funding from the Irish Government and Europe** for specific projects.

Even taken together, the impact of these additional funding sources on the profile of Executive funding and spending is relatively modest.

Rates

Rates revenue is not increasing significantly in real terms over the Draft Budget period. In effect, no meaningful additional fiscal effort is being leveraged to deal with the pressures. Chart 3.4 shows that over the Draft Budget period, plans for Regional Rates revenue are more-or-less flat in real terms. By the end of the Draft Budget period, the plans are for revenue to exceed the pre-COVID level in nominal terms. In real terms however, rates revenue in 2028-29 is planned to be around £42 million less than in 2019-20.

Chart 3.4 - Regional Rates revenue in nominal and real terms



Source: PESA, HMT deflator series Dec 2025, Department of Finance

Contribution from the UK Government's financial packages

Over the Budget period, Treasury-earmarked Resource DEL (i.e. monies provided to the Executive for specific purposes, often as a result of a political package) rises from around £224 million in 2026-27 to £236 million by 2028-29. This steady expansion reflects the continuation of long-running programmes—most notably the Windsor Framework and a range of transformation-related initiatives—rather than short-term or time-limited interventions.

Table 3.9 - Resource DEL (Treasury-earmarked only)

£ million	2026-27	2027-28	2028-29
Windsor Framework	**115.6**	**117.9**	**122.2**
Agriculture	*70.0*	*71.2*	*72.9*
Economy	*19.2*	*20.0*	*21.6*
Infrastructure	*7.4*	*7.8*	*8.2*
Food Standards Agency	*5.2*	*5.4*	*5.6*
Justice	*4.1*	*4.3*	*4.6*
Health	*3.6*	*3.7*	*3.8*
Finance	*2.4*	*1.9*	*1.9*
The Executive Office	*2.0*	*2.0*	*2.1*
NI Assembly Commission	*1.1*	*1.1*	*1.2*
Communites	*0.4*	*0.4*	*0.4*
Transformation	**59.3**	**61.3**	**64.6**
Held centrally	*27.4*	*22.3*	*22.6*
Health	*11.6*	*16.7*	*25.3*
Education	*8.9*	*9.8*	*4.0*
Infrastructure	*5.4*	*5.9*	*5.9*
Justice	*5.2*	*5.8*	*6.1*
The Executive Office	*0.8*	*0.8*	*0.8*
Security Funding	**37.8**	**37.8**	**37.8**
Justice	*37.8*	*37.8*	*37.8*
Executive Programme on Paramilitarism	**8.0**	**8.0**	**8.0**
Held centrally	*-*	*8.0*	*8.0*
Justice	*8.0*	*-*	*-*
Debt Advice	**2.8**	**2.8**	**2.8**
Communities	*2.8*	*2.8*	*2.8*
Private Schools VAT	**0.3**	**0.3**	**0.3**
Education	*0.3*	*0.3*	*0.3*
Total	**223.7**	**228.0**	**235.6**

Note: 1. Totals may not add due to rounding. £0.0m represents amounts less than or equal to £50k

2. The Executive Programme on Paramilitarism is a cross-Executive programme, DoF provide the funds to DoJ as the lead department, who will then allocate to the receiving departments via technical transfers

Source: Department of Finance

Turning to Capital DEL, the pattern differs. Treasury-earmarked Capital funding is highest at just under £110 million in 2027-28 but declines to £79 million in 2029-30. City and Growth Deals in particular account for most Treasury-earmarked capital spend and are front-loaded in 2027-28 and 2028-29 before declining toward the end of the period. This movement is predominately a result of projects ending

or the profile reducing as the project nears the end, this is particularly the case in 2028-29.

Table 3.10 - Capital DEL (Treasury-earmarked only)

£ million	2026-27	2027-28	2028-29	2029-30
City/Growth Deals	**87.8**	**83.9**	**66.4**	**71.4**
Held centrally	*-*	*1.7*	*6*	*17.2*
Agriculture	*-*	*0.1*	*1.2*	*3.4*
Economy	*87.8*	*82.1*	*59.2*	*50.8*
Windsor Framework	**5.3**	**4.6**	**4.8**	**5.1**
Agriculture	*4.0*	*3.3*	*3.4*	*3.7*
Economy	*0.6*	*0.7*	*0.7*	*0.7*
Infrastructure	*0.1*	*0.1*	*0.1*	*0.1*
Justice	*0.5*	*0.5*	*0.5*	*0.5*
The Executive Office	*-*	*-*	*-*	*-*
Inclusive Future Fund	**6.0**	**20.5**	**21.0**	**2.1**
Held centrally	*-*	*7.3*	*1.8*	*-*
Economy	*2.3*	*5.4*	*16.9*	*2.1*
Health	*3.7*	*7.8*	*2.3*	*-*
An Ciste	**0.7**	**0.9**	**1.0**	**-**
Communities	*0.7*	*0.9*	*1.0*	*-*
Total	**99.8**	**109.9**	**93.1**	**78.6**

Note: Totals may not add due to rounding. £0.0m represents amounts less than or equal to £50k
Source: Department of Finance

When Resource and Capital DEL are combined, total Treasury-earmarked funding amounts to £324 million in 2026-2027. This increases to £338 million in 2027-2028 and then moves to £329 million in 2028-2029. The pattern reflects growing Resource DEL allocations, particularly for Transformation and the Windsor Framework, alongside a temporary rise in City and Growth Deal capital funding in 2027-2028. The reduction in total funding in the following year is driven mainly by lower capital requirements as projects approach completion.

PEACE and Irish Government funding

The Irish Government will provide capital support for the A5 Western Transport Corridor, totalling just under £527 million across the four years. Annual receipts are £87 million in 2026–27, rising to £171 million in 2028–29, before tapering to just under £114 million in 2029–30. These funds are ring-fenced and directly offset Executive Capital DEL requirements for the project.

Final reimbursements for PEACE IV and INTERREG VA will continue until 2026–27 but cannot support new activity. The PEACEPLUS programme, valued at around £1 billion across all funders, requires Executive match funding. The Executive's contribution amounts to Resource DEL of £18 million, £23 million and £21 million between 2026-27 and 2028-29, and Capital DEL of just under £1 million, £1.5 million in 2026-28, and just under £4 million each year across 2028-30.

Table 3.11 – PEACEPLUS and Irish Government Funding over the Budget period

£ million	2026-27	2027-28	2028-29	2029-30
Irish Government – A5 (Capital)	87	155	171	114
PEACEPLUS Match Funding – Resource DEL	18	23	21	-
PEACEPLUS Match Funding – Capital DEL	1	2	4	4

Source: Department of Finance

The total funding envelope

Table 3.12 summarises the resource funding available over the three years of the multi-year budget. This amounts to £17,120 million in 2026-27(around £22,300 per household), of which the Block Grant accounts for 95 per cent and income from Regional Rates 5 per cent. This is a decrease of almost 3 per cent (around 5 per cent in real terms) on the latest plan for 2025-26 (which includes the £400 million reserve claim allocations to Health and Education). Looking at 2027-28 the funding available rises by 3 per cent on 2026-27 to £17,635 million and by a further 3 per cent in 2028-29 to £18,165 million in nominal terms (around 1 per cent in real terms).

Table 3.12 - Non-ringfenced resource spending and financing, 2026-29

£ million	2024-25 Outturn	NI Exe's 2025-26 Budget	2025-26 Final plan[1]	Finance Minister's proposed 2026-27 Budget	Finance Minister's proposed 2027-28 Budget	Finance Minister's proposed 2028-29 Budget
FINANCING						
Barnett-based funding	14,358	14,971	15,212	16,030	16,512	17,007
add						
Non-Barnett funding	1,264	1,075	1,282	318	322	327
of which						
Baseline	*324*	*406*	*406*	-	-	-
Stabilisation funding	*520*	*520*	*520*	-	-	-
Un-ringfenced Transformation	*95*	*95*	*95*	-	-	-
Health waiting lists support	*34*	-	-	-	-	-
Ringfenced Transformation	*1*	*47*	*20*	*59*	*61*	*65*
NI Protocol/Windsor Framework	*78*	-	*98*	*116*	*118*	*122*
Budget Exchange Scheme	*42*	-	*19*	-	-	-
Budget Cover Transfers (net)	*103*	-	*101*	-	-	-
Barnett adjustments provided as Non-Barnett	-	-	*4*	-	-	-
Other non barnett	*68*	*7*	*18*	*143*	*143*	*141*
Block Grant	**15,622**	**16,046**	**16,494**	**16,348**	**16,835**	**17,334**
Regional Rates revenue (before repayment of RRI principal)	*824*	*855*	*861*	*902*	*939*	*978*
Reserve Claim	-	-	400	-	-	-
less						
Repayment of RRI principal	*114*	*122*	*120*	*131*	*139*	*148*
Regional Rates (post debt repayment)	710	732	741	772	801	831
TOTAL FINANCING	**16,332**	**16,778**	**17,635**	**17,120**	**17,635**	**18,165**
pays for						
SPENDING						
Departmental spending	16,277	16,639	17,568	17,010	17,277	17,593
Centrally held	-	76	5	37	278	484
of which						
Strategic Reserve	-	-	-	-	*200*	*400*
Debt interest (RRI)	55	63	63	72	80	88
TOTAL SPENDING	**16,332**	**16,778**	**17,635**	**17,120**	**17,636**	**18,165**

Note [1]: This includes £19 million of Autumn Budget consequentials which are permitted following the in year monitoring round

Source: Department of Finance & HM Treasury

Table: 3.13: The evolution of funding since the Spending Review 2025

£ million	2025-26	2026-27	2027-28	2028-29
Barnett funding				
of which:				
Baseline at SR25	*14,370*	*15,497*	*15,497*	*15,497*
Spending Round 2024 Additions	*601*	*533*	*1,015*	*1,510*
Spring Budget 2025	*12*	*-*	*-*	*-*
Main Estimates 2025	*196*	*-*	*-*	*-*
Spending Review Phase 2 2025	*5*	*-*	*-*	*-*
Supplementary Estimates 2025	*9*	*-*	*-*	*-*
Non-Barnett funding				
of which:				
Baseline at SR25	*406*	*318*	*322*	*327*
Spending Round 2024 Additions (SR Phase 1 2025)	*669*	*-*	*-*	*-*
Spring Budget 2025	*-*	*-*	*-*	*-*
Main Estimates 2025	*151*	*-*	*-*	*-*
Spending Review Phase 2 2025	*-*	*-*	*-*	*-*
Supplementary Estimates 2025	*56*	*-*	*-*	*-*
Reserve Claim	*400*	*-*	*-*	*-*
Total Block Grant (Barnett + Non Barnett Funding)	**16,875**	**16,348**	**16,835**	**17,334**
Locally raised revenue				
Regional Rates revenue (before repayment of RRI principal)	861	902	939	978
Repayment of RRI principal	*120*	*130*	*138*	*148*
Regional Rates revenue (after repayment of RRI principal)	741	772	801	831
Total Funding Position (pre Autumn Budget)	**17,617**	**17,120**	**17,635**	**18,165**
Overall Funding				
Total Block Grant (pre Autumn Budget)	16,875	16,348	16,835	17,334
Autumn Budget Resource consequentials[1]	19	132	89	-
Post-Budget Block Grant (post Autumn Budget)	**16,894**	**16,480**	**16,924**	**17,334**
Regional Rates revenue (after repayment of RRI principal)	741	772	801	831
Post-Budget Total Funding Position	**17,635**	**17,252**	**17,725**	**18,165**

Note[1] : This additional funding from Autumn Budget w ill only be available post-Budget, follow ing a Secretary of State for NI confirmation letter and so is not currently included in the Draft Budget for 2026-27 onw ards. The Executive often allocate this funding during Final Budget.

Source: Department of Finance, HM Treasury

4. The proposed NI Budget 2026-27 to 2028-29/29-30

In this Chapter we look at the proposed departmental allocations, in light of the bids they submitted.

The resource allocations

For 2026-27 the Finance Minister's proposed budget assumes funding of just over £17 billion. This leaves aside the additional funding from Autumn Budget which he is not legally allowed to include. But it also leaves aside at this stage the repayment to Treasury of any overspent 2025-26 funds. So we have an odd situation where there appears both more and less money (on paper) to allocate to departments than there should be i.e. Autumn Budget consequentials excluded and overspend repayment not yet deducted.

Just under £110 million is held centrally for Public Sector transformation and debt interest. Over £1.3 billion was effectively pre-allocated to departments for items earmarked by Treasury or by the Executive and just under £4 million was set aside for oversight bodies (NI Assembly, NI Audit Office and the NI Public Services Ombudsman) as directed by the Assembly's Audit Committee. The allocations for these bodies are agreed outside the usual Budget process.

Within that envelope, the resource budget is more or less a politically neutral rolling over of the previous departmental baselines. It represents, in effect, a continuation of existing departmental allocations rather than a significant strategic re-prioritisation. The relative shares of Resource DEL allocated to departments remain broadly in line with recent outturns once earmarked items are accounted for.

This suggests that, notwithstanding the scale of pressures facing the Executive, the Draft Budget largely preserves the status quo in distributional terms rather than reallocating funding in line with emerging priorities or service transformation objectives. It reflects decisions already taken by the Executive, including new expenditure decisions taken in late 2025 in advance of the Budget. As a result, there is very little funding left (£115 million) to allocate after Executive commitments are met with the main recipients being Health and Education.

However, the way the figures are presented creates a misleading impression, in particular of the available headroom, reflecting the fact that the overspend deduction has not yet been incorporated into the figures.

Table 4.1 shows how the Finance Minister has allocated the available resource financing across departments. Across all three years of the budget period Health and Education have been the main recipients of the budget available for allocation, receiving on average 50 per cent and 25 per cent respectively. Justice and Infrastructure receive on average 9 per cent and 6 per cent over the period.

Table 4.1 –Non- ringfenced resource budgets (including earmarked items) for NI departments 2026-29

£ million	2024-25 outturn	2025-26 opening budget	2025-26 Final plan	2026-27 budget	2027-28 budget	2028-29 budget
Health	8,330	8,410	8,898	8,481	8,636	8,804
Education	3,148	3,228	3,584	3,245	3,313	3,393
Justice	1,334	1,415	1,437	1,575	1,497	1,526
Communities	908	938	930	922	944	960
Economy	821	801	842	815	836	845
Agriculture etc.	626	599	657	674	687	693
Infrastructure	611	638	661	655	680	694
Finance	192	240	234	285	306	302
The Executive Office	189	240	189	217	231	231
Minor departments	117	130	135	140	146	145
Departmental allocations	**16,277**	**16,639**	**17,568**	**17,010**	**17,277**	**17,593**
Centrally held[1]	-	76	5	37	278	484
Budget exchange	-	-	-	-	-	-
Anticipated funding	-	-	-	-	-	-
Debt interest (RRI)	55	63	63	72	80	88
Total	**16,332**	**16,778**	**17,635**	**17,120**	**17,636**	**18,165**

Note: [1] includes strategic reserve in £200 million 2027-28 and £400 million in 2028-29

Source: Department of Finance

Table 4.2 - Change in Non- ringfenced resource budgets (including earmarked items) for NI departments, 2026-29

£ million	Change 2025-26 Final plan to 2026-27 budget (%)	Change 2025-26 budget and 2026-27 budget (%)	Change 2026-27 budget to 2027-28 budget (%)	Change 2027-28 budget and 2028-29 budget (%)
Health	-4.7	0.9	1.8	1.9
Education	-9.5	0.5	2.1	2.4
Justice	9.7	11.3	-5.0	1.9
Communities	-0.9	-1.7	2.4	1.7
Economy	-3.2	1.8	2.5	1.0
Agriculture etc.[1]	2.6	12.6	1.9	0.8
Infrastructure	-1.0	2.6	3.8	2.1
Finance	21.6	18.5	7.6	-1.3
The Executive Office	14.6	-9.6	6.4	-
Minor departments	4.0	8.1	4.1	-0.3
Departmental allocations	**-3.2**	**2.2**	**1.6**	**1.8**
Centrally held[1]	708.1	-50.8	644.1	73.8
Budget exchange	-	-	-	-
Anticipated funding	-	-	-	-
Debt interest (RRI)	15.3	15.1	10.9	9.7
Total	**-2.9**	**2.0**	**3.0**	**3.0**

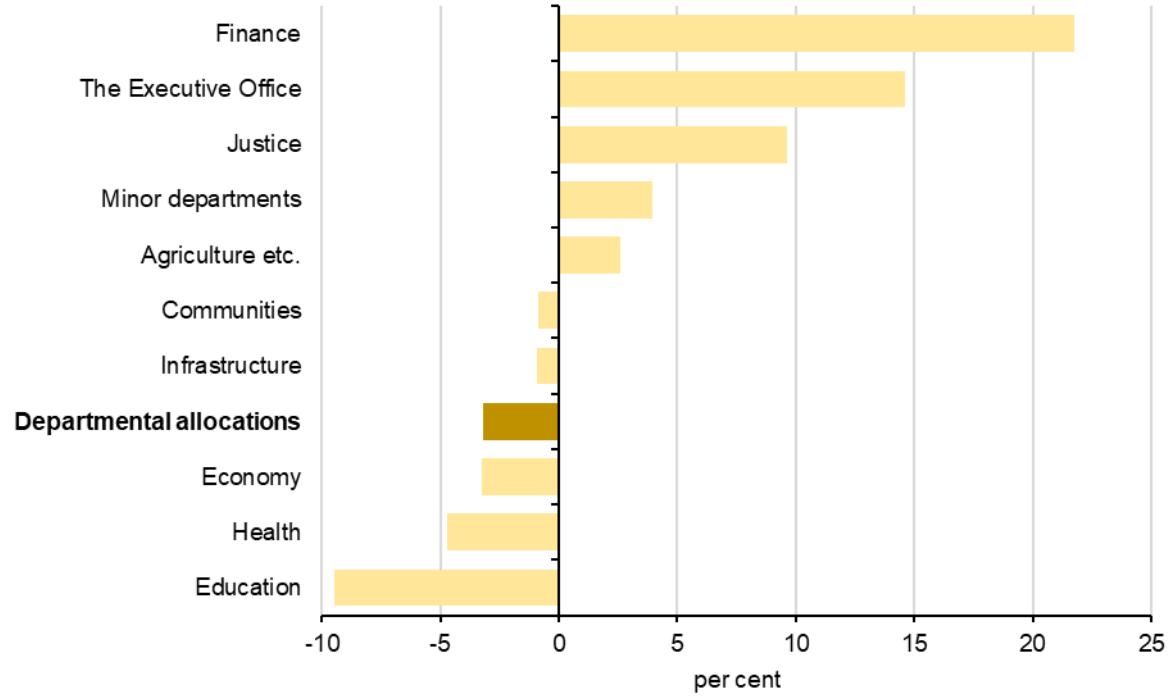
Note: [1] The figures for the budget period include funding of over £70 million for the Windsor Framework which was not included in the opening budget for 25-26. Excluding this would mean an on average increase of around 1 per cent per annum in the Agriculture budget. this will also be the case for a number of other departments although the amounts are much smaller and have less of an impact on the percentage change

Source: Department of Finance

Table 4.2 above shows the change in the proposed departmental RDEL budgets (including earmarked allocations) over the multi- year budget period. In 2026-27 all departments see an increase in their position compared to the 2025-26 opening budget with the exception of Communities and The Executive Office. The largest increases are in Finance (19 per cent), Agriculture (13 per cent) and Justice (11 per cent).

However, for all three of these departments a significant element of the funding allocation is earmarked for specific purposes. Within Finance, over £124 million is earmarked for the rates rebate and replacement of the finance and HR system. In Agriculture £412 million is earmarked for agriculture and fisheries (previously ringfenced by Treasury) as well as funding earmarked to deal with the outworkings of the Windsor Framework (over £70 million in each of the three years) which was not included in the 2025-26 opening budget comparative position. When this is excluded the Agriculture budget only increases marginally (by 1 per cent on average) from 2025-26. In Justice there is over £211 million of earmarked funding of which £119 million is set aside to deal with the PSNI data breach.

Chart 4.1 - 2026-27 resource budget (including earmarked items) compared with 2025-26 Final plan



Source: Department of Finance

As Chart 4.1 illustrates, both Health and Education enter 2026-27 with opening baselines that fall materially below their final plan for 2025-26. These are also the departments that have recorded the largest overspends this year and would be expected to contribute to the £80 million (or more) repayment to Treasury of the Reserve funding in 2026-27. This combination significantly heightens the risk that overspend pressures will reemerge in the new Budget year, even before new pay settlements or emerging demand pressures are taken into account. In practical terms, these departments are being asked to deliver services next year with baseline allocations that are already below the level which would maintain their current spending levels. While several pay review bodies have yet to make a recommendations for 2026-27, the NHS pay review body has already recommended 3.3 per cent for Agenda for Change staff, which it suggests would cost Health around £120 million next year.[36] In Chart 4.1 Justice appears to fare better, but that is because of the inclusion of one-off funding for the PSNI data breach. Finance and The Executive Office similarly see their funding increase but largely as a result of earmarked items.

Table 4.3 below shows the change in departmental allocations excluding these earmarked items, which gives a clearer picture of the change in amounts available for departments for day-to-day spending. This table compares the 2026-27 allocations with 2025-26 opening budget (rather than Final plan as above) because the Final plan position includes earmarked funding. On this basis, there is an overall increase in 2026-27 of 0.8 per cent compared to the 2025-26 opening budget, a further increase of 2 per cent in 2027-28 and an additional 1.8 per cent increase in 2028-29.

[36] https://assets.publishing.service.gov.uk/media/698df41175466636847f6a93/NHSPRB_39th_Report_2026.pdf

In 2026–27, most departments see either a small increase or no change in their Resource DEL allocations. Education, Health, Infrastructure and Justice all receive a slight increase in their RDEL allocations with other departments remaining the same as the opening 2025-26 position. Moving forward to 2027-28 all departments receive an increase ranging from 1.4 per cent for Finance to 3.8 per cent for Agriculture and Infrastructure.

Looking ahead to 2028-29 all departments (with the exception of Finance and the Minor departments) receive an increase to the Resource DEL ranging from 0.5 per cent for the Economy to 2.3 per cent for Education.

Table 4.3 – Non ringfenced resource allocations excluding earmarked allocations

£ million	2025-26 opening budget	2026-27 budget	% change	2027-28 budget	% change	2028-29 budget	% change
Health	8,224	8,287	0.8	8,434	1.8	8,592	1.9
Education	3,145	3,181	1.2	3,238	1.8	3,314	2.3
Justice	1,354	1,364	0.7	1,398	2.5	1,414	1.1
Communities	754	754	-	775	2.8	784	1.2
Economy	781	781	-0.1	800	2.4	804	0.5
Agriculture etc.	262	262	-0.1	272	3.8	277	1.8
Infrastructure	637	642	0.8	666	3.7	680	2.1
Finance	160	160	-0.1	162	1.3	162	-
The Executive Office	86	86	0.5	87	1.2	88	1.1
Minor departments	130	134	3.5	139	3.7	139	-
Departmental allocations	**15,532**	**15,651**	**0.8**	**15,972**	**2.1**	**16,254**	**1.8**

Source: Department of Finance

Table 4.4 shows the amount of each department's budget allocation that had already been earmarked for particular purposes by the Treasury or the Executive collectively. On average this amounts to 7½-8 per cent of the total allocation.

As mentioned above there are significant elements of earmarked funding allocated to a number of departments. In 2026-27 Agriculture and the Executive Office have over 60 per cent of their total funding allocation earmarked for specific purposes – for the former mainly the previously ringfenced agriculture and fisheries funding within Agriculture and for the later payments to cover the Historical Institutional Abuse, Victims payments and Truth Recovery. Finance has just under 44 per cent of its total allocation earmarked for specific purposes including the Rates Rebate scheme, and a new finance and HR system ('Integr8'). Communities has over 18 per cent of its total allocation earmarked for welfare mitigations, housing benefit and the derating grant. Justice receives just over 13 per cent of earmarked funding of which 56 per cent is for the PSNI data breach. Included within the Education earmarked allocations is funding for the Executive's Childcare Strategy of £195 million across the budget period.

This same pattern continues for these departments across the three years of the multi-year budget (with the exception of Justice where the funding for the data breach is for one year only). The earmarked funding reduces funding that is available for departmental day to day priorities and services. While the Executive

may choose to reallocate funding which it has earmarked for a specific purpose, it cannot reallocate funding that has been earmarked by Treasury.

Table 4.4 - Earmarked Resource Items

£ million	2026-27		2027-28		2028-29	
	RDEL allocation	Earmarked share (%)	RDEL allocation	Earmarked share (%)	RDEL allocation	Earmarked share (%)
Health	8,481	2.3	8,636	2.3	8,804	2.4
Education	3,245	2.0	3,313	2.3	3,393	2.3
Justice	1,575	13.4	1,497	6.7	1,526	7.3
Communities	922	18.2	944	18.0	960	18.4
Economy	815	4.2	836	4.3	845	4.8
Agriculture etc.	674	61.1	687	60.4	693	60.0
Infrastructure	655	2.0	680	2.0	694	2.0
Finance	285	43.7	306	47.0	302	46.3
The Executive Office	217	60.6	231	62.2	231	61.9
Minor Departments	140	4.5	146	4.5	145	4.7
Total	**17,010**	**8.0**	**17,277**	**7.6**	**17,593**	**7.6**

Source: Department of Finance

Departmental bids and allocations

Table 4.5 below shows that in 2026-27 departmental bids (excluding earmarked items) totalled just under £2.7 billion with just under £115 million (4 per cent) available for allocation.

Over £1.1 billion (42 per cent) of these bids relate to Health, representing just under 14 per cent of the Health baselines. Education's bids were over £765 million representing 24 per cent of the baseline and Economy's bids totalled just over £270 million representing just under 35 per cent of their baseline.

In terms of allocations, Health is set to receive the vast majority of funding available 55 per cent followed by just over 31 per cent to Education, 9 per cent to Justice and 4 per cent to Infrastructure. Looking at total allocations as a percentage of total bids (excluding the minor departments) Justice received just under 93 per cent of their total bids followed closely by Finance and Health who received just under 89 per cent.

Table 4.5 - Additional resource spending requested by Departments for 2026-27 versus allocations

£ million	2026-27 Baseline	Bids[1]	Allocations	Allocations plus baseline	% of bids met including baseline	% of Executive budget available for allocation
Health	8,224	1,131	63	8,287	88.6	55.0
Education	3,145	765	36	3,181	81.3	31.3
Justice[2]	1,354	116	10	1,364	92.8	8.6
Economy	781	271	-	781	74.3	-
Communities	754	168	-	754	81.7	-
Infrastructure	637	114	5	642	85.5	4.3
Agriculture etc.	262	59	-	262	81.7	-
Finance	160	20	-	160	88.8	-
The Executive Office	86	17	-	86	83.8	-
Minor Departments	130	10	1	130.5	93.7	0.9
Total	**15,532**	**2,670**	**115**	**15,647**	**86.0**	**100.0**

Note [1]: Excluding earmarked bids

Note [2]: these bids exclude those for exceptional pressures such as the PSNI data breach, Holiday pay, McCloud and PSNI Legacy Civil Cases.

Source: Department of Finance

In 2027-28 total departmental bids were just under £3.8 billion with the amount available for allocation more significant than in the previous year at just under £440 million approximately 12 per cent.

Again, Health and Education are the main beneficiaries followed by Justice and Infrastructure. Other smaller allocations have also been proposed for other departments with all departments seeing an allocation in the second year of this budget period.

Finally in 2028-29 the funding available for allocation rises to 15 per cent of the total bids. Again, largest gains were in Health and Education and Justice.

Table 4.6 below shows the percentage change in allocations (excluding earmarked allocations) across the period and agrees to Annex C in the Finance Minister's Draft Budget Written Ministerial Statement. This shows an increase of 0.8 per cent in year one rising by a further 2 per cent in year 2 and again by another 1.8 per cent in year 3.

Table 4.6: RDEL allocation excluding earmarked items

£ million	2025-26 opening position	2026-27 Budget	% change	2027-28 Budget	% change	2028-29 Budget	% change
Health	8,224	8,287	0.8	8,434	1.8	8,592	1.9
Education	3,145	3,181	1.2	3,238	1.8	3,314	2.3
Justice	1,354	1,364	0.7	1,398	2.5	1,414	1.1
Communities	754	754	-	775	2.8	784	1.2
Economy	781	781	-0.1	800	2.4	804	0.5
Agriculture etc.	262	262	-0.1	272	3.8	277	1.8
Infrastructure	637	642	0.8	666	3.7	680	2.1
Finance	160	160	-0.1	162	1.3	162	-
The Executive Office	86	86	0.5	87	1.2	88	1.1
Minor departments	130	134	3.5	139	3.7	139	-
Departmental allocations	**15,532**	**15,651**	**0.8**	**15,972**	**2.1**	**16,254**	**1.8**

Source: Department of Finance

Looking at this with earmarked allocations included and adjusted for inflation shows the change is much more subdued with the increase in 2026-27 cancelled out by a decrease in 2027-28 and remaining flat into 2028-29.

Table 4.7: RDEL allocations including earmarked allocations in real terms (in 2024-25 prices)

£ million	2025-26 opening position	2026-27 Budget	% change	2027-28 Budget	% change	2028-29 Budget	% change
Health	8,170	8,059	-1.3	8,045	-0.2	8,049	0.1
Education	3,136	3,083	-1.7	3,086	0.1	3,102	0.5
Justice	1,375	1,497	8.9	1,395	-6.8	1,395	-
Communities	911	876	-3.9	880	0.4	878	-0.2
Economy	778	775	-0.5	779	0.5	772	-0.8
Agriculture etc.[1]	582	641	10.1	640	-0.1	634	-1.0
Infrastructure	620	622	0.4	633	1.8	635	0.2
Finance	233	270	16.0	285	5.5	276	-3.1
The Executive Office	233	206	-11.6	215	4.3	211	-1.8
Minor departments	126	133	5.8	136	2.0	133	-2.1
Departmental allocations	**16,164**	**16,163**	**0.0**	**16,094**	**-0.4**	**16,086**	**0.0**

Note [1]: as noted in table 4.4 this movement is inflated by the inclusion of funding for the Windsor Framework which was not included in the 2025-26 Opening Budget. Excluding this would result in a real terms decrease in the Agriculture budget of just over 1 per cent in 2026-27

Source: Department of Finance, HMT GDP deflators January 2026

Another way to calibrate departments' bids is to compare the total of their baseline, their bids and their earmarked spending and compare it to the final plan for the previous year (Table 4.8). This shows that every department was seeking an increase to the latest 2025-26 position with the majority of departments (excluding minor departments) requesting between 7 per cent and 30 per cent of an uplift.

Table 4.8 - Departmental resource requirements compared to prior year allocations

£ million	2026-27 departmental baseline	Earmarked allocations	Non-earmarked Bids	Total Requirement[1]	2025-26 Final plan	2026-27 Requirement as a % of 2025-26 Final plan
Health	8,224	195	1,131	9,549	8,898	107.3
Education	3,145	64	765	3,974	3,584	110.9
Justice	1,354	211	116	1,681	1,437	117.0
Communities	754	168	168	1,090	930	117.2
Economy	781	34	271	1,086	842	128.9
Agriculture etc.	262	412	59	733	657	111.6
Infrastructure	637	13	114	764	661	115.5
Finance	160	124	20	305	234	130.2
The Executive Office	86	131	17	234	189	123.3
Minor Departments	130	6	10	146	135	108.1
Total	**15,532**	**1,359**	**2,670**	**19,561**	**17,568**	**111.3**

Note[1]: The total requirement figure that we have calculated is likely to be lower than departments self assessed needs. This is due to our figure being based on earmarked allocations and not earmarked bids. In addition it does not include other high priority and desirable pressures which were not bid for.
Source: Department of Finance

Table 4.9 below shows that The Executive Office, Finance, Justice and Agriculture were most successful in securing bids (aside from the minor departments, the majority of whose budgets are approved by the Assembly's Audit Committee) and all received over 90 per cent of what we assess is their total requirement.[37] At the other end, securing the least was Economy receiving only 75 per cent of the amount bid for.

Looking at the proposed allocations compared to the latest 2025-26 position Finance sees the biggest uplift with just under a 21 per cent increase with Health and Education at the other end of the spectrum both with around 95 per cent and 91 per cent respectively.[38]

[37] Departments themselves may assess their total requirement as higher, because we exclude from our calculation unfunded earmarked bids on the basis that these are areas the departments should not now need to fund (otherwise a general rather than earmarked bid may have been more suitable).
[38] Health and Education figures for 2025-26 include the additional allocations provided by the Executive as part of the HMT reserve claim.

Table 4.9 - Departmental resource requirements versus allocations received

£ million	2026-27 Total Departmental Requirement [1]	2026-27 Total Allocation	2026-27 Allocation vs requirement (%)	2025-26 Final plan	2026-27 Allocation vs 2025-26 Final plan (%)
Health	9,549	8,481	88.8	8,898	95.3
Education	3,974	3,245	81.6	3,584	90.5
Justice	1,681	1,575	93.7	1,437	109.7
Communities	1,090	922	84.6	930	99.1
Economy	1,086	815	75.1	842	96.8
Agriculture etc.	733	674	92.0	657	102.6
Infrastructure	764	655	85.7	661	99.0
Finance	305	285	93.4	234	121.6
The Executive Office	234	217	92.9	189	114.6
Minor Departments	146	140	96.2	135	104.0
Total	**19,561**	**17,010**	**87.0**	**17,568**	**96.8**

Note[1]: The total requirement figure that we have calculated is likely to be lower than departments total needs. This is due to our figure being based on earmarked allocations and not earmarked bids. In addition it does not include other high priority and desirable pressures which were not bid for.
Source: Department of Finance

In 2026-27, once the earmarked funding is allocated there is very little left (only £115 million) for non-earmarked or general allocations in this Draft Budget. Justice, Health, Education and Infrastructure are the main beneficiaries.

Looking ahead to 2027-28 and 2028-29 the picture improves with more funding available for allocation. In the proposed allocations every department receives something with Infrastructure, Justice, Agriculture, Health, and Education being the main recipients of funding.

Table 4.10 – Proportion of submitted non-earmarked bids met

£ million	2026-27			2027-28			2028-29		
	Bid submitted	Bid met[1]	% of bid met	Bid submitted	Bid met[1]	% of bid met	Bid submitted	Bid met[1]	% of bid met
Health	1,131	63	5.6	1,657	210	12.7	2,119	369	17.4
Education	765	36	4.7	979	93	9.5	1,129	169	15.0
Communities	168	-	-	212	20	9.7	247	30	12.0
Justice[2]	116	10	8.6	242	43	17.9	341	59	17.4
Economy	271	-	-	328	19	5.8	447	23	5.2
Infrastructure	114	5	4.3	140	29	20.9	157	43	27.5
Agriculture etc.	59	-	-	86	10	11.7	111	15	13.3
Finance	20	-	-	35	2	6.2	39	2	5.3
The Executive Office	17	-	-	20	2	8.3	24	2	9.9
Minor Departments	10	1	6	16	2	10.4	17	2	9.2
Total	**2,670**	**115**	**4.3**	**3,716**	**431**	**11.6**	**4,631**	**714**	**15.4**

Note[1]:Departmental general allocations
Note[2]: these bids exclude those for exceptional pressures such as the PSNI data breach, Holiday pay, McCloud and PSNI Legacy Civil Cases as well as Transformation bids.
Source: Department of Finance

The conventional capital budget

Capital plans are increasingly shaped by contractual and policy commitments. Uplifts for construction inflation on certain flagship projects further reduce room for manoeuvre within the capital DEL. Overall, in cash terms, the conventional capital budget (Block Grant) remains broadly flat over the period but falls by around 7 per cent in real terms. This narrows the Executive's ability to reprofile or switch towards emerging priorities without displacing existing priorities.

Table 4.11 shows, the funding available and the spending proposed across the 4 years of the multi- year budget. The total funding available in 2026-27 increases by 9 per cent on that available at the end of 2025-26 (due mainly to a reduction in the funding for the A5 not being required).

Table 4.11- Capital DEL capital spending and financing

£ million	2024-25 Final Outturn	Executive's 2025-26 Budget	2025-26 Final plan	Finance Minister's proposed 2026-27 Budget	Finance Minister's proposed 2027-28 Budget	Finance Minister's proposed 2028-29 Budget	Finance Minister's proposed 2029-30 Budget
FINANCING							
Block Grant	1,970	2,141	2,207	2,339	2,308	2,302	2,296
Irish Government Funding	49	79	-	87	155	171	114
RRI Borrowing	220	226	226	232	236	241	245
TOTAL FINANCING	**2,239**	**2,446**	**2,433**	**2,658**	**2,699**	**2,714**	**2,655**
pays for							
SPENDING							
Departmental spending	2,239	2,446	2,424	2,632	2,680	2,701	2,635
Centrally held	-	-	9	25	19	13	20
TOTAL SPENDING	**2,239**	**2,446**	**2,433**	**2,658**	**2,699**	**2,714**	**2,655**

Source: Department of Finance

If we include RRI borrowing and the funding from the Irish Government for the A5 the total capital budget rises in cash terms by 9 per cent by the end of the period when compared to the 2025-26 final plan.

In real terms the total capital funding available increases by just over 1per cent by the end of the period when compared to the final plan for 2025-26.

In terms of the Block Grant, the increase is initially more significant at 4 per cent in real terms in 2026-27 compared to the latest 2025-26 position but it then falls by around 7 per cent across the rest of the period.

Table 4.12 below shows capital allocations by department. Infrastructure is the biggest recipient by far receiving between just under 36 percent of the total departmental spending in year 1 and rising to over 40 per cent in year 3, breaking the £1 billion mark in year 2. This covers water and wastewater as well as funding for the roads including the A5 which is being partly financed by the Irish Government.

The second biggest share goes to Health which receives around 17 per cent of the capital budget across the four years of the budget period. Health's biggest allocation is in 2026-27 before gradually reducing in the following three years. At the other end of the scale are Justice, Finance and the Executive Office which receive around 6 per cent of the budget between them over the 4-year period.

Table 4.12 – Capital spending allocations by department for 2026-30

£ million	2024-25 outturn	2025-26 opening Budget	2025-26 Final plan	2026-27 Budget	2027-28 Budget	2028-29 Budget	2029-30 Budget
Infrastructure	842	917	852	942	1,043	1,081	962
Health	399	391	378	463	462	456	453
Economy	243	205	234	274	271	267	237
Communities	197	270	273	295	319	322	404
Education	336	388	403	355	284	291	291
Agriculture etc.	101	120	128	123	130	126	121
Justice	86	100	101	118	117	114	122
Finance	21	33	34	40	38	30	30
The Executive Office	13	14	15	20	13	11	12
Minor departments	3	8	7	2	4	3	3
Departmental allocations	**2,239**	**2,446**	**2,424**	**2,632**	**2,680**	**2,701**	**2,635**

Source: Department of Finance

Table 4.13 below shows the year-on-year percentage change in departmental capital budgets. This shows a steady increase in the capital funding available until 2028-29. As noted earlier, this drop-off in available funding later in the profile coincides with the expected completion (or reduced funding requirement when nearing completion) of a number of City Deals projects.

Table 4.13 – Capital budgets for NI departments, percentage change

	Change 2025-26 Budget and 2026-27 Budget (%)	Change 2025-26 Final Position to 2026-27 Budget (%)	Change 2026-27 Budget to 2027-28 Budget (%)	Change 2027-28 Budget and 2028-29 Budget (%)	Change 2028-29 Budget and 2029-30 Budget (%)
Infrastructure	2.7	10.5	10.7	3.7	-11.1
Health	18.5	22.6	-0.3	-1.3	-0.6
Economy	33.5	17.1	-1.2	-1.5	-11.3
Communities	9.2	8.1	8.2	0.8	25.6
Education	-8.5	-11.8	-20.1	2.7	-0.2
Agriculture etc.	2.9	-3.6	5.9	-3.1	-4.1
Justice	18.2	16.5	-1.4	-2.6	7.8
Finance	23.1	17.9	-5.0	-20.3	0.0
The Executive Office	42.9	34.4	-35.0	-15.4	9.1
Minor departments	-69.3	-63.6	70.1	-31.1	-7.8
Departmental allocations	**7.6**	**8.6**	**1.8**	**0.8**	**-2.4**

Source: Department of Finance

Departments bid for capital funding against a zero baseline and with projects identified as earmarked, inescapable, pre-committed, high priority or desirable. In 2026-27, on average, inescapable and pre committed bids represent around 75 per cent of total bids with Infrastructure having the highest proportion of their total bids pre-committed followed closely by The Executive Office, Health and Communities. In future years the percentage of bids classified as inescapable or earmarked falls from 65 per cent to just under 53 percent which would be expected as current investment projects come to an end.

Table 4.14 - Capital bids versus allocations by department 2026-27

£ million	Bids	*of which* Inescapable and Pre committed	Inescapable or precommitted bids as a % of total bids (%)	General Allocations	Total Allocations (General plus earmarked)	Total Allocations as a % of available budget (%)
Health	530	445	83.9	354	463	17.6
Minor departments	2	2	79.7	1	2	0.1
The Executive Office	20	17	85.5	19	20	0.8
Infrastructure	1,366	1,189	87.0	605	942	35.8
Education	732	452	61.7	282	355	13.5
Agriculture etc.	211	99	46.8	110	123	4.7
Communities	432	344	79.7	155	295	11.2
Justice	230	151	65.6	118	118	4.5
Economy	535	364	68.0	161	274	10.4
Finance	71	49	68.6	40	40	1.5
Total	**4,131**	**3,112**	**75.3**	**1,845**	**2,632**	**100.0**
As a % of total budget available for allocation	*156.9*	*118.2*	-	*70.1*	*100.0*	-

Source: Department of Finance

Table 4.15 – Overall capital bids versus allocations 2026-27 to 2029-30

£ million	Bids	*of which* Inescapable and Pre committed	Inescapable or precommitted bids as a % of total bids (%)	General Allocations	Total Allocations (General plus earmarked)	Total Allocations as a % of available budget (%)
2026-27	**4,131**	**3,112**	**75**	**1,845**	**2,632**	**100**
As a % of total budget available for allocation	*157*	*118*	-	*70*	*100*	-
2027-28	**5,143**	**3,348**	**65**	**1,694**	**2,680**	**100**
As a % of total budget available for allocation	*192*	*125*	-	*63*	*100*	-
2028-29	**5,699**	**3,261**	**57**	**1,617**	**2,701**	**100**
As a % of total budget available for allocation	*211*	*121*	-	*60*	*100*	-
2029-30	**6,121**	**3,237**	**53**	**1,668**	**2,635**	**100**
As a % of total budget available for allocation	*232*	*123*	-	*63*	*100*	-

Source: Department of Finance

Table 4.16 shows that the proportion of earmarked allocations as a percentage of the total capital budget available ranges from just under 30 per cent to over 40 per cent over the Draft Budget period. Communities has the biggest proportion of their capital allocation earmarked across all four years mainly as a result of the allocations using RRI borrowing for social housing in line with Executive PfG commitments. This is followed by Economy who have a significant proportion of capital funding earmarked for City and Growth Deals, followed by Infrastructure and Health who have significant funding earmarked for the Flagships Mother and Baby Hospital and the A5 and NI Water respectively. As with the Resource Budget the more funding that is earmarked for specific purposes the less is available to the Department for routine investment and maintenance purposes.

Table 4.16 - Earmarked capital Items by department across the four-year capital budget period

£ million	2026-27			2027-28			2028-29			2029-30		
	Total CDEL allocation	Earmarked funds within CDEL	Earmarked as proportion of allocation (%)	Total CDEL allocation	Earmarked funds within CDEL	Earmarked as proportion of allocation (%)	Total CDEL allocation	Earmarked funds within CDEL	Earmarked as proportion of allocation (%)	Total CDEL allocation	Earmarked funds within CDEL	Earmarked as proportion of allocation (%)
Infrastructure	942	337	35.7	1,043	483	46.3	1,081	526	48.7	962	387	40.2
Health	463	109	23.6	462	147	31.8	456	151	33.1	453	143	31.6
Economy	274	114	41.5	271	129	47.7	267	138	51.7	237	112	47.5
Communities	295	140	47.4	319	179	56.1	322	187	58.0	404	264	65.4
Education	355	73	20.5	284	24	8.5	291	54	18.5	291	42	14.4
Agriculture etc.	123	13	10.6	130	20	15.6	126	26	20.8	121	16	13.3
Justice	118	1	0.4	117	1	0.4	114	1	0.4	122	1	0.4
Finance	40	0	0.0	38	0	0.0	30	0	0.0	30	0	0.0
The Executive Office	20	0	0.1	13	0	0.1	11	0	0.2	12	0	0.2
Minor Departments	2	0	0.0	4	0	0.4	3	2	71.0	3	0	0.8
Total	**2,632**	**786**	**29.8**	**2,680**	**983**	**36.7**	**2,701**	**1,084**	**40.1**	**2,635**	**965**	**36.6**

Source: Department of Finance

The financial transactions capital (FTC) budget

Funding in the form of Financial Transactions Capital (FTC) can only be spent on loans to or equity injections in private entities (including institutions like universities). This type of funding arises largely from the Barnett consequentials of UK Government measures to support the housing market. It cannot be spent as a grant and must be provided as a repayable loan or equity investment to an organisation outside central government.

Neither the Executive nor the other devolved administrations have found it easy to spend as FTC-enabled loans or equity stakes in the private sector are not particularly convenient ways to address their investment priorities.

Many large-scale capital projects are delivered by public sector bodies themselves and they cannot use FTC as a funding mechanism. In addition, the small scale of the private sector in NI compared to GB means the number of potential borrowers is reduced.

Table 4.17 below sets out the funding available through FTC which increases over the 4-year period. The Council previously indicated that more FTC may be incentivised by the Treasury's fiscal rule for debt given that financial assets can now be counted on the balance sheet and netted off against total debt.[39] Communities and the Economy are the only recipients in this Draft Budget.

Table 4.17 – FTC financing and spending 2026-30

£ million	2024-25 Final Outturn	Executive's 2025-26 Budget	2025-26 Final plan	Finance Minister's proposed 2026-27 Budget	Finance Minister's proposed 2027-28 Budget	Finance Minister's proposed 2028-29 Budget	Finance Minister's proposed 2029-30 Budget
FINANCING							
Block Grant	38	58	55	92	93	119	141
TOTAL FINANCING	**38**	**58**	**55**	**92**	**93**	**119**	**141**
pays for							
SPENDING							
Departmental spending	32	58	46	82	93	77	118
Unallocated	-	-	9	9	-	42	23
FTC repayment	6	-	-	-	-	-	-
TOTAL SPENDING	**38**	**58**	**55**	**92**	**93**	**119**	**141**

Source: Department of Finance

Table 4.18 sets out the proposed allocations to departments for the Draft Budget period. The increase in requirements from Communities are primarily due to the introduction of Intermediate Rent and the retrofitting of housing association properties to improve energy efficiency. There is also a new loan scheme through Community Finance Ireland which enables the Voluntary, Community and Social

[39] https://www.nifiscalcouncil.org/publications/ni-executives-2025-26-draft-budget-assessment The new investment rule aims to reduce debt as a share of the economy and it defines 'debt' as public sector net financial liabilities (PSNFL) or 'net financial debt' rather than public sector net debt (PSND). This broader definition allows the Government to net off from debt not only liquid assets (like cash and deposits) captured in PSND but also illiquid financial assets, such as equity holdings and loans.

Enterprise sector to access social loan capital to invest in assets. In addition, a scheme is planned for the Northern Ireland Football Fund. In terms of Economy the increase relates to a new net zero fund administered through Invest NI.

Table 4.18 – FTC Proposed Allocations

£ million	2026-27	2027-28	2028-29	2029-30
Communities	73	81	64	105
Economy	10	12	13	13
Total Allocations	**82**	**93**	**77**	**118**

Source: Department of Finance

When looking at the level of underspends in FTC Table 4.20 below shows a potential increase in funding available but not utilised in 2028-29 before falling again in 2029-30. It is however encouraging that the amount of FTC funding available and being allocated is increasing over the period rising by 79 per cent between 2025-26 and 2026-27.

Table 4.19 – FTC actual and forecast underspends 2024-2026

£ million	2024-25 Final Outturn	Executive's 2025-26 Budget	2025-26 Final plan	Finance Minister's proposed 2026-27 Budget	Finance Minister's proposed 2027-28 Budget	Finance Minister's proposed 2028-29 Budget	Finance Minister's proposed 2029-30 Budget
Total FTC budget available	38	58	55	92	93	119	141
Repayment	6	-	-	-	-	-	-
Unallocated	-	-	9	9	-	42	23
Underspend[1] as a % of available budget	**-**	**-**	**17**	**10**	**-**	**35**	**16**

Note[1]: Whilst currently unallocated this amount could technically still be allocated until Final Outturn is agreed.

Source: Department of Finance

Comparison with UK Government total DEL spending in England

Table 4.20 shows that most NI departments will see a greater decrease in real-terms spending than their nearest Whitehall equivalents. It should be noted that departmental responsibilities do not always match very closely, and some functions delivered in England by local government are delivered by central government departments in NI. The mapping of NI to UK departments is shown in Appendix 1.

Table 4.20 – Real-terms total DEL spending increases from 2026-27 to 2028-29 (2024-25 prices)

	NI department (%)[1]	Nearest equivalent UK Government department(s) (%)[1,2]	Difference (percentage points)
The Executive Office	-1.7	-20.6	18.9
Finance	-	-0.6	0.6
Minor departments	0.2	-4.4	4.6
Justice	-6.9	-2.9	-4.0
Infrastructure	7.0	-6.1	13.1
Education	-1.5	-1.4	-0.1
Communities	1.4	-5.9	7.3
Health	-0.4	5.5	-5.9
Economy	-1.8	5.0	-6.8
Agriculture etc.	-1.1	-5.1	4.0
Total (excluding strategic reserve)[3]	**-0.6**	**1.6**	**-2.2**
Total (including strategic reserve)[3]	*1.4*	*1.6*	*-0.2*

Notes:
[1] Per cent change is calculated in real terms using December 2025 HMT GDP deflators. Change in NI departments from 2026-27 to 2028-29 Draft Budget allocations Change in UK 'nearest equivalent' from SR2025
[2] The full mapping of nearest equivalent UK Government departments to their NI counterparts is outlined in Appendix C.
[3] The total real-terms decrease shown for UK Government departments is for equivalent UK Government departments only, and excluding UK Treasury reserves. For NI, two totals including and excluding allocation of strategic reserve are shown
Source: HM Treasury & Department of Finance

The most notable variance in this comparison is in Health. This is one of the spending areas where departmental responsibility maps quite directly from England to NI. It is also the NI department which was first to declare that it would overspend this year, causing a knock-on budget reduction next year at NI Block Grant level. In Table 4.20 we can see that in real terms Health in NI takes the second-largest relative hit to funding in the proposed Budget. All other things being equal, leading towards two outcomes:

- **Increased financial pressure** across the health and social care system
- **Worsening service** provision

The overall position is of a small decline in total NI DEL compared to a small real increase in equivalent Whitehall departments, based on the £400m strategic reserve remaining unallocated in 2028-29. Once the £400m is fully allocated (to whatever the emergent priorities are at that time) total NI DEL grows by a broadly similar amount as we would expect given the 24 per cent top up to comparable funding. It would not be surprising to see the bulk of the Strategic Reserve ultimately allocated predominantly to the largest spending departments.

Two of NI's larger spending departments (Health and Justice) are among those with the greatest disparity to their Whitehall counterparts prior to the allocation of the Strategic Reserve. We would expect this to result in a growing divergence in service capacity and performance as some of the most critical NI departments struggle to match the levels in England. Although Education in NI and Whitehall face similar declines in real-terms funding, this year's overspending in Education in NI sets a more difficult starting position for the department.

Does the budget balance?

Formally speaking, the Minister's draft proposals balance in terms of funding and spending figures. However, there are several caveats to this balancing act.

- The Minister in his original WMS announcing his Budget proposals recognised that a cut would be required from the position he has set out, to account for the repayment of the 2025-26 overspend.
- The Executive and Treasury have agreed that £80 million (or more if the overspend in 2025-26 exceeds £400 million) will be deducted in 2026-27, £160 million in 2027-28 and £160 million in 2028-29. These reduce the Budget available from that presented in the Finance Minister's initial proposals, and the Strategic Reserve is only available in 2027-28 and 2028-29. In order to balance again in 2026-27, the Budget will have to be cut by at least £80 million (and up to £57 million further depending on the level of overspending in 2025-26).
- The Budget also assumes that new pay pressures (at 3 per cent) will be absorbed by departments over the course of the year. Whether 3 per cent is a reasonable figure is one thing, it is another to expect that departments who overspent this year will keep within a more-or-less flat envelope, or even a reduced one, when faced with the new pay pressures.
- Without meaningful transformation or greater fiscal effort, it is hard to see a sustainable solution over the Budget period.

Consequently, although the figures in the document balance, they do not represent a likely (or even possible) Budget outcome.

In order to make the Budget balance the Executive will either have to apply the penalty directly as a cut to those overspending departments (Health and Education), or to cut other departments and spread the pain. In either case, the Final Budget outcome will be materially different to that presented here. In a meaningful and practical sense (that is ruling out rather improbable possibilities that something could happen to add appreciable resources to the NI Block Grant) this Draft Budget, as presented, may well not balance *ex post* even if it does *ex ante*.

Public sector pay and the difficulty in balancing Budgets

Public-sector pay represents one of the most significant and persistent pressures on NI's public finances, and the challenge is fundamentally structural rather than temporary. The combination of NI's comparatively large public-sector workforce, the structure of its pay system, and the operation of the Barnett formula—under which funding grows in line with population rather than workforce size—means that maintaining pay parity[40] with England creates a recurring gap between the cost of pay awards and the associated funding received. As NI's public-sector funding premium over England has fallen from almost 40 per cent in 2018-19 to around

[40] The term 'pay parity' is used when pay scales **and** any inflationary uplift to those scales are the same between NI staff and their GB counterparts. The term 'pay rate parity' means that inflationary uplifts are the same, but the pay scales themselves may be different.

24 per cent (its assessed level of need) over the Draft Budget period, this mismatch has become more acute.

In practice, parity in pay levels and increases can only be sustained through reducing staff numbers, cutting other services, or raising additional revenue. Despite periodic one-off support from the UK Government, these pressures have intensified in recent years and now constitute a central constraint on the sustainability of the Executive's Budget.

A large public sector workforce relative to England

NI has a public sector that is relatively larger than other parts of the UK, and particularly England. This last comparison is the important one, because of the way the Barnett formula delivers funding based on changes to spending by UK Government departments in England. NI receives an uplifted (by 24 per cent) population-based share of changes to what is spent to deliver equivalent services.

This means that if NI has more than 124 per cent as many workers as England per head of the population in a sector, and we assume that the pay is equal, there will be a gap in the funding that is provided for equivalent pay deals in NI when pay settlements are reached in England.

Chart 4.2 shows that the total NI public sector employment is 144 per cent per head of the level in England (NI= 144, England=100). This is an additional 20 percentage points above the level of NI's funding need (NI=£124, England =£100). Chart 4.2 also shows the relative level of employment in the four largest public sector workforces: health staff, teachers, the NI civil service, and police officers. Above each column is the size of the workforce.

In each of the different sectors relative employment is above NI's 124 per cent level of need compared to England. The largest employer – the Health Trusts - employs 149 per cent of the equivalent employment per head of population in England, the PSNI has 137 per cent of the officers, and teachers 131 per cent. The NICS employs 123 per cent of the equivalent in England, fractionally below the 124 per cent level of relative need. However, if we apply a comparability adjustment, at broadly the level used in relative funding, we find the NICS employs 183 per cent per head of England in devolved areas.[41] (This corrects for UK civil servants working in areas such as defence and foreign policy that are not devolved to NI.)[42]

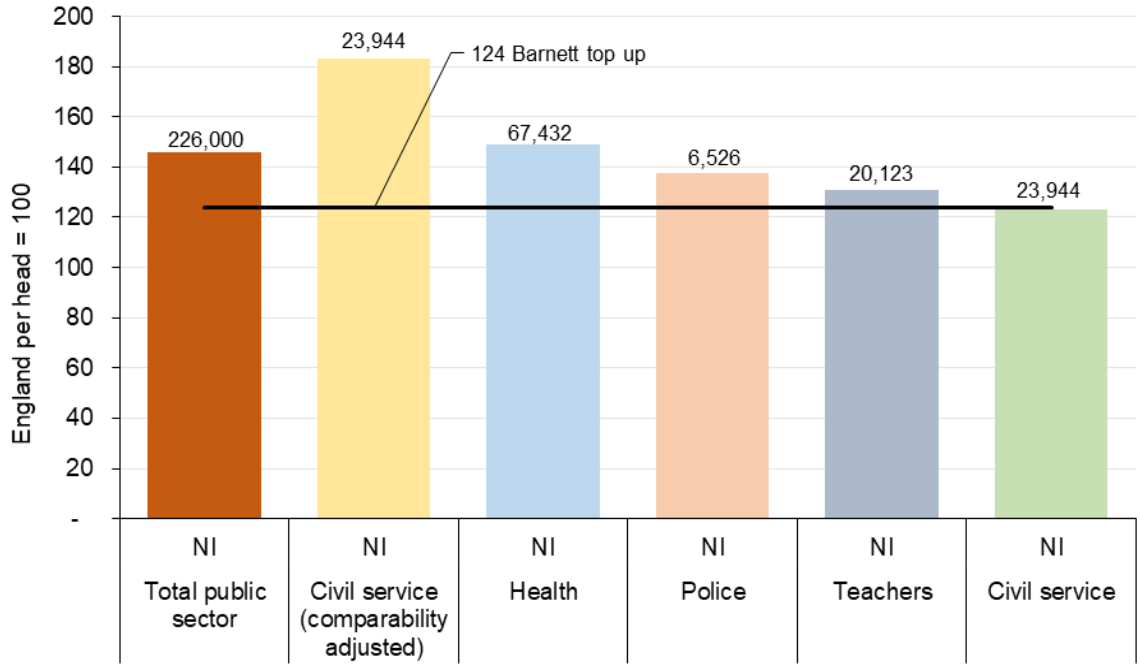
This should not be taken to imply that there are almost two people in the NI civil service doing the same job as one person in England. For example, some of the difference can be explained by the functions undertaken by the NICS which are undertaken by Local Authorities and Arm's Length Bodies in England. Some civil

[41] These figures are based on a calculation which excludes 2,200 civil servants who are employed by the NICS on behalf of the UK government to deliver social security processing services for England. If these 2,200 staff are included in the calculation the relative numbers are 135 per cent (unadjusted) and 201 per cent (comparability adjusted)

[42] To calculate the comparability adjustment, we applied to UK departmental expenditure data the comparability factors that are set out in the Statement of Funding Policy (and are agreed for each function with input from NI departments): https://assets.publishing.service.gov.uk/media/684859e3d0ca5d7801e4e6f6/Statement_of_Funding_Policy.pdf. This gives a 'comparability adjusted' UK spending total which is, on average, around two thirds of the unadjusted total. In effect this shows that approximately one third of UK Government spending is on reserved/excepted (i.e. non-devolved) matters. This allows us to undertake a broad-brush comparison, assuming that around one third of civil servants in UK departments are working in areas for which there is no equivalent in NI – for example, Defence or the Foreign Commonwealth and Development Office.

service jobs in NI are also fulfilling functions for the UK Government and paid for by the UK Government. Nonetheless, the budgetary challenge for NI remains due to the relatively larger civil service and the operation of the Barnett formula.

Chart 4.2 - NI public sector workforce per head compared to England



Note: source for total public sector is Table 6a from ONS public sector employment statistics to maintain consistency with Chart 4.3

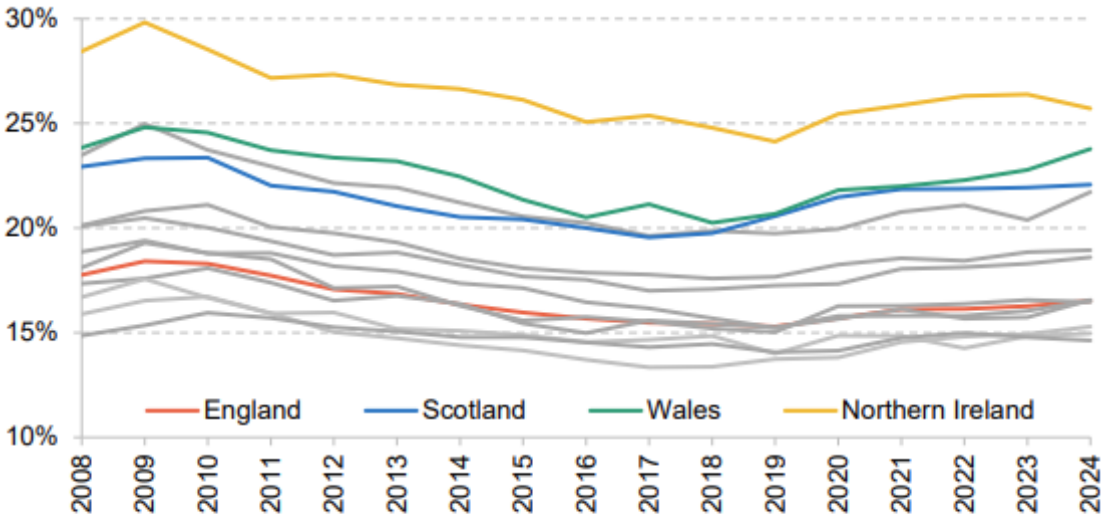
Source: DE (NI), DE (UK), PSNI, Home Office, DoH, NHS England, ONS

A large public sector workforce relative to overall employment

Not only are the largest public sector workforces relatively larger than their equivalents in England, per head, the NI public sector is disproportionately large compared with total employment in all other parts of the UK.

Chart 4.3 shows that the dominance of public sector employment in NI has persisted since 2008 with the NI gap at the top of the chart remaining broadly consistent for the whole period, except for a notable narrowing between NI and Wales the final year. The pre-Covid trend of a falling public sector share has reversed in the last few years.

Chart 4.3 - Public sector employment as a percentage of overall employment, by nation and region of the UK (English regions shown in grey)



Note: Excludes the effects of major public sector reclassifications.

Source: Authors' calculations using ONS 'Public sector employment statistics', tables 6a and 7a.

This means that the public sector workforce is larger than the funding that NI receives for delivering equivalent services to England.

Our preliminary work in this area has revealed sufficiently compelling evidence of a structural funding gap that we intend to revisit the topic in more detail in a special focus sustainability report later in the year. When we do so, we will consider what the options the Executive has available to fill the gap. Broadly these will likely be to:

- **Reduce the relative size** of the workforce
- **Break pay parity**, and employ the same number but for less pay
- **Raise additional revenue** to close the funding gap
- **Divert funding from other public services** to fund public sector pay

5. Concluding reflections

Our core remit in relation to draft Budgets is to assess whether or not they balance. While on paper the expenditure proposed by the Finance Minister is matched by equivalent funding across all three categories, there are good reasons to suggest that the resource budget, in particular, will be hard to balance in practice.

By providing short term financial support, without any conditionality, to cover most of the Executive's expected overspend this year – and in addition agreeing to a relatively generous three-year repayment period – the Treasury is helping NI departments ameliorate what would otherwise be a sharp fall in their real spending capacity next year. But by offering another *de facto* bailout, and thereby sending a signal that similar support might be available in future years, the Treasury is also potentially discouraging the Executive from facing up to some difficult fiscal choices that it needs to engage with – such as whether and how to raise more revenue or whether to maintain current public sector employment levels and pay parity with the rest of the UK. The Treasury's *Statement of Funding Policy* says that overspending against available budgets by the devolved governments constitutes "serious financial mismanagement", but by in practice accommodating it there is a danger of normalising it.

While the Draft Budget balances on paper, it is unlikely to unfold as presented. Political disagreement, the overspend recovery and structural pay pressures mean the Final Budget will need to differ materially from the draft allocations. In practice, the figures presented here should be read as indicative rather than deliverable.

The Executive currently faces pressure originating from the withdrawal of the temporary £520 million restoration support in 2024-25 and 2025-26 combined with current-year overspending (currently over £400 million) in Education and Health. Under the established framework, any final overspend would be removed from a subsequent year's Block Grant, increasing the challenge in 2026–27.

While the Budget technically balances (with significant difficulty to all Ministers) it does so only by ignoring for now the overspend repayments agreed over the next three years. The overspending penalty will require cuts from this position to repay the £400 million Reserve claim (and up to £57 million of additional overspending above the level of the Reserve claim).

The Executive might well overspend next year even without having to repay the overspend from this year. 2026-27 will see inflationary rises, new rounds of pay settlements for public sector staff, and a greater level of pre-committed Executive spend areas than 2025-26. It is unlikely that departments could manage these significant upward pressures within a 'flat in real terms' funding envelope. And, of course, repaying the overspending from this year turns this flat position into a cliff edge (again).

As well as resulting in a reduction to the 2026-27 Block Grant, overspending in 2025-26 could jeopardise negotiations with HMT on a full Fiscal Framework and other issues. The recurrence of overspending also raises a wider concern: that fiscal

discipline is weakening to the point where the credibility of the Budget process itself may be at risk.

Planning assumptions in the Draft Budget include year-on-year increases of around 5 per cent in the domestic Regional Rate and 3 per cent for the non-domestic rate. In the context of inflation and underlying cost growth, these imply only a modest increase in real terms revenue effort. The Draft Budget as presented does not meaningfully increase revenue raising over the period to help deal with its challenges. In real terms, planned revenue growth is essentially flat, which does not imply any significant additional fiscal effort. This means that locally raised revenue is not making a material additional contribution to closing the Executive's funding gap.

The draft multi-year Budget largely rolls forward previous allocations and previously agreed or earmarked commitments, with limited new prioritisation across services. In that sense, it is fiscally "neutral" in its distributional choices rather than a strategic re-allocation of resources.

Pay dynamics are the central medium-term driver of pressure. Use of the UK Government package funding to address pay, as well as the ongoing struggle to match pay awards in England points to public-sector pay as the dominant source of structural pressure. Parity aspirations with England across large staff groups are constrained by population-based Barnett formula, creating a recurring gap between the cost of matching pay outcomes and the funding consequentials received. The Executive faces a policy choice and trade-off between the extent of pay parity, workforce scale and service levels, or the available revenue base.

In summary, it is clear the Executive faces growing cost pressures, particularly in health and education much of which stem from public sector pay. Without new, recurring funding or significant reform, the gap between what the Executive hopes to deliver and what it can afford will widen. This is a multi-year Budget, which is to be welcomed, but opportunities will be missed if the Executive does not strategically review departmental expenditure and prioritise sustainability.

The NI Budget is in a not dissimilar position to that which led to the most recent Executive collapse in 2022, when a Budget could not be agreed. The then Finance Minister covered several points in his 11 Oct 2022 Written Ministerial Statement (WMS) that closely parallel those currently facing the Executive:[43]

*"I consider it vital that a **pay award** be provided for public sector staff. Unfortunately, the latest spending forecast provided by departments would indicate that such a pay award is unaffordable."*

*"…the latest forecasts provided by departments have shown that spending now reflects budget levels which most departments could not have a reasonable expectation of receiving. …there is no further funding available to address the projected overspend. Therefore, current forecasts indicate that **a breach of the Block is now a very real risk** if action is not taken."*

[43] https://www.finance-ni.gov.uk/sites/default/files/publications/dfp/Finance%20Minister%20-Written%20Ministerial%20Statement%20-%202022-23%20Budgetary%20Position.pdf

"Under the Statement of Funding Policy ***any overspend would be taken from next year's Budget****, exacerbating an already difficult financial position."*

As in October 2022, Health and Education were the two largest sources of projected overspending, with the WMS referencing pay costs in those departments as a significant pressure.

One could argue that the Executive has not been able to change its spending course since its return. The two years of support under the financial package, plus the write-off of previous Reserve claims and the unexpected boost in Barnett consequentials at Autumn Budget 2024, in addition to the most recent Reserve claim have allowed the Executive to balance the books, but only temporarily.

This adds impetus to the need to make painful decisions on cuts or revenue-raising measures. The importance of credible fiscal planning, prioritisation, and the strategic use of transformation funding remains central to improving sustainability within NI's public finances.

In summary:

- while the Draft Budget balanced on paper *ex ante*, a cut will now be required in each year (£80 million in 2026-27, £160 million in 2027-28 and £80 million in 2028-29) to address the repayment of at least £400 million (although the Executive's 'Strategic Reserve' could be put towards the repayment in 2027-28 and 2028-29).
- Short-term interventions do not solve the problem, and perhaps make discipline weaker, lowering credibility that the Reserve loan will be repaid as planned.
- The combination of structural pay pressures, overspend repayment, and flat real-terms funding creates a position in which departments are unlikely to operate within their allocations over the period.
- Without corrective action, whether through additional funding, reform, or revenue raising, the proposed Budget is unlikely to remain deliverable in practice.

Appendix 1 Mapping of nearest equivalent UK Government departments

Please note: departmental responsibilities do not always match very closely, and some functions delivered in England by local government are delivered by central government departments in NI.

Table A1 – UK nearest equivalents to each NI Civil Service department

NI department	Nearest equivalent UK Government department(s)
Agriculture, Environment and Rural Affairs	Environment, Food and Rural Affairs
Communities	Culture, Media and Sport HM Revenue and Customs Housing, Communities and Local Government Work and Pensions
Economy	Business and Trade Energy Security and Net Zero Science, Innovation and Technology
Education	Education
Finance	HM Treasury
Health	Health and Social Care
Infrastructure	Transport
Justice	Home Office Justice
The Executive Office	Cabinet Office
Minor departments	Law Officers' Departments Small and Independent Bodies

Source: NI Fiscal Council