

NORTHERN IRELAND FACES GROWING LONG-TERM PRESSURE ON PUBLIC FINANCES

NI has entered the financial year without an agreed Budget. Departments will soon be operating under emergency arrangements that cap spending limits to 95 per cent of last year's Budget. While this allows public services to continue it weakens the normal mechanisms of scrutiny and carries increasing risk of overspending as the year progresses.

There is also potential for tension if ministerial spending expectations exceed the legal limits within which officials are required to operate.

Continued delay in agreeing a Budget risks undermining the Executive's ability to retain and deploy around £3 billion in annual receipts. It could also inhibit departments from meeting pay settlements and the discharge of statutory obligations towards the end of this fiscal year.

Looking beyond the immediate position, the Council broadly agrees with the direction of the HM Treasury's Open Book Review. NI faces a set of familiar structural challenges: spending pressures that outstrip funding, a relatively large public sector pay bill, and comparatively low levels of locally raised revenue. Although the themes of the Review are well founded, some of the estimates - particularly regarding the scale and pace of achievable savings in health - appear to contrast with the work of other experts.

In comparing funding levels across the Devolved Administrations the Council finds that Scotland and Wales are currently funded above their levels of assessed need. NI is currently funded around - or slightly below - its needs-based level. If it was to be funded like Wales or Scotland, NI might receive between £1 billion and £3.5 billion more annually. But, while this is mathematically possible, it is only one of the options available to Treasury, and it does not seem the most likely. The Council report recommends addressing the structural spending pressures within NI Block Grant regardless of negotiations with the UK Government for additional funding.

Recent population projections have nudged the assessment of relative need downwards. The implied funding premium has fallen slightly from around 124 per cent to approximately 123 per cent of comparable spending in England. Restoring the previous position would require an additional £170 million to be added to the Block

Grant. This underlines the sensitivity of NI's funding settlement to relatively small demographic changes.

Taken together, these factors point to a fiscal challenge that is structural rather than temporary. The absence of a Budget increases short-term risks to financial management and service delivery. But even with a Budget in place, the longer-term pressures would remain.

The priorities identified by the Council are: to restore a stable and credible budgeting framework in the near term, and for the Executive to pursue sustained action to bring spending and funding onto a more sustainable footing over time.

Sir Robert Chote, Chair of the Council, said:

"There is nothing especially mysterious about the challenge here. Spending pressures are rising, funding is not keeping pace, and the gap between the two will need to be closed one way or another. Operating without a Budget may be manageable for a short time, but emergency arrangements are not a substitute for an Executive taking strategic decisions. The longer-term pressures will not resolve themselves, and the sooner they are addressed in a systematic way, the better the prospects for putting NI's public finances on a more sustainable footing."

Notes to editors:

1. Further information on the NI Fiscal Council is available here: [Sustainability Report 2026 | NI Fiscal Council](#)
2. Follow us on Twitter: [@NIFiscalCouncil](#)
And on Bluesky at: <https://bsky.app/profile/nifiscalcouncil.bsky.social>