



Northern Ireland
Fiscal Council

Bringing transparency to NI's public finances

Sustainability Report 2026

June 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 report on the sustainability of the Executive's public finances, including the implications of spending policy and the effectiveness of long-term efficiency measures”. This allows us to look at long-term opportunities and challenges confronting the NI public finances alongside the short- to medium-term issues covered by our reports on the Executive's (Draft) Budgets.

Our first Sustainability Report was published in September 2022 and was in two parts. The first examined how we should think of fiscal sustainability at an aggregate level for a Devolved Administration with limited borrowing powers. The second focused on the fiscal sustainability of the NI health system, the largest single component of the Executive's budget. Our second Sustainability Report focussed on an assessment of the fiscal sustainability of NI's water and sewerage services.

In this report we have produced significant new material related to NI's current and future funding premium relative to England, Scotland and Wales as well as commentary on the longer-term measures proposed in Treasury's 'Open Book Review', and on the impact of population projections. As a result, we have chosen to publish this material as a Sustainability Report, even though it also contains an update to the position in the 2026-27 fiscal year.¹ We hope that stakeholders find this combination useful given the unusual circumstances this year.

The Fiscal Council members are responsible for the content of this report, but we have relied on the hard work and expertise of our colleagues Jonathan McAdams, Roisin Kelly, Colin Pidgeon, Ryan Hill, Julie McIlhatton, Celine Scott and Alanna King.

We are also very grateful for the time and patience of officials from NICS departments and Treasury, but what follows is our independent assessment. We have come under no pressure from NI Executive or UK Government Ministers, advisers or officials to include, exclude or change any material.

The report is structured as follows

- Chapter 1 is an **Executive Summary**.
- Chapter 2 deals with **the absence of a budget** for 2026-27 and the implications for departmental spending
- Chapter 3 sets out the **departmental planning envelopes**

¹ Which was the subject of our Budget Report in February: <https://www.nifiscalcouncil.org/publications/finance-ministers-proposed-2026-27-2028-2929-30-budget-assessment>

- Chapter 4 gives an assessment of **the HM Treasury's Open Book Review** of the NI budget
- Chapter 5 compares **the funding position for Scotland and Wales**
- Chapter 6 sets out an assessment of **the most recent population projections** and the implications of these for NI's likely current level of premium relative to England
- Chapter 7 summarises our **conclusions**

1. Executive Summary

In this report we first provide an update on the immediate fiscal issues facing NI in 2026–27, highlighting the implications of operating without an agreed Budget, before turning to several longer-term issues. These include: a discussion of HM Treasury’s Open Book Review; an assessment of comments by the First Minister and Finance Minister about NI’s relative funding position; and an overview of the impact of recent changes to the population factors affecting NI’s relative funding position.

The absence of an agreed Budget

NI has entered 2026–27 without an agreed Budget. Departments are currently operating to their Vote on Account limits (around 45 per cent of prior-year spending) but contingency powers would trigger on 1 August that allow the Permanent Secretary of the Department of Finance (DoF) to authorise spending up to 95 per cent of last year’s limits, in the absence of a Budget Act. While these mechanisms allow public services to continue functioning, they weaken budget management and democratic accountability. They also carry significant risks, notably the potential loss of authority to retain and spend income (approximately £3 billion annually). Without intervention in the form of a Budget Act, this situation introduces financial and governance challenges that would inhibit departments’ ability to meet pressures on pay and other statutory obligations.

Departmental planning envelopes

The DoF Permanent Secretary has pre-emptively provided departments with contingency planning envelopes, in advance of his using the formal powers to authorise spending in the absence of the Budget Act. These envelopes are non-binding and for planning purposes only at this stage. They do not cover AME and non-budget funding, but only resource and capital DEL spending and they indicatively allocate around 96 per cent of the resource funding that will be available to specific departments. Around £620 million of expected resource funding remains to be allocated (albeit some of this will be centrally held for specific purposes).

The last time these emergency powers were triggered in 2022, the then DoF Permanent Secretary initially authorised to departments only 60 per cent of the previous year’s funding. This ‘staged’ approach may be used again, but this time departments have been made aware in advance of their contingency planning envelopes, so they should be better able to plan for a full-year position.

Several Ministers have indicated that they cannot balance their budgets within the proposed allocations in the Finance Minister’s draft Budget, raising the likelihood of overspends against Treasury’s controls. Without an agreed Budget there is a risk of governance tensions for departmental Permanent Secretaries, i.e. between the limits placed on spending by the DoF Permanent Secretary and the expectations of Executive Ministers. As we have seen in previous years, Ministerial Directions could cause spending to exceed limits.

HM Treasury Open Book Review

The HM Treasury Review identifies a number of structural weaknesses in the Executive's finances, including spending above limits, a relatively high public sector pay bill – primarily because of higher staff numbers, and relatively low revenue generation.

The Council agrees with the broad priorities and conclusions of the Review, but we express some concerns regarding the methodology used and the deliverability of some of the suggested savings – particularly in areas such as Health where the scale of potential savings appears to be much less than in the Treasury's assessment. The Treasury's assessment that potential savings and revenue increases exceed £3 billion a year risks deterring fiscal effort if the total seems implausible.

The funding position in Scotland and Wales

The First Minister and Finance Minister have recently argued that NI is funded less generously than Scotland and Wales, because they receive funding-per-head well above their estimated need while NI is funded broadly in line with need. They claim that if NI was to be funded like Wales it would receive around £1 billion more per year, and if like Scotland, around £3 billion more per year. These assertions have been questioned the UK Government, in part because the UK Government does not recognise an agreed level of need for Scotland.

Our analysis suggests that these estimates are reasonable. But it would not necessarily be good policy to increase NI's funding well above need simply to match Scotland or Wales, especially from the UK Government's perspective. One might conclude that it would be fairer and more sustainable to reduce funding in Scotland and Wales closer to need. But this would be very politically challenging for any UK Government, which helps explain why the Barnett formula and the historical funding premium that Scotland has enjoyed have persisted so long. It should also be remembered that NI was also funded well above need until relatively recently.

The impact of new population projections

Estimates of the extent to which funding per head in NI or the other devolved administrations exceeds that in England are sensitive to estimates of the current and future population in each of the nations. When the Treasury assessed NI's funding premium relative to England at the time of the last Spending Review it used the mid-year population estimates available at the time.

Recently published 2024-based population projections suggest slower growth in England's population than expected, largely because of lower inward migration than had been projected. NI's population projection is less affected by this downwards revision for the new migration assumptions, and so NI's population relative to England's is expected to be larger than previously expected. This has the effect of increasing the estimated size of NI's population relative to England and lower the premium it enjoys in spending per head.

We estimate that the new projection lowers the funding premium slightly from around 124 per cent of spending per head in England (in line with estimated need) to around 123 per cent. We estimate that it would take approximately £170 million

to restore NI's funding to its assessed level of need. The current fiscal framework does not have a mechanism to restore this premium; neither would it impose cuts on NI if the population projections had moved in the opposite direction.

Concluding Reflections

The Treasury's Open Book Review and our own work indicate that NI faces structural budgetary challenges as well as short-term budgetary and political ones this financial year. Emergency powers that trigger on 1 August will more likely than not result in the further weakening of financial management. If agreement on a Budget is not reached by the last few months of this fiscal year, it could impede the ability of departments to pay staff or meet statutory obligations.

The First Minister and Finance Minister's estimates of the funding that NI could receive if funded 'equivalently to' Wales or Scotland are not unreasonable, mathematically. But the HM Treasury is unlikely to be receptive to an argument that Devolved Administrations should in principle be funded at similar relative levels that are significantly above their level of need relative to England. The debate will be complicated by the fact that NI's relative funding-per-head appears to have fallen slightly below its needs-based level as a result of new population estimates.

Action on multiple fronts – both spending and revenue - will be required to put the Executive's finances on a more sustainable footing. At present it looks as though departments are overspending relative to available funding again, but the parties in the Executive are making fresh arguments that NI is underfunded rather than taking steps to agree a Budget that can then be sustained in balance. With an Assembly election looming, the parties may be assuming the Treasury will bail them out again. But operating on that assumption is not without risks to NI's public services.

2. Budget management without a Budget

NI entered 2026-27 without the Executive having agreed a Budget for the financial year. This undermines the effective management of departmental spending and exposes the Executive to greater fiscal risk. But it is not without precedent.

In order to fund public services, departments need access to both cash, and the authority to use 'resources'. The latter means having budget cover and the statutory power to spend under the Treasury's public expenditure control framework. NI departments are currently operating within Vote on Account (VoA) limits that allow them to spend up to around 45 per cent of what they were funded to do last year. This should be sufficient for them to operate until August/September² when under 'normal' circumstances a Budget Act would be in place.

The fact that an Executive Budget has not yet been agreed means that the Budget Act(s) may drift beyond the usual timeframes – or possibly even fail to be enacted at Stormont. If agreement continues to slip, departments will need to operate within the Vote on Account ceilings for longer than they are designed for, and fallback provisions will be engaged, as we describe below.³

The normal budget cycle

The Vote on Account mechanism is a normal feature of the NI budget cycle – even when the Executive agrees a Budget before the beginning of the financial year, it will not have been legislated for. The VoA provides interim legal authority for the Department of Finance (DoF) to provide cash from the NI Consolidated Fund, and for departments to use that cash in the early months of the new financial. The VoA also provides interim legal authority for the use of resources by NI public bodies year - pending the Main Estimates and the associated Budget Act that provide formal legislative authority. This first Budget Act of the fiscal year normally puts the opening-Budget position on a statutory footing.

The Finance Minister would typically bring Main Estimates and a Budget Bill to The Assembly in May, with Royal Assent expected during the summer months. This new Budget Act then comes into effect before departments reach their Vote on Account limits. The Act replaces the VoA with full-year voted provision and puts the whole annual Budget on a statutory footing.

Contingency mechanisms

If a Budget Bill has not been passed and received Royal Assent before the end of July, the statutory contingency mechanisms in section 59 (3) to (5) of the Northern Ireland Act 1998 and section 7 (3) to (5) of the Government Resources and Accounts

² In the 2025-26 Spring Supplementary Estimates process the Executive and Assembly had the opportunity to raise the VoA ceiling to a higher level than 45 per cent but chose not to.

³ This Chapter is not intended to be legal advice - it is correct to the best of the Council's knowledge and is provided to assist stakeholders to understand the unusual position of NI's public finance governance this year.

(NI) Act 2001 come into play.⁴ Under these measures the authorised officer (the Permanent Secretary at DoF or another officer nominated by him) may authorise funding to, and expenditure by, departments for the year, subject to two overall ceilings:

- **sums (of cash)**⁵ issued under section 59 of the NI Act 1998 for the year **must not exceed 95 per cent** of the total amount authorised under the previous year's Budget Act (total level, including cash to fund AME and non-budget items), and
- the use of **resources** under section 7 the GRAA (NI) Act 2001 is **similarly limited to 95 per cent** of the total amount of those authorised by the previous year's Budget Act (total level, including cash to fund AME and non-budget items).

These provisions function as a legal contingency measure. The UK Parliament's explanatory notes on the 2023-24 Budget (No. 2) Bill⁶ explicitly characterise section 59 as "emergency powers" and note it is a last resort if Vote on Account limits are exhausted. Section 59 is designed to prevent a "hard stop" if the normal Budget Act timetable fails.⁷ Section 7 of the Government Resources and Accounts Act (NI) 2001 is the matching resource-side contingency power, allowing the authorised officer to authorise the use of resources pending a Budget Act.

These contingency measures provide access to cash and resources, but they do not replicate the full Estimates/Budget Act framework that provides a detailed structure against which departmental accountability and audit operate. Making use of them is clearly a sub-optimal way to manage the budget and public spending.

Under these contingency provisions the funding available to the Finance Permanent Secretary is usually less than the normal Budget Act process, and if NI continues without a Budget Act this year, the 95 per cent controls would form a hard limit on the total expenditure that is legally possible for the year.⁸

⁴ Note that the trigger for Section 59 to be used is not a fixed date but instead the absence of legal spending authority i.e. a Budget Act

⁵ 'Cash' refers to the actual cash that may be issued out of the NI Consolidated Fund to meet payments (the contingency power in s59 NI Act 1998 relates to authorising such cash issues when a Budget Act is not in place). 'Resources' refers to the accruals-based cost/consumption of activity (recorded when costs are incurred rather than when cash is paid); resource accounting and budgeting was introduced so the Assembly votes resources on an accruals basis as well as voting cash, and s7 GRAA (NI) 2001 is the matching contingency power for authorising that use of resources. The levels set in 2025–26 were £27.4bn for cash and £30.9bn of resources.

⁶ <https://publications.parliament.uk/pa/bills/cbill/58-03/0338/en/220338en.pdf>

⁷ As well as the 95 per cent limit, Section 59 of the Northern Ireland Act 1998 and section 7 of the Government Resources and Accounts Act (Northern Ireland) contain an earlier contingency backstop that applies only if an Act is not passed at least three working days before the end of the financial year authorising issues from the NI Consolidated Fund and the use of resources for the next year. In that circumstance, the authorised officer in DoF can only dispense 75 per cent of the total amount appropriated for the preceding year. This 75 per cent backstop did not come into play in 2026, because the relevant Budget legislation for the preceding year received Royal Assent on 20 March 2026, i.e. more than three working days before year-end, so the normal statutory authority was in place in time.

⁸ The principal "rulebook" for Accounting Officer standards in NI is [Managing Public Money Northern Ireland \(MPMNI\)](#). It is administrative guidance setting out expectations on regularity, propriety and value for money and how Accounting Officers should behave when those standards are at risk. DoF's ["Accounting officer appointments, roles and responsibilities"](#) page explicitly points readers to Chapter 3 of MPMNI as the place where the personal responsibilities of Accounting Officers are highlighted, and it provides appointment letter templates (for agencies/NDPBs etc.) which embed those expectations.

Departmental income

Budget Acts also provide authority for departments to use income they collect (previously called 'accruing resources').⁹ These form a significant part of the Executive's overall funding, making up around £3 billion per year.¹⁰ In the absence of a Budget Act, departments will lack authority to retain and spend the income they receive from pension contributions and transfers, student-loan income, and fees and charges.

The Vote on Account does not provide authority to retain and use receipts and Section 59 and Section 7 do not provide the DoF Permanent Secretary with the ability to authorise the use of such income. Following the Review of Public Finances the authority to retain and use income is provided through the Budget Act's 'use of income' provisions.¹¹

Although expenditure at the start of the year takes place without a Budget Act in place (under the VoA), the restriction on use of receipts commences when departments no longer have a reasonable expectation that a Budget Act will be passed to provide the necessary authorisation. Accordingly, should there come a point where it is no longer reasonable to expect that a Budget Act will be passed by the end of the financial year, departments would have to surrender their receipts to the Consolidated Fund. This includes receipts which have already been utilised during the period where there was a legitimate expectation of a Budget Act.

Income represents a significant portion of the Executive's funding, and the lack of access to this (and the resulting cash) might well cause more problems than the resource limits.

Implications for departmental expenditure

Lack of access to departmental receipts would significantly increase the operational risk of the 95 per cent cash ceiling, if there comes a point where a Budget Act can no longer reasonably be expected this year. But both are likely to bite only in the final month or two of the financial year. The 95 per cent ceiling on resource consumption (RDEL, CDEL, AME and non-Budget) is likely to pose the more immediate constraint.

As in August 2022,¹² when these contingency provisions were last engaged, Finance would issue guidance and departmental contingency planning envelopes to help Accounting Officers manage within lawful limits in the absence of a Budget Act.

Although the legislation sets the maximum resource and cash limits at exactly 95 per cent of the previous year's allocations, the practical room for departmental spending is likely to fall below this due to:

⁹ Prior to the Review of Financial Process (RoFP), similar arrangements were commonly described as 'accruing resources', but Budget Acts now authorise the use of income directly

¹⁰ Although c.20 per cent of internal fees and charges are from other departments, accessing these still requires a Budget Act. The £3 billion figure includes receipts categorised as Annually Managed Expenditure (AME) such as the release of provisions, reversal of impairments, recoupment of funds and pension receipts and transfers.

¹¹ Previously Section 8 of the GRAA (NI) Act 2001 provided the mechanism for dealing with accruing resources, including specifying that money not used had to be paid into the Consolidated Fund.

¹² <https://www.finance-ni.gov.uk/news/departments-finance-authorises-cash-and-resources-limits-departments>

- The lack of ability to access **income**. Departments may face a late-year cash-management constraint that makes it difficult to meet key obligations (e.g. benefit payments, pensions and public servant salaries¹³).
- The 95 per cent ceiling on cash and resources also includes expenditure that falls within **Annually Managed Expenditure** (AME), which includes pension and benefit payments. Given the legal, political and operational challenges associated with restricting such AME expenditure, any growth in benefit or pension payments will further reduce the amount that can be authorised for other spending by departments. Indeed, between 2020-21 and 2024-25, resource AME final outturn has grown year-on-year, by rates ranging from 0.7 per cent to 14.0 per cent a year.¹⁴

Previous use of these powers

In August 2022, DoF publicly confirmed¹⁵ that the Permanent Secretary had used these contingency powers to authorise cash and resource limits for departments because a Budget Act was not in place and departments were approaching VoA limits. In that instance, the authorisations were initially set at around 60 per cent of the previous year for most departments, with a planned review later.

This year, departments have already been given advance notice of their overall contingency planning envelopes. The formal spending limits will be issued by the DoF Permanent Secretary later in the summer and these might initially be set at a lower level than the full 95 per cent. By providing departments with informal notice of their overall limits and guidance earlier in the fiscal year than was the case in 2022 DoF may enable be able to help departmental Accounting Officers to better plan for the full-year impact of funding restrictions.

Ministerial Directions

If the Permanent Secretary at DoF has to manage emergency powers while the Executive remains in place, this could give rise to diverging approaches between Ministers and the civil service.

The Finance Permanent Secretary and Accounting Officers would be expected to bring forward actions to keep expenditure within the lawful limits. But departmental Accounting Officers would have to submit any plans to reduce spend within their department to their Ministers, and Ministers might then issue 'Directions'¹⁶ to continue spending beyond the limits that the Permanent Secretary at DoF is trying to constrain them to.

Ministerial Directions were used recently, in 2025-26, to fund pay awards in health¹⁷ and education¹⁸ that breached the Executive's funding limits and so

¹³ <https://hansard.parliament.uk/Lords/2023-02-07/debates/10B148A8-8B53-4D36-AB22-3CC8D686ECDE/NorthernIrelandBudgetBill>

¹⁴ Source: Table 4, <https://explore.nisra.gov.uk/ni-executive-spending/main.html>

¹⁵ <https://www.finance-ni.gov.uk/news/department-finance-authorises-cash-and-resources-limits-departments>

¹⁶ <https://www.niauditoffice.gov.uk/publications/html-document/ministerial-directions-northern-ireland-html>

¹⁷ <https://www.niassembly.gov.uk/assembly-business/official-report/written-ministerial-statements/department-of-health---health-service-pay/>

¹⁸ <https://www.education-ni.gov.uk/news/givan-welcomes-approval-ministerial-direction-teachers-pay>

contributed to a projected overspend (later met by a claim on the Treasury Reserve). Due to the cross-cutting nature of such actions in the absence of a Budget, individual Directions would likely require referral to the Executive as a whole, particularly if they are at risk breaching Treasury resource limits.

With or without the use of Ministerial Directions, departments may find it extremely difficult to limit expenditure to the caps to be set out by the DoF Permanent Secretary later this summer. This will become evident as the financial year progresses.

What if the limits are reached?

Once the overall 95 per cent limit is reached the only lawful ways to continue funding public services are:

1. The Assembly passes a Budget Act, or
2. Westminster legislates for NI spending, or
3. Westminster legislates to amend the legal framework (e.g. alter the NI Act 1998 and the GRAA NI Act 2001 contingency provisions or create a new mechanism).

These are mechanisms requiring primary legislation, and not therefore ones that the Accounting Officers and Finance Permanent Secretary can deploy.

In the past Westminster has legislated for NI budgets mainly when Stormont was not operating, so there was no Executive able to agree a Budget and no Assembly to pass the necessary Budget legislation. In those circumstances, the UK Parliament enacted NI Budget legislation to provide statutory authority for departments to incur expenditure, effectively standing in for the usual Assembly Budget Act process. For example, in 2023–24 the UK Government placed Budget allocations on a statutory footing in the continued absence of the NI Executive.

Westminster also legislated in exceptional circumstances in 2022–23 when the Assembly did not deliver a Budget Act locally. Ministers remained in post as caretakers from February 2022 (following the resignation of the First Minister) through to late October 2022. During this protracted period without a functioning Executive, Westminster legislated to put spending on a statutory footing for 2022–23. There are no examples to date of Westminster legislating for a NI Budget while the Executive and Assembly are functioning.¹⁹

¹⁹ This is in keeping with the Sewel Convention, where Parliament has undertaken “not normally” to legislate without the formal consent of the relevant devolved institution. <https://www.parliament.uk/site-information/glossary/sewel-convention/>

3. Departmental planning envelopes

The formal powers of the DoF Permanent Secretary that will trigger on 1 August will cover:

- **voted DEL:** this is funding that is generally within the government's control and can be managed within multi-year limits (and is broken down into three categories described below);
- **AME:** this is demand-led funding like benefits and pensions; and
- **non-budget funding:** this includes payments to arms-length bodies and other transfers which do not score as DEL until spent.

In the absence of a Budget, the Department of Finance has written to departments providing each with a contingency planning envelope²⁰ for 2026-27 covering only the three categories of Resource DEL (RDEL, which covers the day to day costs public services, grants and administration), Capital DEL (CDEL, which covers investment on infrastructure etc) and Financial Transactions Capital (FTC) funding, which can only be used to led to or make capital injections into private sector entities.

These contingency planning envelopes provide a guideline to enable Ministers and Accounting Officers to plan and assess the affordability of spending decisions. These envelopes are not a formal expenditure limit and as such do not prevent departments spending more. It remains for Accounting Officers and Ministers to determine whether they feel it is appropriate to do so.

The contingency envelopes for RDEL are based on the 2026-27 opening baselines uplifted to include specific items of spending earmarked by the Treasury or the Executive earmarked funding and adjusted to deduct (on a pro rata basis) £19.2 million which the Executive has recently agreed to provide households to help them cope with oil price increases. CDEL budgets begin from a zero base so the contingency planning envelopes reflect only projects earmarked by the Treasury and Executive as well as other previously agreed commitments.

The contingency envelopes are considered by Finance 'to provide a reasonable working assumption of the minimum any department could anticipate receiving through a subsequent Budget process', albeit this is not guaranteed as the Executive could still impose reductions to departmental baselines or reprioritise funding decisions.

The funding position has improved somewhat since the Finance Minister's set out his Draft Budget on 6 January 2026 (that the Executive did not agree to) with additional funding from the UK Government's Autumn and Spring Budgets now available for allocation. Details are set out in Table 1 below.

²⁰ Based on figures provided by Finance as part of IR068 received 12 May 2026. The contingency envelopes have since been amended to reflect further HMT earmarked allocations, and may continue to evolve over the course of the fiscal year.

Resource DEL

Table 1 reconciles the amounts set out in the Finance Minister's Draft Budget and the amounts currently available, as a result of the Autumn and Spring Budgets.

Table 1 – RDEL available for allocation

£ million	2026-27	2027-28	2028-29
Barnett @ Spending Review 2025	16,030	16,512	17,007
Non Barnett @ Spending Review 2025	318	322	327
Autumn Budget 2025	132	89	2
Total RDEL pre Spring budget	16,480	16,923	17,336
Spring Budget 2026	228	6	145
Current HMT RDEL	16,708	16,929	17,481
<i>Plus</i>			
Regional Rates Income (net of debt repayment)	772	801	831
Total RDEL available for allocation	17,480	17,730	18,312

Note: Totals may not add due to rounding

Source: Department of Finance

Around 96 per cent of the RDEL available has been allocated in the contingency planning envelopes as set out in Table 2:

Table 2 – 2026-27 RDEL contingency planning envelopes

£ million	2026-27 proposed draft Budget allocation	Contingency Planning Envelope (RDEL)	Difference
Department			
Health	8,481	8,412	-69
Education	3,245	3,209	-36
Justice	1,575	1,538	-37
Communities	922	954	32
Economy	815	811	-4
Agriculture etc	674	672	-2
Infrastructure	655	645	-10
Finance	285	285	-
The Executive Office	217	194	-23
Minor Departments	140	140	-
Total Allocated	17,010	16,860	-150
Total unallocated		620	
Total amount available for allocation		17,480	

Note: Totals may not add due to rounding

Source: Department of Finance - Finance Minister's proposed draft Budget

Approximately £620 million of funding is currently unallocated. Of this £80 million will be held centrally by DoF for repayment of the Reserve claim, £36 million will be held centrally for transformation, £72 million will be used for the payment of RRI interest, and funding will also be held centrally for other Executive programmes such as the Executive Programme on Paramilitarism and Organised Crime (EPPOC). Leaving the funding unallocated at this stage provides the Executive with the ability to adapt allocations without having to cut departmental funds if they finally agree a Budget.

Capital DEL

The capital available for allocation has increased since the Finance Minister's Draft Budget, as a result of the Autumn and Spring Budgets, as set out in Table 3.

Table 3 – CDEL available for allocation

£ million				
	2026-27	2027-28	2028-29	2029-30
Barnett	2,239	2,198	2,209	2,217
Non Barnett	100	110	93	79
Total CDEL pre Autumn Budget	2,339	2,308	2,302	2,296
Autumn Budget	10	84	2	35
Spring Budget	3	3	3	-
Current HMT CDEL	2,352	2,395	2,307	2,331
Irish Government Funding	87	155	171	114
RRI borrowing	232	236	241	245
Total CDEL available	2,671	2,786	2,719	2,690

Note: Totals may not sum due to rounding

Source: Department of Finance

Departments have also received a contingency planning envelope for capital (around 70 per cent of the total funding available) and these planning envelopes reflect Treasury earmarked funding, Executive flagship projects, previous Executive commitments and a general allocation. As with RDEL, the amount allocated in the contingency planning envelopes is less than the amount available for allocation with £819 million still available for allocation (although some of this funding is to be held centrally for transformation projects).

The large difference from the Finance Minister's Draft Budget reflects several factors: the Executive's capacity to borrow capital funds under the Reinvestment and Reform Initiative (RRI) will not be deployed in the absence of an agreed Budget; some earmarked funding is held at the centre for later allocation, and a 'margin' has been applied as with RDEL to ensure some room to manoeuvre before the 95 per cent limit is reached. Capital spend also represents one of the few levers departments will have to slow down cash expenditure at the end of the fiscal year, if required. The departmental allocations are set out in Table 4 below:

Table 4 – 2026-27 CDEL contingency planning envelopes

£ million	2026-27 proposed draft Budget allocation	Contingency Planning Envelope (CDEL)	Difference
Department			
Infrastructure	942	610	-332
Health	463	327	-136
Economy	274	222	-52
Communities	295	188	-107
Education	355	283	-72
Agriculture etc	123	91	-32
Justice	118	85	-33
Finance	40	30	-10
The Executive Office	20	14	-6
Minor Departments	2	2	-
Total Allocated	2,632	1,852	-780
Total unallocated		819	
Total amount available for allocation		2,671	

Note: Totals may not add due to rounding

Source: Department of Finance - Finance Minister's proposed draft Budget

Financial Transactions Capital (FTC)

The amounts of FTC available and allocations are set out in Table 5.

Table 5 – FTC DEL allocations

£ million	2026-27	2027-28	2028-29	2029-30
Available for allocation	92	93	119	141
Allocations:				
<i>Communities</i>	73	81	64	105
<i>Economy</i>	10	12	13	13
Unallocated	9	0	42	23

Source: Department of Finance

‘Savings’

Departments confirmed to the Council that as part of the information that was sent by the Executive to the Secretary of State early in April/May, savings and transformation measures of £654 million were identified in 2025-26 followed by further savings of £648 million, £984 million and £1.3 billion in each of the three years from 2026-27 to 2028-29. However, some of these proposed measures are relative to bids that departments have made above their current budgets, and ‘cutting’ these would not therefore represent a saving for the Executive against its current funding position. The largest proportion of the savings comes from Health, which has identified savings of £425 million, £638 million and £850 million by setting themselves a target to deliver savings of 6 per cent, 3 per cent and 3 per cent. The other measures include a combination of:

- savings and fee increases including in procurement and contract management, increases to fees and charges in the Courts Service and for

services delivered by Finance, and in Health planned savings on expenditure on pharmacy and medicines

- transformation with a focus on digitalisation of processes and the use of AI, for example in Health via its Encompass system
- decisions not to implement unfunded pressures or unmet bids for example in Communities relating to grants to the voluntary and community sector and to the NI Housing Executive and other Arm's Length Bodies
- efficiencies, such as workforce and vacancy management, and reduced use of overtime, and in Health through the reduction of hospital stays

Table 6 below sets out the planned savings across the period by department.

While these savings could go some way towards reducing the overall funding gap, there remains a deficit of between £1.4 billion and £1.6 billion each year between the full funding amount the Executive could allocate in a Budget, and money departments claim they need. Some of the decisions designed to reduce the funding requirements of departments will have unavoidably negative impacts on service delivery and on the ability of departments to take forward new activities.

Table 6 – Planned departmental RDEL savings or non-implementation of unmet bids

£ million	2025-26	2026-27	2027-28	2028-29	saving effort	% of total saving effort	% of total CPE RDEL
Health	325	425	638	850	2,238	62	50
Communities	99	146	180	197	622	17	6
Education	48	-	55	112	215	6	19
Finance	14	34	50	67	165	5	2
Infrastructure	63	20	21	21	125	3	4
Agriculture	7	15	28	38	88	2	4
Economy	67	3	3	3	76	2	5
Justice	31	6	9	10	56	2	9
Total	654	649	984	1,298	3,585	100	98

Source: Department of Finance

Table 7 below shows the percentage savings across each of the three years as a percentage of each department's 2025-26 Final Plan.²¹ It highlights stark variations in the savings proposed across departments with a number of departments recording little to no savings across the period. It remains to be seen how realistic these assumptions are, but an obvious way to reduce the funding gap would be for all departments to deliver more consistently.

²¹ Final plan for 2025-26 is based on the figures we used and published in our assessment of the proposed draft budget. Comparing to the latest forecast outturn figures for Period 13 there is no impact on the savings percentages.

Table 7 – Departmental savings as a percentage of 2025-26 Final Plan

per cent	2026-27	2027-28	2028-29
Communities	16	19	21
Finance	15	22	29
Health	5	7	10
Agriculture	2	4	6
Infrastructure	3	3	3
Education	-	2	3
Justice	-	1	1
Economy	-	-	-

Source: Department of Finance

The latest 2026-27 financial position

During the course of the fiscal year, departments forecast their expenditure and this provides a measure of potential overspending against available funding. The first forecast outturn for 2026-27 is expected around mid-June and this will be the earliest formal gauge any potential overspend. However, there are already informal indications that spending is running ahead of available funding.

Ministers have publicly stated that they are unable to agree this years' Budget because they say it is impossible to balance the books at departmental level and live within the proposed allocations. The public sector union NIPSA has called for Ministers to exceed their budgets if that is required to provide pay awards this year, with a threat of strike action if the Executive fails to do so.²²

The Justice Minister has said “... *very clearly if we agree a Budget, as an Executive, I have no prospect of being able to balance my budget... there is no prospect that we can close a gap of £101million at the start of the year throughout that annual period*”.²³ And the Education Minister has commented “*Why would you agree to a Budget that's going to deliver a decimation of public services? That's not smart politics. That's politics that's doomed*.”²⁴

In parallel, Accounting Officers have been instructed to assess spending plans against the level of funding they can reasonably expect to receive, without assuming any additional Treasury funding. They must bring forward proposals to Ministers to live within anticipated funding, develop alternatives where proposals are rejected, and, where all options are exhausted and overspends remain unavoidable, consider seeking a Ministerial Direction supported by appropriate legal advice.

²² Vicki Hawthorne reporting on the View from Stormont on 19 May.

²³ Minister Naomi Long on Good Morning Ulster 21 May

²⁴ <https://www.bbc.co.uk/news/articles/c9q3p3394v5o> 21 May

4. HM Treasury's Open Book Review

After agreeing a short-term loan to cover most of a substantial forecast overspend in 2025-26, largely driven by pressures in Health and Education, HM Treasury carried out an “open book” review²⁵ of the NI Executive's resource budgets. The Treasury acknowledges that decisions remain with the Executive, but it identifies particular areas where it considers that savings could be made.

We have some reservations about some specific aspects of the Treasury analysis, but the Council supports initiatives designed to improve sustainability – including transformation, structural reform, and revenue raising, all of which the review rightly suggests would be beneficial. And we agree that that sustained action by the Executive is required on these areas over multiple years.

Under the Barnett formula, when the UK Government increases spending in areas for which the Executive is responsible in NI, the Block Grant paid to the Executive by the UK Government increases by an equivalent cash amount per head. Since the UK Spring Budget in March 2024, these ‘Barnett consequentials’ have been topped up by 24 per cent to take account of NI's additional funding needs to deliver equivalent public services. The review highlights that in aggregate NI has received funding well above the 24 per cent needs-based factor in recent years. Comparisons are drawn with Scotland and Wales, with all three stated by the Treasury to be funded at least 20 per cent above English per-capita levels. We discuss this further below.

The review concludes that, despite higher relative funding, the NI Budget faces structural pressures. These are attributed primarily to:

- **Spending in some service areas exceeding the level implied by needs-based uplifts.** But the review applies the average 124 per cent needs level in all areas, rather than deploying the separate needs-based factors that we have previously identified);
- **A high public sector pay bill** relative to the resource budget, due in large part to a much larger public sector, on a per head basis; and
- **Lower revenues** resulting from ‘super-parity’ policy choices that maintain more generous provision than in England.

The Treasury presents estimates suggesting significantly higher levels of spending per head in NI than England in areas including health (152 per cent), schools (140 per cent), policing and justice (166 - 120 per cent). On this basis, the review suggests that reducing spending in Health alone to 124 per cent of English levels could result in savings of over £1.3 billion.

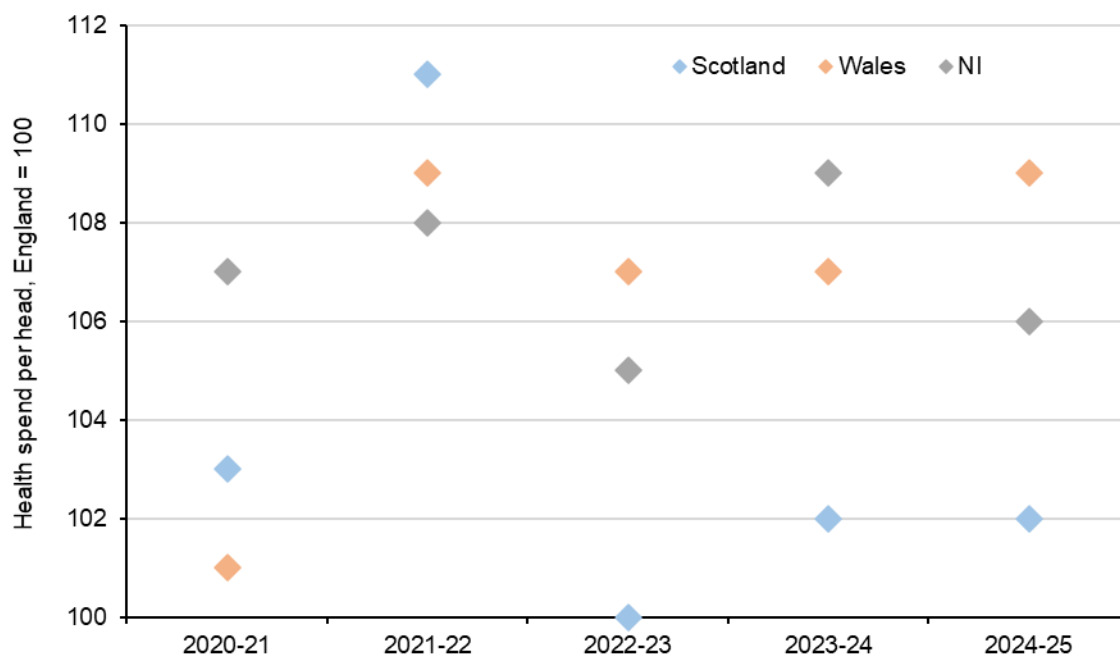
However, it is not clear exactly the basis of some of these figures, and they appear to differ significantly from the findings of Professor Holtham, the Nuffield Trust,²⁶ and from our own work in these areas. For example, the report's figure of 152 per cent higher per head spending on health in NI than England does not seem to be in line

²⁵ <https://www.gov.uk/government/publications/open-book-review-of-northern-ireland-executive-budget>

²⁶ <https://www.nuffieldtrust.org.uk/research/future-funding-and-current-productivity-in-northern-ireland-s-health-and-social-care-system>

with the PESA figures (released by the UK Government) that we have used in our own estimates of relative spend levels. The latest Country and Regional Analysis publication indicates that spend per head on health in NI was around 6 per cent higher than in England in 2024-25. This value is in line with NI's additional health need, and the premium on NI's health spending has been falling recently casting doubt on the plausibility of the scale of savings suggested by Treasury.

Chart 1 - Health spending per head across Devolved Administrations (England = 100)²⁷



Source: HMT Country and Regional Analysis 2025

The report indicates that the Executive spends a higher share of Resource DEL on pay across the public sector in NI than the UK Government does in England (including local government on both sides for consistency). It also indicates that if the Executive's pay bill was halfway between the current proportion of RDEL spent on pay in NI and the UK Government's this would realise a saving of up to £1.25 billion that could be spent on non-pay public service delivery. However, we cannot be sure from the review that the comparisons were made on a like-for-like basis, taking account of comparability-adjusted spend.

NI does have a relatively much larger public sector than England and we pointed out in our recent Budget report that the combination of maintaining pay parity with Great Britain with a larger and therefore costlier workforce creates a structural affordability problem. Pay accounts for over 60 per cent of NI's resource budget (63 per cent including local government).

The review suggests indicative savings from 2026-27 to 2028-29 of varying sizes including:

- 15 per cent admin savings (in line with Whitehall departments): £180 million

²⁷ The spending shown in this chart shows a Covid-affected pattern. The notable fall in Scottish Health spending from 2021-22 to 2022-23 is significantly impacted by the reduction of UK-wide spending on the rollout of Covid vaccines and testing.

- Scaling NI civil service to 124 per cent of England: £393 million
- Aligning pay share of RDEL with UK levels: up to £2.5 billion
- Lower 2025–26 civil service pay award to match GB: £3 million

However, the review appears to count functions in NI that are delivered by Local Authorities in England, without counting the staff in these roles in England. It would be valuable to see the comparison both including and excluding these staff numbers, to assess how similar the share of total spending devoted to pay would be, should those staff groups be included (or excluded) in both regions.

The review also sets out a range of revenue-raising options based on alignment with policies in England or Great Britain, including increases in domestic rates, tuition fees and prescription charges, and the introduction of domestic water charges. Fully implemented, the review estimates that these options could raise up to £1.3 billion per year. The report stresses that these figures are indicative, would require trade-offs between affordability and political acceptability.

Treasury's overall assessment is that the current NI budget position is structurally unsustainable under existing policies. But it suggests that even partial adoption of the options outlined could materially improve sustainability (unlocking up to £3.3 billion) and reduce reliance on Reserve claims.

In the Council's assessment, the review usefully reinforces the scale of the fiscal challenge and the need for trade-offs, however there are questions around data quality, methodology and like-for-like comparability in several areas. As the Finance Minister has stated²⁸ the timeframe for the completion of this review did not provide the scope for an in-depth assessment of these issues.

²⁸ <https://aims.niassembly.gov.uk/questions/oralresults.aspx?&sd=28/04/2026&s=28&m=01/04/2026%2000:00:00>
AQO 3484/22-27

5. Funding in Scotland and Wales

The First Minister²⁹ and Finance Minister³⁰ have both recently asserted that Scotland and Wales receive significantly more funding each year than their estimated relative need, while NI is funded at its level of need. Later in this paper we investigate whether NI currently does receive funding only at its level of need, but in this section we first investigate these claims, along with two counterclaims by the UK Government that:

- (a) it is not possible to say that Scotland is funded above its level of need; and
- (b) that The First Minister/Finance Minister's estimates are inaccurate when they assert that NI would receive much greater funding if on par with either of the other Devolved Administrations.³¹

The Finance Minister is quoted as saying: *"Wales is funded 8 per cent above its level of need and Scotland is funded 20 per cent above its level of need, which equates to £1 billion and £3 billion respectively. I assure you that, if our Executive had access to such funds, we would have a multi-year Budget in place..."*³²

As regards the claim that Scotland is funded higher than its level of need – this is a well-known historical and widely published fact, observed from the inception of the Barnett formula,³³ and confirmed in and supported by previous needs reviews.³⁴ We included this Chart in our report *Updated estimate of the relative need for public spending in Northern Ireland*.³⁵

²⁹ Jonathan McCambridge, 23 April, Press Association reporting <https://www.msn.com/en-gb/money/other/uk-government-don-t-get-it-over-ni-funding-michelle-o-neill-says/ar-AA21vFLW?gemSnapshotKey=GMAB2FD5A0-snapshot-3&ocid=winp2ftaskbarhover&apiversion=v2&domshim=1&noservercache=1&noservertelemetry=1&batchservertelemetry=1&enderwebcomponents=1&wcseo=1>

³⁰ <https://aims.niassembly.gov.uk/officialreport/report.aspx?&eveDate=2026-04-28&docID=481246#AQO%203485/22-27>
Official Report: Tuesday 28 April 2026, Oral Answers to Questions: Finance.

³¹ Stephen Nolan reporting on 23 April regarding HMT briefing lines received by the Nolan Show.

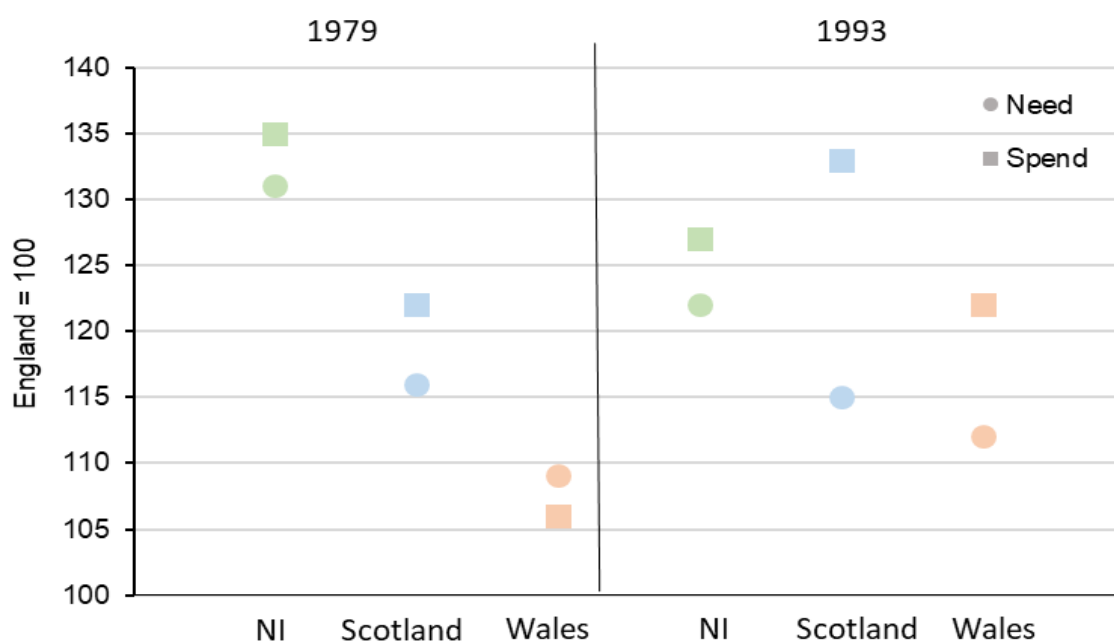
³² <https://aims.niassembly.gov.uk/officialreport/report.aspx?&eveDate=2026-04-28&docID=481246#AQO%203485/22-27>

³³ See McLean, I et al (2008) *Fair Shares? Barnett and the politics of public expenditure* https://ippr-org.files.svdcdn.com/production/Downloads/fair_shares_1650.pdf?dm=1778241512 or Heald, D (1994) *Territorial public expenditure in the United Kingdom* <https://www.davidheald.com/publications/terra.pdf>

³⁴ See also Table 5 of Chapter 3 of the Select Committee on the Barnett Formula's 2009 report <https://publications.parliament.uk/pa/ld200809/ldselect/ldbarnett/139/13907.htm>

³⁵ <https://www.nifiscalcouncil.org/files/nifiscalcouncil/documents/2023-05/NIFC%20Updated%20estimate%20of%20the%20relative%20need%20for%20public%20spending%20in%20NI%20-%202002.05.23%20v2.pdf>

Chart 2 – Historic spending and needs assessments



Source: House of Lords select committee on the Barnett formula report

Both Scotland and NI were found to be funded above need in reviews conducted by the Treasury in 1979 and 1993. The indications for Wales were less clear, and this gave rise to a 2010 independent review of need by Professor Gerry Holtham which estimated a level of need for each of the Devolved Administrations, and made recommendations for addressing the situation in Wales.

The Holtham review estimated that need for funding per head in Scotland was 105 per cent of that in England, Wales 115 per cent, and NI 121 per cent. This excluded the devolution of policing and justice, which was not devolved in Wales and which was expected to have a much more significant impact in NI than in Scotland.

$$\text{Regional level of spend per head} - \text{English level of spend per head} = \text{Regional premium (spend per head)}$$

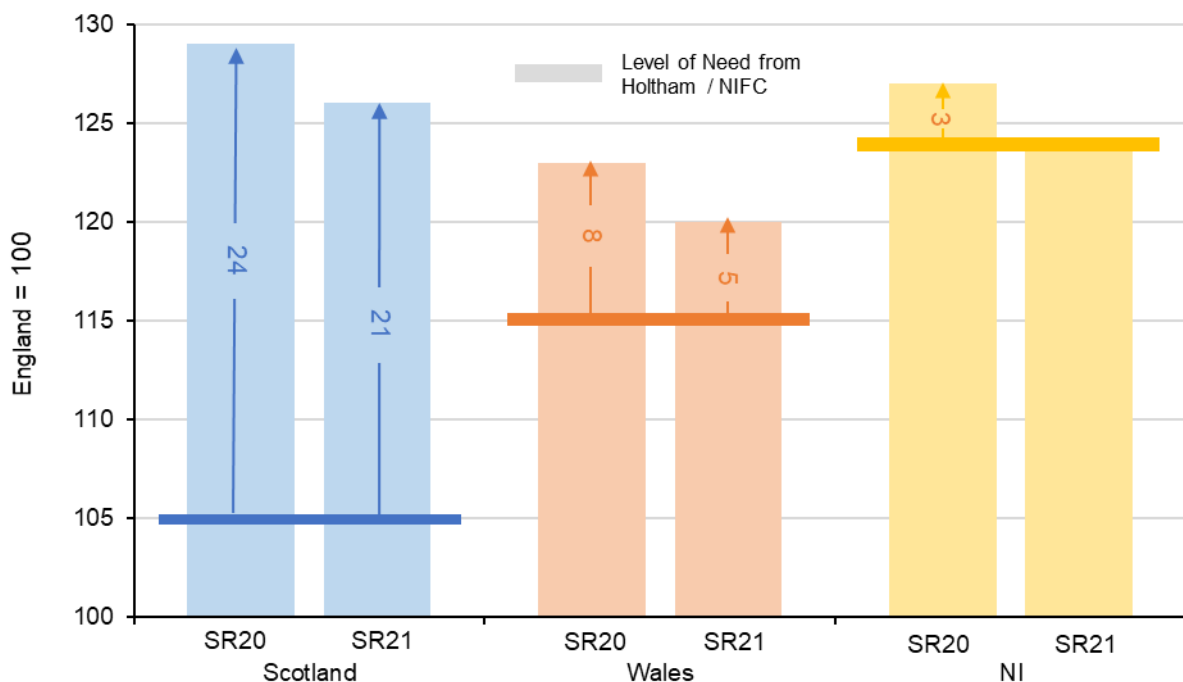
The Treasury periodically assesses and publishes estimates of the actual level of funding premium in each of the Devolved Administrations. In the past, this was done in some detail in the Block Grant Transparency report. So we can compare relatively recent calculations of the funding premium with the rather less recent estimates of need for Scotland and Wales in the 2010 Holtham review. Treasury also carries out this comparison in its open book review – stating in broad terms that all three DAs receive more than a 20 per cent premium over England, compared with relative needs levels of 105 per cent (Scotland), 115 per cent (Wales), and 124 per cent (NI).

It is immediately clear even from the general treatment in the Open Book Review that this means Scotland is funded at least 15 percentage points above its need as

calculated by the Holtham assessment (with a 120+ per cent premium compared to a 105 per cent need level), Wales at least 5 points (120+ premium compared with 115 need). And it leaves it ambiguous whether or not NI is funded above, below or at need (120+ premium compared with 124 need).³⁶

But we can derive a more accurate estimate of the funding premium for Scotland and Wales than this, using two sources: the HMT Block Grant Transparency document and data recently published by the Finance Minister.

Chart 3 - Premium of spending per head above England compared to need (Holtham and NIFC estimates) for SR 20 (2021-22) and SR 21 (average of 2022-23 and 2023-24)



Source: HM Treasury Block Grant Transparency and NIFC calculations

This shows that in 2021-22, Scotland's premium was estimated at 129 – it was funded at a premium higher than NI (at 127) despite having significantly lower need (105 compared to 124). The trend is in all cases a falling premium across the nations, due to the 'Barnett Squeeze' which we have written about previously³⁷ and which has been mostly arrested in NI as a result of the 124 per cent uplift factor which prevented NI falling to a premium of 121 as forecast (but see later on the effect of relative rates of population growth).

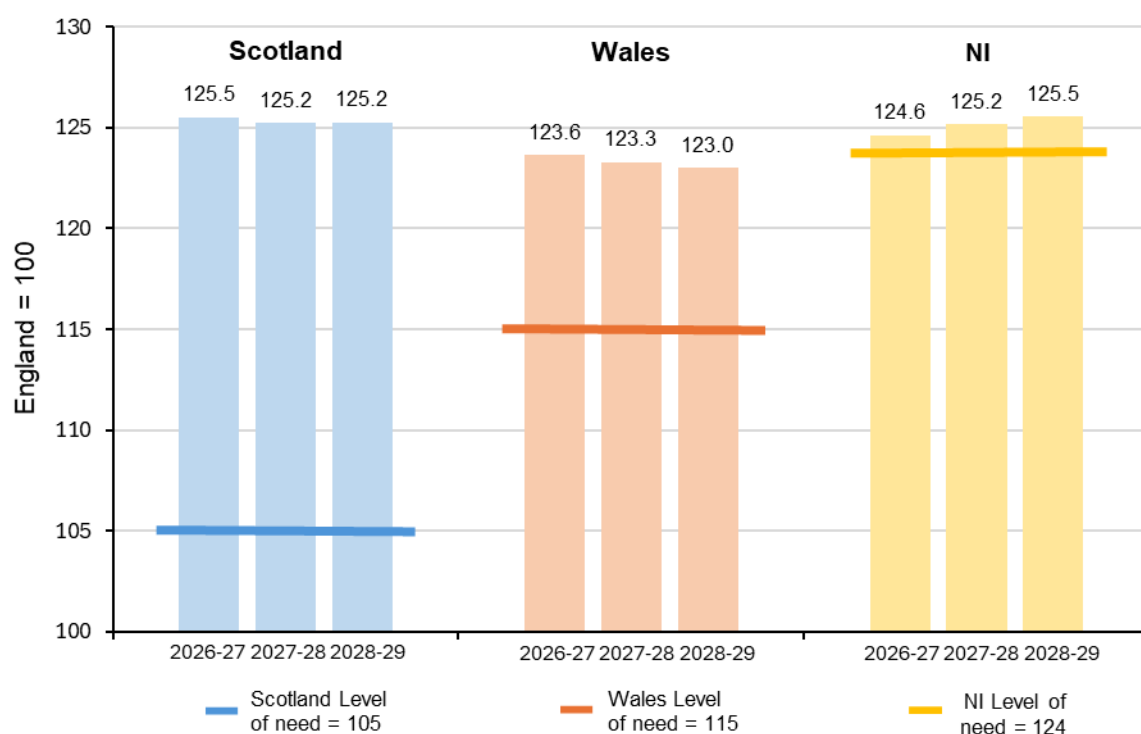
Recently published data from the Finance Minister in response to a written Assembly Question (AQW 45486/22-27)³⁸ allows us to add three more data points to these trend lines and bring up to date the estimated funding premium in each nation.

³⁶ In recent years, non-Barnett funding has 'topped up' NI's funding level to match at least need. We look later in this document at the effect of population on NI's current funding premium compared to need.

³⁷ https://www.nifiscouncil.org/files/nifiscouncil/documents/2023-06/NIFC%20response%20to%20NIAC%20Call%20for%20Evidence%20-%202002.05.23%20-%20web%20version_0.pdf Pg 15

³⁸ <https://aims.niassembly.gov.uk/questions/writtensearchresults.aspx?&qf=0&qfv=1&ref=AQW%2045486/22-27>

Chart 4 – Devolved funding premia over SR2025



We can see from this that although the premium has generally continued falling in each nation, the uplift factor³⁹ in NI has largely halted the ‘Barnett Squeeze’. In addition, we can see that Scotland is currently funded at a level very close to 20 percentage points above its need (not below 125 per cent, compared with a needs level of 105 per cent), as the First Minister and Finance Minister have asserted. The situation in Wales is also in line with that asserted at around 8 percentage points above need (123 per cent premium compared with a needs level of 115).

It is not straightforward to convert a given funding premium (which is a percentage, such as 124 per cent above England) in one of the Devolved Administrations into a funding figure in pounds. In order to test the First Minister and Finance Minister’s assertions about the funding NI would receive if funded to a similar level as Wales or Scotland, we have to do two things:

1. Identify what it means to be funded at a similar level above need as, say Wales. There are a number of options as to how this could be modelled; and
2. Calculate how much additional funding this would generate.

At Appendix B we explore five different methods that could potentially be used to apply ‘equivalent’ funding to NI as in Wales and Scotland. These cluster around two outcomes:

- The two methods based on applying to NI the basic percentage points difference between the premium and need in the other ministrations give figures very similar to those quoted by the First Minister and Finance Minister (around £1 billion and £3 billion of additional funding per year when compared to Wales and Scotland, respectively);

³⁹ Along with the effects of slower population growth and the change in methodology around NI’s Interim Fiscal Framework.

- The other methods - that to differing degrees take account of the variance in need between NI and the other Devolved Administrations by applying a ratio- give slightly higher figures (around £1.2 billion and £3.5 billion when compared to Wales and Scotland, respectively).

In the Council's opinion, those methods that apply a ratio or proportion are more robust than those that apply to NI a simple percentage points addition.

Conclusion

The Council is of the view that the figures put into the public domain by the First Minister and Finance Minister are reasonable estimates of the additional funding NI might receive if funded 'equivalently to' Wales or Scotland, both of which are clearly funded significantly above needs levels.

But this is not to say that increasing NI funding per head above need to match levels in Scotland or Wales would be good policy, especially from the perspective of the UK Government. One might indeed conclude that the logical response would be to reduce funding per head in Scotland and Wales closer to their estimates of need. This would of course be very difficult politically. The Barnett formula has survived as long as it has – without being replaced by a more rational needs-based system – largely because of the cut in funding that this would imply for Scotland and the likely electoral consequences there for any UK Government introducing such a change.

When looking at comparisons of funding premia and needs estimates, it is also important to remember that funding premia have moved quite significantly over time. NI's funding premium was around 140 per cent as recent as 2018-19, well above estimated need. On this basis it is hard to make the case that NI has been historically underfunded over an extended period as is sometimes claimed.

6. Funding and population projections

In April 2026, the Office for National Statistics (ONS) published new 2024-based population projections for England and the Devolved Administrations. As we have previously shown in our report *NI's public finances and the UK Government's financial support package for the restored Executive*,⁴⁰ relative funding calculations are sensitive to changes in the population numbers on which they are based. Because the funding premia are quite sensitive to changes in relative population, what are essentially marginal movements at the UK level can have a noticeable impact at the subnational level.

While this does not impact upon the funding settlements provided by Treasury (which rely on the latest mid-year population estimates for the Barnett formula at the Spending Review) they do impact on how the funding relativities evolve over time. This means that there is a settled basis for the operation of the funding formula, but a different basis for assessing the relative funding picture looking into the future.

The new projections⁴¹ show higher than expected relative growth for NI compared to England than when HMT calculated NI's prospective premium over the Spending Review period. This reflects the fact that net inward migration has been revised down, which reduces the English population proportionately more than NI's. For a given aggregate levels of spending, this increases spending per head proportionately more in England than in NI, so the premium of spending per head in NI over England falls relative to the Treasury's expectation at the time of the Spending Review which was based on the latest mid-year population estimate available at the time.

Our estimate is that that the NI funding premium is now very slightly below need at around 123 per cent for 2026-27, rather than around need at 124 per cent. Approximately £170 million of additional funding would be required if you wanted to bring NI back up to 124, even ignoring the Executive's argument above relating to equivalence with Wales or Scotland. For more detail on our analysis of the impact of the new population projections on NI's premium, refer to Appendix C.

⁴⁰ <https://www.nifiscalcouncil.org/publications/nis-public-finances-and-uk-governments-financial-support-package-restored-executive> (see pages 19-21)

⁴¹ Projections [National population projections table of contents - Office for National Statistics](#)

7. Conclusions

The Treasury's Open Book Review and our own work indicate that NI's current fiscal difficulties are not simply the result of short-term budgetary pressures or a political impasse but reflect deeper structural imbalances. The absence of an agreed Budget for 2026–27 is likely to compound pre-existing weaknesses in governance and financial management. Without agreement on a Budget, NI will soon be reliant on emergency mechanisms to sustain its public services but these weaken democratic accountability and the Permanent Secretary at DoF enjoys much less flexibility than would the Executive within an agreed Budget. These arrangements also carry fiscal risks - particularly around the loss of access to receipts and the constraints imposed by the 95 per cent spending ceiling – and if left unresolved, this could impede the ability of departments to pay staff or meet statutory obligations.

The findings from HM Treasury's Open Book Review and our own analysis reinforce the conclusion that these immediate issues facing NI's public finances reflect an unsustainable trajectory resulting from the underlying structural problems in the Budget. These structural issues are visible in the relatively high public sector pay bill, limited revenue-raising and persistent overspends. Although we agree broadly with HM Treasury on the need for reform, we do have some questions about the Report's methodology and the feasibility and scale of suggested savings.

Our comparative analysis of funding across the Devolved Administrations concludes that the First Minister and Finance Minister's estimates of funding that NI would receive if funded 'equivalently to' Wales or Scotland are not unreasonable. There is very clear evidence that Scotland and Wales are funded above the best and most recent estimates of their levels of need. However, such comparisons assume that HM Treasury would be receptive to an argument that Devolved Administrations should in principle be funded at similar relative levels. And when NI's funding has been significantly above its need in the past, there was no indication that Treasury would have increased funding for Scotland or Wales commensurately.

Likely to add to the Executive's frustration, recent population projections suggest that NI's relative funding position may have weakened further, with the premium now estimated to be slightly below its needs-based level (123 per cent of funding in England rather than 124 per cent). The agreed fiscal framework does not deliver additional resources under such circumstances; but neither would it impose cuts if the population projections had moved in the opposite direction.

This report points to near-term challenges for the Executive and NI departments that are likely to come to a crunch in 2026-27. The timing of this and the upcoming Assembly election will make it difficult for politicians and senior civil servants to focus on improving the longer-term sustainability of NI's public finances.

Another 'dollop' of funding from the UK Government later this year (and possibly some emergency legislation in the form of a last-minute Budget Bill) could address the immediate overspending pressures, but will do nothing for the longer-term stability of the Executive's Budget and might even disincentivise corrective action.

Appendix A – The funding position

Table A1 - Reconciliation of RDEL funding from Finance Minister's proposed Draft Budget

£ million	2026-27	2027-28	2028-29
Barnett	16,030	16,512	17,007
Non Barnett	318	322	327
Autumn Budget	132	89	2
Total RDEL pre Spring budget	16,480	16,923	17,336
Spring Budget	228	6	145
Current HMT RDEL	16,708	16,929	17,481
<i>Plus</i>			
Regional Rates Income (post debt repayment)	772	801	831
Total RDEL available for allocation	17,480	17,730	18,312
<i>Less HMT Earmarked</i>	224	228	236
Total RDEL excluding HMT earmarked available for allocation	17,256	17,502	18,076
<i>Less</i>			
Departmental Baselines	15,532	15,532	15,532
Reserve Claim repayment	80	160	160
RRI Interest Repayments	72	80	88
Increase in budgets of oversight bodies	4	8	8
Statutory Salaries	3	4	4
Previous Executive Commitments	831	873	878
Available for Allocation	733	844	1,406
<i>Less</i>			
Additional Executive Commitments	334	210	215
Transformation (centrally held)	10	40	45
Strategic Reserve	-	149	400
RDEL Available for General Allocation	390	446	746

Note: The £390 million available for allocation excludes funding for repayment of the reserve, RRI interest and transformation and other centrally held funds which when added back brings the total available to over £600 million

Source: Department of Finance

Table A2 - Reconciliation of CDEL funding from Finance Minister's proposed Draft Budget

£ million	2026-27	2027-28	2028-29	2029-30
Barnett	2,239	2,198	2,209	2,217
Non Barnett	100	110	93	79
Total CDEL pre Autumn Budget	2,339	2,308	2,302	2,296
Autumn Budget	10	84	2	35
Spring Budget	3	3	3	-
Current HMT CDEL	2,352	2,395	2,307	2,331
Irish Government Funding ¹	-	80	185	209
RRI borrowing	232	236	241	245
Total CDEL available	2,584	2,711	2,733	2,785
<i>Less</i>				
HMT Earmarked	100	110	93	79
Executive Earmarked	370	586	783	755
Total CDEL Available for allocation after earmarked	2,114	2,015	1,857	1,951

Source: Department of Finance

Appendix B – Methods of calculating comparable funding to Wales and Scotland

In the analysis below we consider five different ways that an ‘equivalent’ funding premium for NI as Wales or Scotland could be calculated, and then we estimate the pounds additional funding figure this level of premium in NI would give rise to.

To illustrate that there are different ways to interpret what it means for NI to be funded ‘like Wales or Scotland’, we first look briefly at a simplified scenario that demonstrates this.

A hypothetical example

If we imagine a theoretical region of the UK needing 110 per cent of funding per head to deliver equivalent services as England and receiving actual funding of 111 per cent, there are a number of ways this premium could be expressed:

- Method 1: In absolute terms this region would be in receipt of funding of **one percentage point above need**;
- Method 2: Or it could be expressed as **a fraction of the hypothetical region’s total need** it is in receipt of 1/110 above its need
- Method 3: It could be expressed as **a fraction of the hypothetical region’s region’s total funding** i.e. 1/111 could be added to NI’s funding
- Method 4: NI’s need could be **multiplied by the ratio of the region’s funding: need**
- Method 5: The percentage point **additional premium could be applied to NI’s level of need as a percentage** to take account NI’s higher initial need.

In seeking to apply an ‘equivalent level’ of funding to NI, we could therefore:

- Method 1: Add **a single percentage point** to NI’s need (resulting in a premium of 125)
- Method 2: Add **1/110**, of NI’s need to NI’s need (resulting in 125.13)
- Method 3: Add **1/111** of NI’s need to NI’s need (resulting in 125.12)
- Method 4: **Multiply NI’s need by 111/110** (resulting in 125.13)
- Method 5: **Multiply NI’s need by 101/100** (resulting in 125.24)

Mathematically, when seeking to apply an equivalent premium between this theoretical region and NI, the first method is guaranteed to lead to the most conservative result because NI has higher base need (124 per cent of England’s) than the hypothetical region. This will also be true in any comparison between NI and Scotland and Wales because they have lower needs levels. A bare percentage points addition ‘equivalence’ will always result in the lowest figure, because it is not

influenced by any differences in initial needs levels. It appears this is the method used by the First Minister and Finance Minister.

Applying the five methods for Wales and NI

Method 1: applying the same absolute percentage points difference between needs level and premium

$$\begin{array}{rcl} \text{Level of spend} & - & \text{Level of need} \\ \text{per head} & & \text{per head} \\ \text{Example for Wales} & 123 - 115 = & 8 \end{array} = \begin{array}{l} \text{Premium above} \\ \text{or below need} \end{array}$$

As noted above, this approach ignores the different needs level in each Devolved Administration. It is the easiest method, mathematically, but arguably the least reflective of need.

In this operation, we add the absolute percentage point difference in Wales (8 percentage points) to NI's need.

$$\begin{array}{rcl} \text{NI's level} & + & \text{Welsh premium} \\ \text{of need} & & \text{above need} \\ \text{Example for Wales} & 124 + (123 - 115) = & 132 \end{array} = \begin{array}{l} \text{NI premium with same} \\ \text{absolute addition as Wales} \end{array}$$

This gives us what NI's premium would be if it had the same absolute premium over its need as Wales, i.e. 132 per cent and results in the following additional funding for NI over its current budget:

£1.124 billion, £1.032 billion, £963 million, or £3.119 billion over the SR period.

As this is the most conservative method of the methods we have identified, and it is roughly in line with the First Minister/ Finance Minister's assertions that funding 'like Wales' would result in around £1 billion or £1.1 billion more funding per year for NI, in our view these assertions are not unreasonable.

Method 2, adding to NI's need the other region's additional premium expressed as a fraction of the region's need

$$\begin{array}{rcl} \text{Welsh} & \text{Welsh} & \text{NI's} & \text{NI's} & \\ \text{premium} & \text{spend} & \text{level} & \text{level} & \\ \text{above} & \text{per} & \text{of need} & \text{of need} & \\ \text{need} & \text{head} & & & \\ \text{Example for Wales} & & & & \end{array} \begin{array}{l} / \\ \times \\ + \end{array} = \begin{array}{l} \text{NI premium with} \\ \text{same fraction of} \\ \text{additional Welsh} \\ \text{premium} \end{array}$$

$$\text{Example for Wales} \quad (((123 - 115) / 123) \times 124) + 124 = 132$$

In this method we add the additional premium (for Wales, 123-115 or 8 percentage points) as a proportion of its spend per head (123) compared to that of NI to NI's need (124).

This gives in a premium of 132 per cent and results in the following additional funding for NI over its current budget:

£1.124 billion, £1.032 billion, £963 million, or £3.119 billion over the SR period.

Method 3, adding to NI's need the other region's additional premium expressed as a fraction of the region's premium

$$\begin{array}{ccccccccc} \text{Welsh} & & \text{Welsh} & & \text{NI's} & & \text{NI's} & & \text{NI premium with} \\ \text{premium} & & \text{level} & & \text{level} & & \text{level} & & \text{same fraction of} \\ \text{above} & / & \text{of} & \times & \text{of need} & + & \text{of need} & = & \text{additional Welsh} \\ \text{need} & & \text{need} & & & & & & \text{premium} \end{array}$$

$$\text{Example for Wales} \quad ((123 - 115) / 115) \times 124 + 124 = 133$$

Here we add the additional premium (for Wales, 123-115 or 8 percentage points) as a proportion of its need (115) compared to that of NI to NI's need (124).

This gives a premium of 133 and results in additional £1.272 billion, £1.184 billion £1.118 billion totaling £3.574 billion over the SR period.

Method 4, same funding: need ratio

This operation expresses Wales' total funding premium (not only its excess funding level) as a proportion of its need, and applies this factor to NI.

$$\begin{array}{ccccccccc} \text{Welsh} & & \text{Welsh} & & \text{NI's level} & & \text{NI premium with same} \\ \text{premium} & / & \text{level} & \times & \text{of need} & = & \text{percentage funding ratio} \\ \text{above need} & & \text{of need} & & & & \text{premium as Wales} \end{array}$$

$$\text{Example for Wales} \quad (123/115) \times 124 = 133$$

This results in additional £1.272 billion, £1.184 billion £1.118 billion totaling £3.574 billion over the SR period.

Method 5, applying a percentage proportion factor to NI's need

This operation expresses the percentage points difference between the premium and need for the other DA as a percentage and applies it to NI need.

$$\begin{array}{ccccccccc} \text{Welsh} & & & & \text{NI's level} & & \text{NI premium with same} \\ \text{premium} & / & 100 & \times & \text{of need} & = & \text{percentage proportion} \\ \text{above need} & & & & & & \text{premium as Wales} \end{array}$$

$$\text{Example for Wales} \quad (108/100) \times 124 = 134$$

Appendix B – Methods of calculating comparable funding to Wales and Scotland

In this operation we take Wales' excess funding over need (8 percentage points over its need) and express it as a proportion (108/100) that is applied to NI's level of need.

This results in additional £1.421 billion, £1.335 billion £1.273 billion totaling £4.028 billion over the SR period.

Tables B1 and B2 present the results of applying each method to both Wales and Scotland's premia using the various methods.

Table B1 – Additional DEL to uplift NI block grant to Wales's level

Uplift factor		Total TDEL required to equal Wales'			Total over SR
		2026-27	2027-28	2028-29	
Method 1	132%	19,597	19,981	20,457	60,035
Method 2	132%	19,597	19,981	20,457	60,035
Method 3	133%	19,746	20,132	20,612	60,490
Method 4	133%	19,746	20,132	20,612	60,490
Method 5	134%	19,894	20,284	20,767	60,945

Source: NIFC calculations

Table B2 – Additional DEL to uplift NI block grant to Scotland's level

Uplift factor		Total TDEL required to equal Scotland's			Total over SR
		2026-27	2027-28	2028-29	
Method 1	144%	21,379	21,797	22,317	65,493
Method 2	144%	21,379	21,797	22,317	65,493
Method 3	148%	21,973	22,403	22,937	67,313
Method 4	148%	21,973	22,403	22,937	67,313
Method 5	149%	22,121	22,554	23,092	67,767

Source: NIFC calculations

Application to NI's funding position compared to Scotland and Wales

We present the results of applying these approaches in the Tables below. Tables B3 and B4 show the results of applying these different methods. The table for each country shows the additional DEL that NI would require per year to match the level of above-need funding for Wales or Scotland (i.e. around an additional £1 billion to £3.5 billion per year depending on method and comparator country). This set of numbers is calculated by removing the actual NI DELs received at SR2025 from the total DEL required for equivalence (i.e. to plug the 'gap').

Table B3 - Additional DEL required for NI's funding to match funding in Wales

Uplift factor		Additional TDEL required to equal Wales' funding/head (£m)			TDEL over SR period
		2026-27	2027-28	2028-29	
Method 1	132%	1,124	1,032	963	3,119
Method 2	132%	1,124	1,032	963	3,119
Method 3	133%	1,272	1,184	1,118	3,574
Method 4	133%	1,272	1,184	1,118	3,574
Method 5	134%	1,421	1,335	1,273	4,028

Source: NIFC calculations

Table B4 - Additional DEL required for NI's funding to match funding in Scotland

Uplift factor		Additional TDEL required to equal Scotland's funding/head (£m)			TDEL over SR period
		2026-27	2027-28	2028-29	
Method 1	144%	2,968	2,944	2,954	8,866
Method 2	144%	2,968	2,944	2,954	8,866
Method 3	148%	3,562	3,549	3,574	10,686
Method 4	148%	3,562	3,549	3,574	10,686
Method 5	149%	3,711	3,701	3,729	11,141

Source: NIFC calculations

We see that two of the possible methods, 1 and 2 - the most conservative approaches, ignoring need - result in estimates of additional Barnett in line with those of the First Minister and Finance Minister of around £1 billion or £3 billion for funding equivalent to Wales's or Scotland's, respectively.

The remaining three methods (3 to 5) result in figures slightly higher than those, at around £1.2 billion and £3.5 billion respectively. These approaches take more account of the relative needs of the different regions, involving a ratio which reflects NI's higher base need level. In the Council's assessment these methods are more appropriate mathematically than the simple 'bare percentage points' approach.

Appendix C - Recent population projections: implications for NI's premium

Recently-released projections⁴² show higher population growth in NI relative to England than when the Treasury calculated NI's prospective funding-per-head premium over the SR period. This reflects a downward revision to net inward migration, which affects England more than NI. This causes NI's relative funding-per-head premium to fall compared to Treasury's expectation prior to the SR.

The funding premia are quite sensitive to changes in relative population. These essentially marginal movements have a noticeable impact, and the new projections result in a significant change to NI as a share of the English population.

Consequently our estimate is that the NI funding premium is slightly below need - at around 123 per cent of spending in England for 2026-27. Approximately £170 million of additional funding would be required to bring NI back up to 124 per cent.

As part of the Interim Fiscal Framework, Treasury provided a degree of assurance for that SR period that NI would not receive funding lower than its level of need: *"Until budgets are confirmed at the Spending Review, the Northern Ireland Executive will continue to plan on the assumption that they will be funded at or above the 124 per cent level of relative need in future financial years."*⁴³

The Executive finding itself in a similar position as at that time, Treasury may again be pressed to 'top-up' the Block Grant so that it provides at least funding to the level of NI's need. A more sustainable approach than one-off 'dollops' of funding would be a valuable component of any future iteration of NI's Fiscal Framework.

This phenomenon of weaker than projected migration levels in England may be a recurrent one in coming years. A recent headline indicates that for 2025, UK net migration has fallen to 171,000, the lowest since the Covid pandemic⁴⁴ - so even the reduced (2024-based) population projections may overstate the position, and consequently lead to an overstatement of NI's current level of premium.

The importance of relative population under NI's fiscal framework

In our technical paper *NI's public finances and the UK Government's financial support package for the restored Executive*⁴⁵ we included some analysis which projected the impact of the proposed fiscal adjustment from 2024-25. We showed in Chart 5.3 the proportion of change that arises from changes in population.

Chart C1 shows a similar decomposition of the forces now making up NI's funding premium - both positively and negatively. Our modelling is based on the population

⁴² Projections [National population projections table of contents - Office for National Statistics](#)

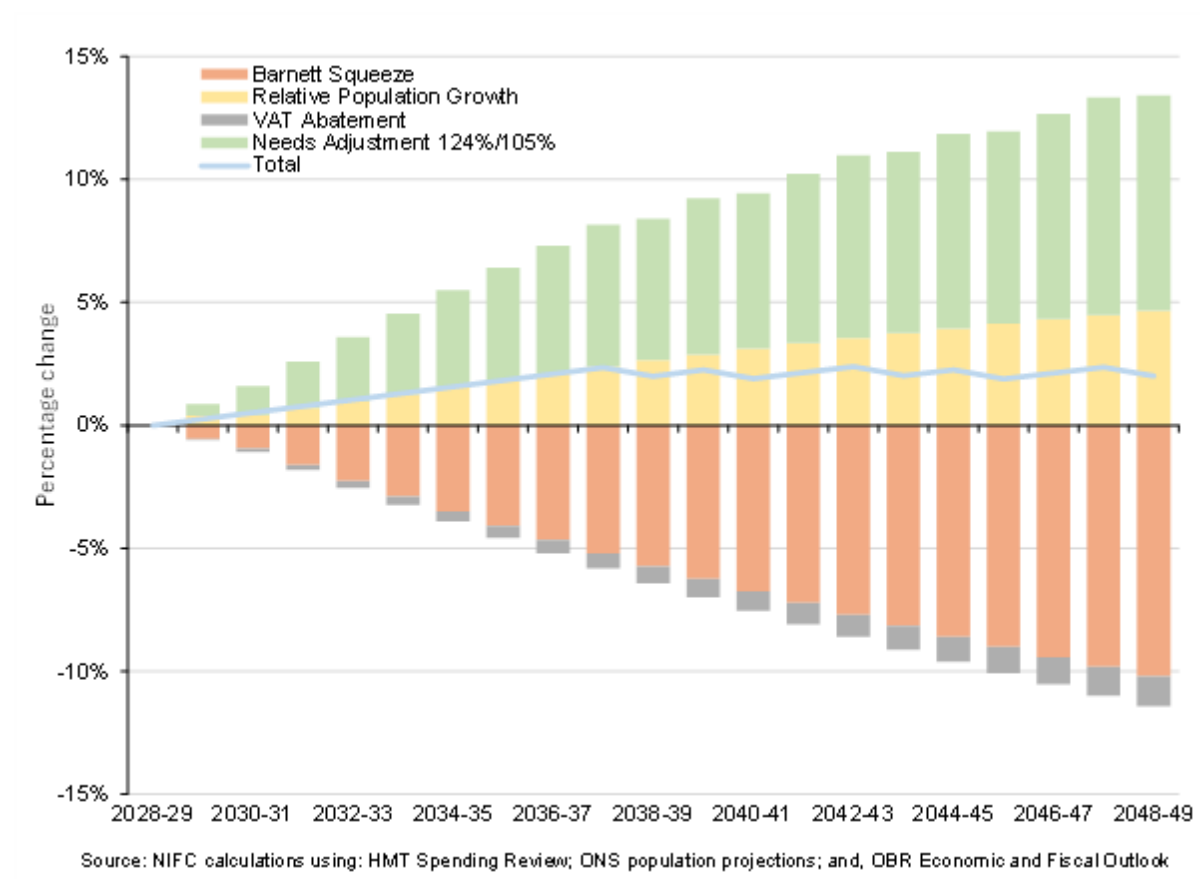
⁴³ https://assets.publishing.service.gov.uk/media/664b64964f29e1d07fadcb18/170524_NIEFF_Agreement_formatted_.pdf

⁴⁴ <https://www.bbc.co.uk/news/articles/clyp1ekd584c>

⁴⁵ <https://www.nifiscalcouncil.org/publications/nis-public-finances-and-uk-governments-financial-support-package-restored-executive>

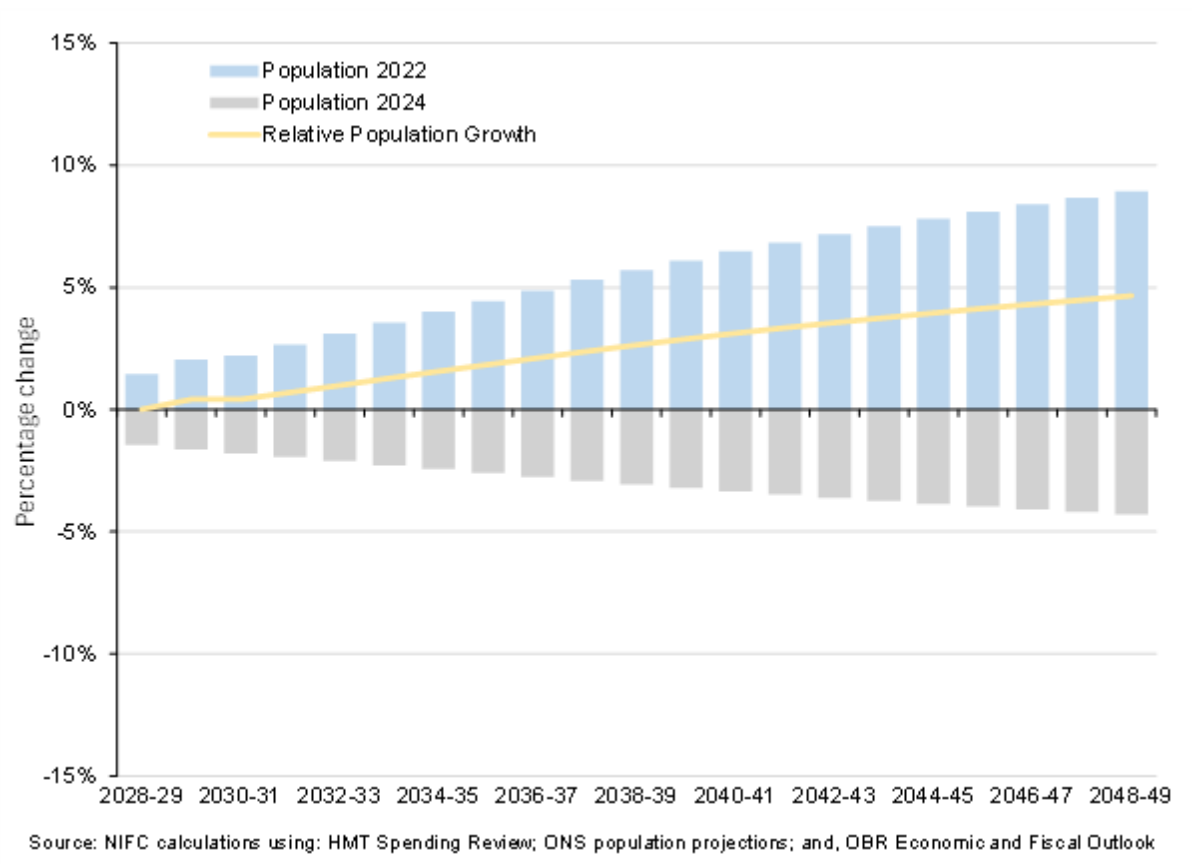
data used by Treasury in July 2025 and includes the difference between this and earlier population projections. It shows the premium (blue line) rising slowly from the end of the Spending Review period reaching the 24 per cent mark by 2037-38. It then oscillates around that level as the 124/105 uplift mechanism works to keep it more-or-less constant.

Chart C1 – Components of NI's funding premium



The yellow portion of the columns shows the net impact of projected population change in NI relative to England. Chart C2 below shows the difference between the two population projections. If the 2022-based projections were what actually occurred, they would have the positive effect on the premium shown in the blue columns.

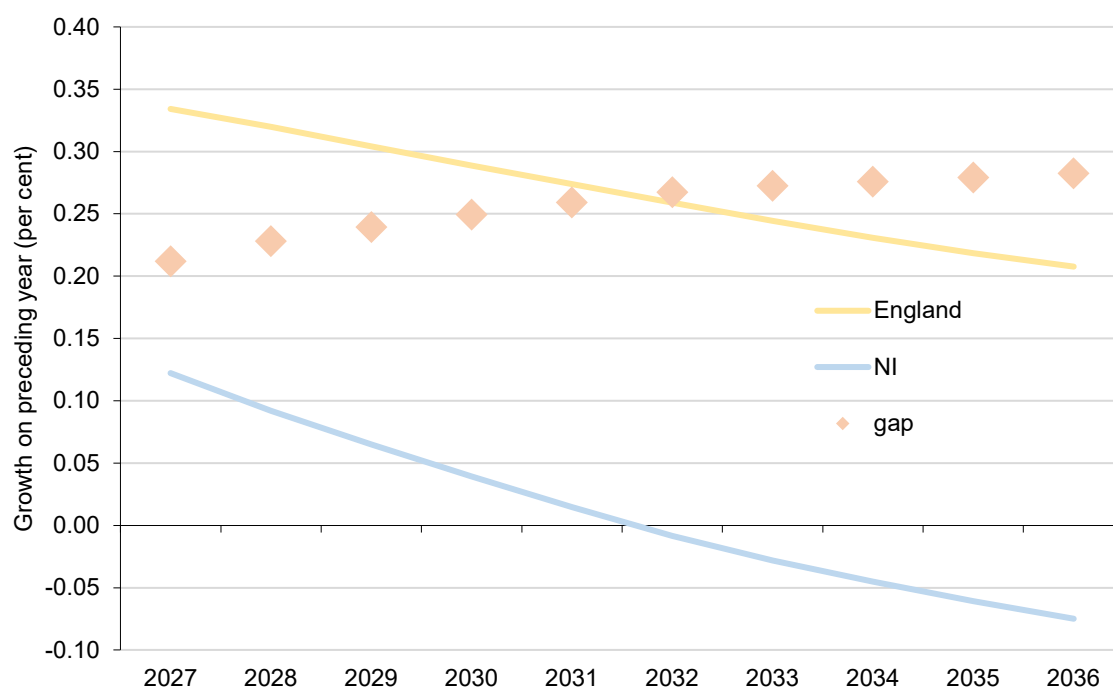
Chart C2 – The difference between 2022- and 2024-based population projections



All else equal, the revised 2024-based projections would have the negative effect shown by the grey columns. The net position is shown in yellow in both charts – the line in Chart C2 and the columns in Chart C1. The primary driver of the difference is ONS' downward revision of inward migration to England. This means that 2024 based population projections show a much smaller gap in the growth rate of NI's population compared with England and it is relative growth rates which are important for the calculation of the premium over time: if NI's population were to grow more quickly relative to England's it would mean the public spending has to spread further per head.

Chart C3 below shows the gap between the growth rates in the 2024-based projected populations in England and NI. The slight increase in the gap (shown by the pink diamonds) indicates that a corresponding 'squeeze' on the premium can be expected.

Chart C3 - 2024-based population projections, growth rates to 2036



Source: ONS 2022-based principal population projections

Collectively these charts illustrate the sensitivity of the relative funding position to even relatively small changes in expectations around future population growth. In turn, this implies some uncertainty around future funding levels because it will not be known until each Spending Review whether the 124 or 105 uplift will be applied. This may not be entirely conducive to long-term planning when considering fiscal sustainability.

For example, at the time of SR2025 the devolved funding premia were as shown in Table C1. However, when updated using the numbers from the 2024-based projections, we see the impact shown in Table C2.

Table C1 - Devolved funding premia over the current SR period

England = 100	2026-27	2027-28	2028-29
Scotland's relative funding	125.7	125.5	125.2
Wales relative funding	123.8	123.5	123.0
NI's relative funding	124.0	124.6	124.9

Source: Finance Minister AQW Response, ONS, NIFC calculations

Table C2 – Funding premia recalculated using 2024-based projections

England = 100	2026-27	2027-28	2028-29
Scotland's relative funding	125.5	125.2	124.9
Wales relative funding	123.9	123.6	123.2
NI's relative funding	122.9	123.2	123.5

Source: ONS, NIFC calculations

Tables C1 and C2 show the revisions that we estimate result from the changes between the 2022- and 2024-based population projections on the devolved administrations' relative funding premia:

- **Scotland's relative funding falls** by 0.2-0.3 of a percentage point
- **Wales' relative funding increases** marginally
- **NI's relative funding falls by a greater amount** – i.e. more than a full percentage point (1.1 to 1.4 percentage points)
- Wales and Scotland remain considerably above their relative need figure, but **NI falls below its level of need**

Figure C1 – change in populations in parts of the UK to 2049

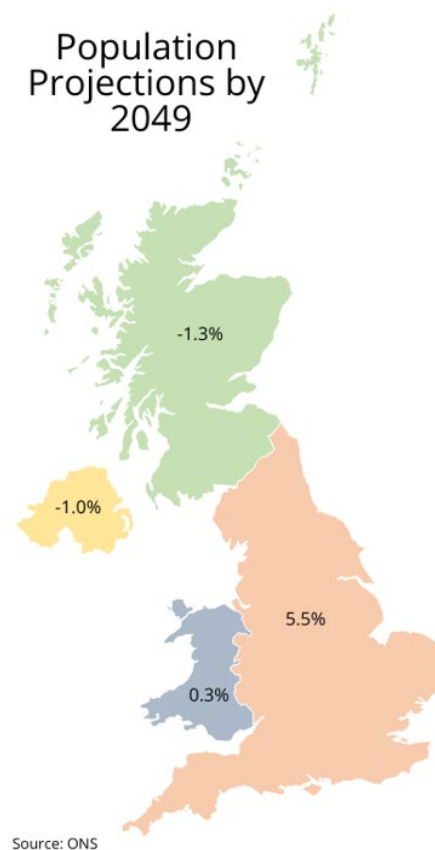
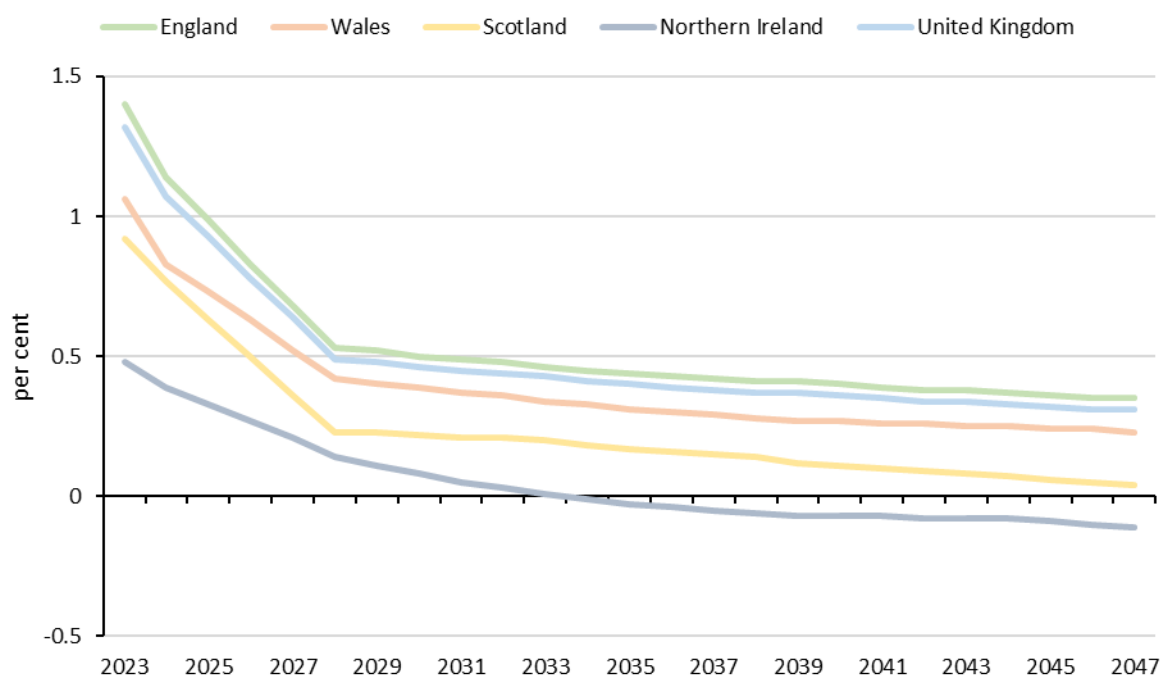


Chart C3 focuses solely on the projected growth rates in the populations of NI and England, showing that the gap between the two will increase somewhat. Over time, NI's population as a share of England's is falling. All else equal, this will gradually increase NI's relative funding per head as the Block Grant will be spread over relatively fewer people.

Chart C4 – Projected annual population growth UK and constituent countries 2023-47⁴⁶



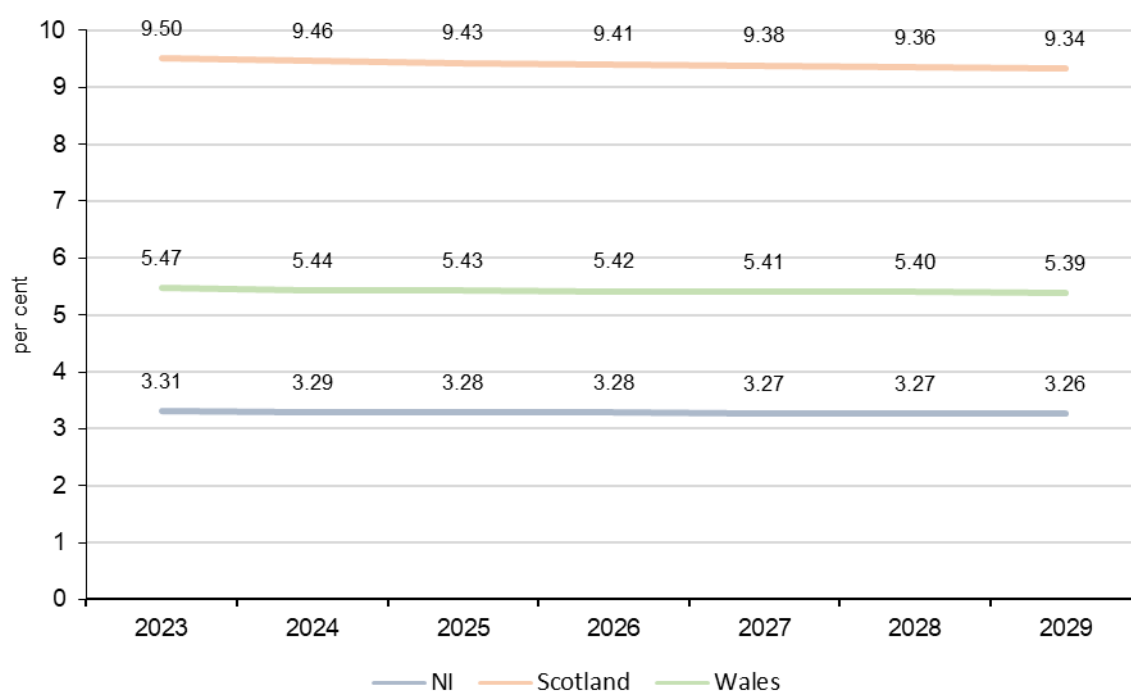
Source: ONS

Chart C4 shows the annual growth of the devolved regions' populations alongside England and the UK.

Charts C4 and C5 together illustrate how NI's population growth falls below zero over time and highlights a declining proportion of the population compared to England. This will consequently affect the funding received from the UK government through the Barnett formula which is allocated based on NI's population share of England. Slower population growth compared to England reduces NI's relative share of funding, thereby constraining NI's public spending capacity. This pattern is partly driven by an ageing population which contributes to lower overall population growth.

⁴⁶ Source: <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/bulletins/nationalpopulationprojections/2024based>

Chart C5 – Devolved populations as a proportion of England's



Source: ONS

The above chart shows the proportion of the devolved region's population as a percentage of England's population. The relative decline in NI's population as a proportion of England's is smaller than either Wales's or Scotland's. This means that all else equal, compared to the other devolved administrations, NI's per capita funding premium will grow at a slower pace.

The Interim Fiscal Framework sets out that when NI's funding per head is assessed at a fiscal event as being above the 124.05 per cent threshold,⁴⁷ the uplift on new funding falls to 105 per cent. As new funds flow via the Barnett formula, the 105 per cent factor has the effect of reducing NI's relative premium over England back down from around 124 per cent towards 105 per cent. When the premium falls back below the 124.05 per cent threshold, the higher uplift factor of 124 per cent kicks in again. As a result NI's premium will oscillate around 124.05, falling relatively rapidly downwards and then rising back up due largely to the population effect.

This mechanism effectively places a ceiling on NI's relative funding premium. While slower population growth relative to England would normally lead to a steadily increasing premium over time (for the other Devolved Administrations), the Fiscal Framework limits the extent to which NI can benefit from this effect. Once the premium exceeds the 124.05 per cent threshold, the lower uplift rate (105 per cent) pulls it back down below its level of need. As a result, NI's premium tends to fluctuate around the assessed level of need rather than continuing to rise. Scotland and Wales do not face an equivalent constraint.

⁴⁷ <https://www.finance-ni.gov.uk/sites/default/files/2025-06/Northern%20Ireland%20Fiscal%20Framework%20Implementation%20Update.pdf>

One final factor that we highlighted in our response to the 2021 SR⁴⁸ is that the new methodology for calculating NI's premium is different from that used to calculate the premium for Wales and Scotland. When measuring the Executive's funding against comparable UK Government spending, the new methodology uses the populations for Wales and Scotland, not just England, when the spend is likely to benefit those populations. Previously only the English population was used, even where spending also affected Wales or Scotland. This is still the method used when estimating the premia for Wales and Scotland, only the NI methodology has been updated.

This new methodology has the effect of decreasing the comparable UK Government spending on a per-capita basis and pushing up NI's relative funding premium. To illustrate the impact of this methodological difference in NI, if the UK Government comparable spending per head was calculated in the same way as for Scotland,⁴⁹ NI's funding premium would sit at around 121.5 per cent, with £380 million of additional funding required to bring it up to 124 per cent.

⁴⁸www.nifiscalcouncil.org/files/nifiscalcouncil/documents/2023-02/Technical%20paper%2001.21%20NIFC%20response%20to%202021%20Spending%20review%20-%20web%20version%2025.01.23.pdf (Page 9)

⁴⁹That is, divided by England's population rather than a weighted England and Wales population.