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Draft Budget 2026-2029/30: Local Revenue-Raising

Paper 6 of 6

RaISe – Public Finance Scrutiny Unit

This Briefing Paper is Paper 6 of 6 in a thematic series. It addresses local revenue-raising in Northern Ireland, with the aim of supporting Northern Ireland Assembly plenaries, statutory committees and the Audit Committee, when scrutinising Draft Budget 2026-29/30.

This information is provided to Members of the Legislative Assembly (MLAs) in support of their duties and is **not** intended to address the specific circumstances of any particular individual. It should **not** be relied upon as professional legal advice, nor as a substitute for it.

Summary of Key Points

1. Northern Ireland raises only 5% of revenue locally – the lowest level in the developed world among comparable jurisdictions – with the remaining approximately 95% of the Executive Budget funded through the Block Grant received from central government^{1 2 3}. The proposed Draft Budget (DB) 2026/27-2029/30 reflects this structural dependency, with the Minister of Finance describing Northern Ireland’s funding position as *“extremely constrained”* and acknowledging that it is *“simply not possible to provide any department with the funding it has requested”*⁴.
2. The proposed DB faces an estimated funding shortfall of approximately £400 million (m), compounded by the cessation of £520m in restoration stabilisation funding^{5 6}. The Executive’s own Budget Sustainability Plan (October 2024) acknowledges that income generation is *“a key component”* of achieving long-term sustainable public finances⁷, and the Northern Ireland Fiscal Council (NIFC) has concluded that *“without corrective action, whether through additional funding, reform, or revenue-raising, the proposed Budget is unlikely to remain deliverable in practice”*⁸.
3. Following the direction of the then Secretary of State for Northern Ireland in September 2023, Northern Ireland Departments undertook the most comprehensive package of public consultations on revenue-raising

¹ Booth, P. (2015). *Federal Britain: The Case for Decentralisation*. The Institute of Economic Affairs, London. Available [here](#).

² OECD (2025). *Government at a Glance 2025*. OECD Publishing, Paris. Available [here](#).

³ Department of Finance (2025). Draft Budget 2025-26 Factsheet. Available [here](#).

⁴ The Proposed Draft Budget (DB) 2026-29/30, published by the Minister of Finance on 06 January 2025 as a Written Ministerial Statement to the Assembly, page 2, and available [here](#).

⁵ Proposed Draft Budget (DB) 2026-29/30, published by the Minister of Finance on 06 January 2026 as a Written Ministerial Statement to the Assembly, page 2. Available [here](#).

⁶ Proposed Draft Budget (DB) 2026-29/30, published by the Minister of Finance on 06 January 2026 as a Written Ministerial Statement to the Assembly, page 2. Available [here](#).

⁷ Department of Finance (2024). *Budget Sustainability Plan*, October, p. 35. Available [here](#).

⁸ Northern Ireland Fiscal Council (NIFC) (2026). *The Finance Minister’s proposed 2026-27 to 28-29 Budget: an assessment*, February. Available [here](#).

measures since current devolution, covering domestic water and sewerage charges, rating system reforms, hospital parking charges, and private streets inspection fees⁹. These consultations attracted significant public engagement, including over 1,800 responses on water charging alone¹⁰.

4. The consulted measures identify a potential aggregate annual revenue of between £511m and £533m, if all were implemented¹¹. Domestic water and sewerage charges represent by far the largest single option at approximately £307m annually, reflecting Northern Ireland's unique status as the only part of the United Kingdom where domestic water services are funded entirely through public expenditure, rather than direct user charges¹². Despite this revenue potential, no decisions have been taken on implementing the consulted measures, and significant political opposition to several options – most notably domestic water charges – remains^{13 14}.
5. The proposed DB does, however, introduce annual regional rate increases of 5% for domestic properties and 3% for non-domestic properties, generating approximately £42.6m in additional revenue in 2025-26 and building to approximately £100m of cumulative additional revenue by 2028-29^{15 16 17}. While a significant step, this increase alone is

⁹ A copy of the Direction Letter to Northern Ireland Departments to undertake consultations from the Secretary of State, dated 20 September 2023, is available [here](#).

¹⁰ Department for Infrastructure (2024). *High-Level Summary Report on Consultation Response: Water and Sewerage Charges*. Available [here](#).

¹¹ See *Table 1: Aggregate revenue potential from revenue-raising consultations*, located in Section 3 of this Paper.

¹² Department for Infrastructure (2023). *Consultation on Water and Sewerage Charges — Options for Revenue Raising*, 7 December, page 3. Available [here](#).

¹³ BBC News (2024). "Water charges: John O'Dowd rules out NI Water mutualisation", 8 April. Available [here](#).

¹⁴ BBC News (2024). "Water charges: Michelle O'Neill rules out introducing new fees", 12 February. Available [here](#).

¹⁵ Proposed Draft Budget (DB) 2026-29/30, published by the Minister of Finance on 06 January 2026 as a Written Ministerial Statement to the Assembly, page 4. Available [here](#).

¹⁶ Proposed Draft Budget (DB) 2026-29/30, published by the Minister of Finance on 06 January 2026 as a Written Ministerial Statement to the Assembly. Available [here](#).

¹⁷ Proposed Draft Budget (DB) 2026-29/30, published by the Minister of Finance on 06 January 2026 as a Written Ministerial Statement to the Assembly, Annex G, page 15. Available [here](#).

insufficient to address the scale of Northern Ireland's fiscal challenge, and without further revenue-raising measures, the options available to the Executive are limited to further reductions in public expenditure or a substantially increased funding settlement from central government beyond current Barnett Formula allocations.

6. Any assessment of the revenue potential of proposed measures must account for behavioural responses. The academic literature demonstrates that taxpayers and businesses adjust their behaviour in response to fiscal changes – through legal avoidance, altered consumption patterns, or, in more extreme cases, relocation – in ways that can significantly reduce actual yields below projected figures^{18 19}. This is particularly pertinent in the Northern Ireland context given the land border with the lower-tax jurisdiction of the Republic of Ireland.
7. Northern Ireland's Block Grant financing architecture creates structural disincentives for local revenue-raising. The academic literature identifies that dependency on Westminster funding produces "*soft budget constraints*" and "*moral hazard*" dynamics, in which the devolved administration lacks sufficient incentive to expand its own tax base^{20 21}. The Barnett Formula, which allocates funding based on population share rather than assessed need, further compounds this by failing to reward fiscal innovation at the devolved level^{22 23}.
8. Northern Ireland faces a distinctive constellation of constraints not shared by Scotland or Wales, including repeated Assembly suspensions

¹⁸ Saez, E., Slemrod, J. and Giertz, S. H. (2012). "The Elasticity of Taxable Income with Respect to Marginal Tax Rates", *Journal of Economic Literature*, 50(1): 3-50. Available [here](#).

¹⁹ Advani, A. and Tarrant, H. (2021). "Behavioural responses to a wealth tax", *Fiscal Studies*, 42(3-4): 509-537. Available [here](#).

²⁰ Brownlow, G. (2022). "Institutional Geography Once More? Devolution Economics Northern Ireland Style", *National Institute Economic Review*, 261: 34-47. Available [here](#).

²¹ Financial Times (2026). "Northern Ireland faces funding crunch despite latest UK bailout", 24 February. Available [here](#).

²² Brownlow, G. (2022). "Institutional Geography Once More? Devolution Economics Northern Ireland Style", *National Institute Economic Review*, 261: 34-47. Available [here](#).

²³ King, D. and Eiser, D. (2015). "Allocating Grant to the UK's Devolved Territories by Needs Assessment: Lessons from School Funding Formulae in England and Scotland", *Fiscal Studies*, 38(1): 81-109. Available [here](#).

that have created a sequencing problem for the institutional capacity-building required for meaningful tax devolution^{24 25}, post-Brexit obligations under The Windsor Framework that limit fiscal autonomy in areas such as State Aid and Value Added Tax (VAT)²⁶, and a comparatively narrow private sector tax base characterised by higher economic inactivity and lower productivity relative to the rest of the United Kingdom^{27 28}.

9. The academic literature collectively suggests a pragmatic sequencing approach for Northern Ireland. Near-term revenue measures should prioritise those with immobile tax bases and lower administrative complexity – such as property-related charges and domestic water charges – before pursuing more ambitious devolved taxes, such as income tax variation or corporation tax reduction, which require greater institutional capacity, political stability, and risk management infrastructure^{29 30}.
10. Meaningful fiscal devolution – not merely enhanced efficiency in the administration of central government-determined spending – is identified in the academic literature as the longer-term route to improved economic

²⁴ Heald, D. and McLeod, A. (2003). "Revenue-raising by UK Devolved Administrations in the Context of an Expenditure-based Financing System", *Regional & Federal Studies*, 13(4): 67-90. Available [here](#).

²⁵ Eiser, D. (2020). *Wealth Taxes and Devolution*. Wealth Tax Commission: London. Available [here](#).

²⁶ Whitten, L. C. (2024). "Northern Ireland and the United Kingdom internal market: the exception that disproves the rules?", *Legal Quarterly*, 75(1): 154-167. Available [here](#).

²⁷ Birnie, E. and Brownlow, G. (2017). "Should the fiscal powers of the Northern Ireland Assembly be enhanced?", *Regional Studies*, 51(9): 1,429-1,439. Available [here](#).

²⁸ Brownlow, G. and Birnie, E. (2018). "Rebalancing and Regional Economic Performance: Northern Ireland in A Nordic Mirror", *Economic Affairs*, 38(1): 58-73. Available [here](#).

²⁹ Birnie, E. and Brownlow, G. (2017). "Should the fiscal powers of the Northern Ireland Assembly be enhanced?", *Regional Studies*, 51(9): 1,429-1,439. Available [here](#).

³⁰ Foreman-Peck, J. and Zhou, P. (2020). "Devolving fiscal policy: migration and tax yields", *Regional Studies*, 54(3): 308-317. Available [here](#).

outcomes for Northern Ireland^{31 32 33}. The Northern Ireland Minister of Finance has committed his department to intensifying work towards a full Fiscal Framework to this end³⁴. However, the specific instruments and pace of reform must be carefully calibrated to Northern Ireland's distinctive economic, political, and regulatory context^{35 36}.

³¹ Booth, P. (2015). *Federal Britain: The case for decentralisation*. The Institute of Economics Affairs (iea), London. Available [here](#).

³² Gemmell, N., Kneller, R. and Sanz, I. (2013). "Fiscal Decentralization and Economic Growth: Spending Versus Revenue Decentralization", *Economic Inquiry*, 51(4): 1,915-1,931. Available [here](#).

³³ Boex, J., Williamson, T. and Ylmaz, S. (2022). *Decentralization, Multilevel Governance and Intergovernmental Relations: A Primer*. Local Public Sector Alliance and The World Bank: Washington DC. Available [here](#).

³⁴ Proposed Draft Budget (DB) 2026-29/30, published by the Minister of Finance on 06 January 2026 as a Written Ministerial Statement to the Assembly, page 3. Available [here](#).

³⁵ For further discussion with regards to the importance of aligning reform with specific country context – especially in relation to countries at early stages of development – the reader is referred to: Dick-Sagee, C. (2020). "Decentralization for improving the provision of public services in developing countries: A critical review", *Cogent Economics & Finance*, 8: 1804036. Available [here](#).

³⁶ For further discussion with regards to the importance of linking public policy reform to specific local contexts, the reader is referred to: Arends, H. (2020). "The Dangers of Fiscal Decentralization and Public Service Delivery: a Review of Arguments", *Polit Vierteljahresschr*, 61: 599-622. Available [here](#).

Introduction

This Briefing Paper – Paper 6 of 6 in a [thematic series](#) – examines local revenue-raising, including analysis of various potential revenue-raising proposals consulted upon in 2023-2024³⁷ and exploration of the complex issues surrounding their implementation. It aims to support Northern Ireland Assembly plenaries, statutory committees and Audit Committee when scrutinising Draft Budget 2026-29/30, including the Finance Minister's (Minister's) January 2026 proposals³⁸.

When relying on this Paper, please note:

- Identified streams of potential revenues and associated costs, alongside quantification of various scenarios, are not intended to provide be exhaustive.
- Analysis of subsequent fiscal implications and wider economic effects (including potential behavioural responses) are exploratory in nature.
- Discussions around potential revenues and costs are informed by publicly available information at the time of writing.
- Economic effects and behavioural implications are informed by the relevant literature.
- Any discussion regarding the prevailing law, including existing legislation, is not intended to provide legal advice or opinion.

The Paper is presented using the following headings:

1. [Context-Setting](#)
2. [The Fiscal Imperative](#)
3. [Overview of Current Revenue-Raising Proposals](#)
4. [Potential Effects of Revenue-Raising Measures](#)

³⁷ On 20 September 2023, the then Secretary of State for Northern Ireland wrote to Permanent Secretaries of all Northern Ireland Civil Service (NICS) departments directing that they launch a series of public consultations on a range of measures that could help support budget sustainability by raising additional revenue for use by the Northern Ireland Executive. Further details and consultation documents are available on the Department of Finance website, [here](#).

³⁸ The Minister's Written Statement and details of proposal's are available [here](#).

5. [Thematic Analysis of the Academic Literature](#)
6. [Key Takeaways](#)

This Paper should not be relied upon as professional legal advice or opinion, nor as a substitute for either.

1 Context-Setting

Northern Ireland has among the lowest levels of locally raised revenue in the developed world, with the United Kingdom raising only 5% of revenue locally compared with 50% in Canada, and 13% in France, the next most centralised country in terms of revenue-raising^{39 40}. Given the devolved fiscal arrangements that govern Northern Ireland, with the Block Grant allocation from central government funding approximately 95% of Northern Ireland's Executive Budget⁴¹, and the wider context of revenue-raising mostly centralised within the United Kingdom, Northern Ireland's public finances are fundamentally unsustainable, as has been noted in various sources^{42 43 44 45}. Expenditure consistently exceeds the revenue raised locally and reliance on the Block Grant continues to dominate Northern Ireland's fiscal landscape.

³⁹ Booth, P. (2015). *Federal Britain: The Case for Decentralisation*. The Institute of Economic Affairs, London. Available [here](#).

⁴⁰ OECD (2025). *Government at a Glance 2025*. OECD Publishing, Paris. Available [here](#). As noted in this latest edition of the *Government at a Glance*, published by the OECD, the United Kingdom is notably highly centralised with regards to tax collection (91.8%), especially in comparison, again, to Canada, where tax revenue collected by central government (37.4%) is less than that collected by the Provinces (43%).

⁴¹ Department of Finance (2025). *Draft Budget 2025-26 Factsheet*. Available [here](#).

⁴² Northern Ireland Fiscal Council (2026). *The Finance Minister's proposed 2026/27 to 28-29/29-30 Budget: an assessment*, March. Available [here](#).

⁴³ Department of Finance (2024). *Budget Sustainability Plan*, October, p. 35. Available [here](#).

⁴⁴ Carson, J. (2025). "Shifting the Dial on NI Public Finances", presentation at the Northern Ireland Economic Conference, 19 November. Details available [here](#).

⁴⁵ A copy of the Direction Letter to Northern Ireland Departments to undertake consultations from the Secretary of State, dated 20 September 2023, is available [here](#). The Direction Letter explicitly notes the "parlous state of public finances in Northern Ireland".

The DB 2026-29/30 was proposed by the Minister of Finance on 06 January 2026 in his Written Statement to the Northern Ireland Assembly⁴⁶. It outlines funding allocations in a context that *“it is simply not possible to provide any department with the funding it has requested”*⁴⁷. His Written Ministerial Statement indicates that both the Executive and individual Ministers will need *“to take challenging decisions to prioritise the available funding to deliver the desired outcomes”*⁴⁸ in relation to the Programme for Government (PfG)⁴⁹ and, as such:

*The need for transformation and consideration of different ways of delivering could not be clearer*⁵⁰.

The Minister has previously clarified that this will directly necessitate new revenue-raising mechanisms, stating:

*...if we are going to face the challenges in relation to our frontline public services, then Ministers...are going to have to be serious in terms of raising[-]revenue*⁵¹.

2 The Fiscal Imperative

In announcing the proposed DB 2026-29/30, the Minister of Finance described the funding position as “extremely constrained”⁵². This stark assessment reflects a fiscal crisis that has been building for years but reached a critical

⁴⁶ The Proposed Draft Budget (DB) 2026-29/30, published by the Minister of Finance on 06 January 2026 as a Written Ministerial Statement to the Assembly, is available [here](#).

⁴⁷ The Proposed Draft (DB) 2026-29/30, published by the Minister of Finance on 06 January 2025 as a Written Ministerial Statement to the Assembly, page 2, and available [here](#).

⁴⁸ The Proposed Draft Budget (DB) 2026-29/30, published by the Minister of Finance on 06 January 2025 as a Written Ministerial Statement to the Assembly, page 3, and available [here](#).

⁴⁹ The Northern Ireland Executive Programme for Government 2024-2027, *Our Plan: Doing What Matters Most*, is available [here](#).

⁵⁰ The Proposed Draft Budget (DB) 2026-29/30, published by the Minister of Finance on 06 January 2025 as a Written Ministerial Statement to the Assembly, page 1, and available [here](#).

⁵¹ The Irish Times, 23 November 2025, available [here](#).

⁵² Proposed Draft Budget (DB) 2026-29/30, published by the Minister of Finance on 06 January 2026 as a Written Ministerial Statement to the Assembly, page 2. Available [here](#).

junction following the cessation of stabilisation funding provided under the 2024 restoration package⁵³.

The fiscal challenge facing Northern Ireland is severe and multifaceted. In 2026-27, the Resource DEL (Departmental Expenditure Limit) uplift provided by the Westminster Spending Review was “largely offset by the cessation of the £520m of stabilisation funding”⁵⁴. The Northern Ireland Executive received £372.3m in additional Barnett consequentials in the 2024 Budget across a four-year budget period, which the Minister of Finance described as falling “far short of what is needed”⁵⁵.

As previously mentioned, this deteriorating fiscal position exists against a backdrop of unprecedented revenue-raising consultations launched in late 2023. Following direction from the then Northern Ireland Secretary of State, in September 2023 Northern Ireland Departments consulted on the most comprehensive package of revenue-raising measures since devolution, covering domestic water charges, rating system reforms, hospital parking charges, and various fees⁵⁶. These consultations ran from November 2023 to February 2024, attracting significant public engagement. For example, 1,184 responses were received regarding hospital parking charges⁵⁷, 1,406 responses were received in relation to domestic and non-domestic rates raising measures⁵⁸, and 1,800 responses were received concerning water and

⁵³ Further details pertaining to the restoration package, including a summary of the financial settlement between the United Kingdom Government (UKG) and the Northern Ireland Executive, is available on the UKG website, [here](#).

⁵⁴ Proposed Draft Budget (DB) 2026-29/30, published by the Minister of Finance on 06 January 2026 as a Written Ministerial Statement to the Assembly, page 2. Available [here](#).

⁵⁵ Proposed Draft Budget (DB) 2026-29/30, published by the Minister of Finance on 06 January 2026 as a Written Ministerial Statement to the Assembly, page 2. Available [here](#).

⁵⁶ A copy of the Direction Letter to Northern Ireland Departments to undertake consultations from the Secretary of State, dated 20 September 2023, is available [here](#).

⁵⁷ Department of Health (2024). *Consultation on the Re-introduction of Hospital Parking Charges: Summary of Responses*. Available [here](#).

⁵⁸ Land & Property Services (2024). *Revenue Raising Consultation Report*. Available [here](#).

sewerage charges⁵⁹. The outcomes from these revenue-raising options and their respective consultations are discussed in [section 3](#) of this Briefing Paper.

Furthermore, it should be noted that the proposed DB 2026-29/30 represents the Northern Ireland Executive's first multi-year budget in over a decade, covering three years for Resource DEL (2026/27-2028/29) and four years for Capital DEL (2026/27-2029/30)⁶⁰. However, this medium-term planning framework nonetheless underlines the need to increase locally raised revenue if public services are to be sustained over the budget period.

2.1 Budget pressures and shortfalls

The Executive faces an estimated funding shortfall of approximately £400m, even before accounting for potential reductions arising from overspends in the current financial year (2025/26)⁶¹. The Minister for Finance has warned that *“any overspend in the current financial year will reduce the funding available in this budget period”*. The exact amount, however, will not be known until year-end⁶². That uncertainty has not been reflected in the proposed DB but would need to be addressed either when discussing and agreeing the DB, or during the first Monitoring Round of 2026/27⁶³.

Central government Resource DEL allocations for Northern Ireland for 2026/27 total £17,009.7m across all Departments, rising to £17,593.2m by 2028-29⁶⁴. However, when earmarked funding is excluded – that is, items ring-fenced by his Majesty's (HM) Treasury or the Executive for specific purposes, such as The Windsor Framework, Transformation Funding, and welfare mitigations – the

⁵⁹ Department for Infrastructure (2024). *High-Level Summary Report on Consultation Response: Water and Sewerage Charges*. Available [here](#).

⁶⁰ Proposed Draft Budget (DB) 2026-29/30, published by the Minister of Finance on 06 January 2026 as a Written Ministerial Statement to the Assembly. Available [here](#).

⁶¹ Proposed Draft Budget (DB) 2026-29/30, published by the Minister of Finance on 06 January 2026 as a Written Ministerial Statement to the Assembly, page 2. Available [here](#).

⁶² Proposed Draft Budget (DB) 2026-29/30, published by the Minister of Finance on 06 January 2026 as a Written Ministerial Statement to the Assembly, page 4. Available [here](#).

⁶³ Proposed Draft Budget (DB) 2026-29/30, published by the Minister of Finance on 06 January 2026 as a Written Ministerial Statement to the Assembly, page 4. Available [here](#).

⁶⁴ Proposed Draft Budget (DB) 2026-29/30, published by the Minister of Finance on 06 January 2026 as a Written Ministerial Statement to the Assembly, Annex A, page 7. Available [here](#).

core departmental allocations show minimal real growth. The non-earmarked Resource DEL increases by only 0.8% between 2025/26 and 2026/27, with subsequent years showing growth of 2.0% and 1.8% – figures that are likely to be below inflation and well short of demand pressures⁶⁵, as acknowledged in the Minister’s Written Statement when presenting the proposed DB 2026-29/30.

Capital DEL allocations total £2,632.5m in 2026/27, rising to £2,634.8m by 2029/30, representing essentially flat funding across the period⁶⁶. When accounting for earmarked items (including City and Growth Deals, Flagship Infrastructure Projects, and borrowing for social housing and water infrastructure), discretionary capital budgets available to Departments for their own priorities are severely constrained⁶⁷. (For additional information relating to these points, refer to [Paper 1](#), [Paper 2](#) and [Paper 5](#) in this series.)

2.2 Inadequacy of Block and Non-Block Funding

The Minister of Finance’s assessment of Block Grant and Non-Block Funding is unequivocal:

Despite the Autumn Budget announced in Westminster resulting in increased taxes, by amounts rising to £26 billion in 2029-30, it is extremely disappointing how little additional funding is being provided to the Executive ⁶⁸.

The Minister of Finance argues that the United Kingdom Government should have gone further to address significant past underfunding of public services in Northern Ireland⁶⁹. His critique reflects a broader concern about the adequacy of the Barnett formula for meeting Northern Ireland’s needs. The formula

⁶⁵ Proposed Draft Budget (DB) 2026-29/30, published by the Minister of Finance on 06 January 2026 as a Written Ministerial Statement to the Assembly, Annex C, page 10. Available [here](#).

⁶⁶ Proposed Draft Budget (DB) 2026-29/30, published by the Minister of Finance on 06 January 2026 as a Written Ministerial Statement to the Assembly, Annex D, page 11. Available [here](#).

⁶⁷ Proposed Draft Budget (DB) 2026-29/30, published by the Minister of Finance on 06 January 2026 as a Written Ministerial Statement to the Assembly, Annex E, pages 12-13. Available [here](#).

⁶⁸ Proposed Draft Budget (DB) 2026-29/30, published by the Minister of Finance on 06 January 2026 as a Written Ministerial Statement to the Assembly, page 2. Available [here](#).

⁶⁹ Proposed Draft Budget (DB) 2026-29/30, published by the Minister of Finance on 06 January 2026 as a Written Ministerial Statement to the Assembly, page 2. Available [here](#).

allocates funding based on population share and changes in comparable English departmental spending, with no objective assessment of relative needs or specific circumstances⁷⁰. For Northern Ireland, with its particular demographic profile, legacy issues, divided society, and peripheral location within the United Kingdom, this mechanical approach may systematically underfund requirements. A summary discussing the Barnett formula in relation to proposed DB 2026-29/30 is provided in [Annex 1](#) of this Paper.

Moreover, the proposed DB notes that the:

*ongoing under investment in public services by the British Government means that both the Resource and Capital DEL funding position remain extremely constrained*⁷¹.

This characterisation frames Northern Ireland's fiscal crisis not merely as a technical budgeting challenge, but as a consequence of past inadequate funding from central government, representing a politically salient distinction in the Northern Ireland context.

2.3 Departmental Funding Pressures

The proposed DB allocations reveal the severity of constraints across key sectors:

- **Health:** The Department for Health is designated to receive £8,481.4m in 2026/27 (49.9% of total Departmental Resource DEL), rising to £8,803.5m by 2028-29⁷². However, excluding earmarked items, such as Transformation Funding, The Windsor Framework provisions and elective care allocations, then the core Health budget increases by only 0.8% in 2026/27 and averages less than 2%

⁷⁰ Heald, D. (2003). "Funding the Northern Ireland Assembly: Assessing the Options", *Northern Ireland Economic Council (NIEC) Research Monograph 10*. Available [here](#). Heald (2003) offers a detailed analysis of the operation of the Barnett formula in the Northern Ireland context.

⁷¹ Proposed Draft Budget (DB) 2026-29/30, published by the Minister of Finance on 06 January 2026 as a Written Ministerial Statement to the Assembly, page 2. Available [here](#).

⁷² Proposed Draft Budget (DB) 2026-29/30, published by the Minister of Finance on 06 January 2026 as a Written Ministerial Statement to the Assembly, Annex A, page 7. Available [here](#).

annually thereafter⁷³. This is likely to be inadequate given demographic pressures^{74 75}, backlogs from the pandemic⁷⁶, waiting lists that represent some of the longest regionally^{77 78 79 80}, and annual cost inflation in healthcare consistently exceeding general price inflation^{81 82 83}. A further significant driver of the fiscal pressures with regards to health is staffing; staff costs constitute approximately 54% of the Department of Health (DoH) budget⁸⁴, meaning even standard annual pay awards of 2-3% represent recurrent cost

⁷³ Proposed Draft Budget (DB) 2026-29/30, published by the Minister of Finance on 06 January 2026 as a Written Ministerial Statement to the Assembly, Annex C, page 10. Available [here](#).

⁷⁴ Bergin, A., McGuinness, S. and Banahan, C. (2025). "Economic overview of Ireland and Northern Ireland", *ESRI Research Series*, No. 203. The paper is available [here](#). Bergin *et al.* (2025) note a range of demographic pressures, including an ageing population, and both declining life expectancy relative to comparators and rising infant mortality as indicators of health system stress.

⁷⁵ Ulster University Economic Policy Centre (UUEPC) (2024). *Northern Ireland Demographics 2050: Implications for public policy and infrastructure investment*, August. Available [here](#).

⁷⁶ Northern Ireland Audit Office (2024). *Tackling Waiting Lists*. Available [here](#).

⁷⁷ Bergin, A., McGuinness, S. and Banahan, C. (2025). "Economic overview of Ireland and Northern Ireland", *ESRI Research Series*, No. 203. The paper is available [here](#). Bergin *et al.* (2025: 31) state that "There were 86 persons per 1,000 population on waiting lists (inpatient plus overnight) for more than 18 months in NI compared to an equivalent figure of 12 per 1,000 population in Ireland".

⁷⁸ NHS Confederation (2025). *Waiting List Initiatives: NICON Webinar Report*, 09 June. Available [here](#). The NHS Confederation (2025) note that "Addressing Northern Ireland's waiting lists, the longest in the UK, is a key Programme for Government (PfG) priority".

⁷⁹ British Medical Association (2025). *NHS Under Pressure: Northern Ireland*, 20 June. Available [here](#). The BMA (2025) figures state that approximately 545,000 are people waiting for elective care in Northern Ireland (across both inpatient or day case admissions and first consultation-led outpatient appointments), which is the highest recorded since the dataset began in June 2008.

⁸⁰ ONS (2025). *NHS Planned Care Waiting Times Across the UK*, 18 June. Available [here](#). The ONS (2025) report identifies that between December 2012 and September 2023, the number of pathways (per 100 population) where a patient was waiting for a first outpatient appointment has increased from 5.9 to 22.3 in Northern Ireland, compared to an increase from 3.9 to 9.8 in Scotland.

⁸¹ Barr, N. (2024), "How much should we spend on the NHS?", *LSE British Politics*, 07 May. Available [here](#). Barr (2024) explains the concept of Baumol cost disease, whereby healthcare costs rise faster than general inflation as the productivity of workers in service industries tend to rise more slowly. Moreover, alongside being a mostly service-based industry, healthcare is also a labour-intensive sector, exasperating the implications of this phenomenon.

⁸² Healthcare Financial Management Association (HFMA) (2024). *HFMA News alert*, 28 May. Available [here](#).

⁸³ The Irish News (2022). "Health Service crisis: One in three patients waiting more than two years in Northern Ireland", 07 June. Referenced in The Irish News, a report by the Nuffield Trust states that since 2016, the unit costs of hospital care had risen by around 28% in Northern Ireland as opposed to 7-8% in England. Available [here](#).

⁸⁴ Department of Health (2025). *Annual Report and Accounts 2024-25 – For the year ended 31 March 2025*. Available [here](#).

increases of approximately £120-180m annually, before any pay parity adjustments are considered.

- **Education:** The Department of Education has been allocated £3,244.6m in 2026/27, rising to £3,393.1m by 2028/29⁸⁵. The non-earmarked Education budget increases 1.2% in 2026-27⁸⁶, but faces significant pressures from teacher pay awards⁸⁷, special educational needs (SEN) provision^{88 89 90}, school maintenance backlogs, and the costs of a fragmented school estate with numerous small schools operating below efficient scale^{91 92 93}.
- **Justice:** The Department of Justice is allotted £1,575.4m in 2026/27, though this includes substantial earmarked items including £119m for the Police Service Northern Ireland (PSNI) data breach, security funding of £37.8m, and workforce recovery costs of £25.8m⁹⁴. The core Justice budget, excluding earmarks increases by only 0.7% in

⁸⁵ Proposed Draft Budget (DB) 2026-29/30, published by the Minister of Finance on 06 January 2026 as a Written Ministerial Statement to the Assembly, Annex A, page 7. Available [here](#).

⁸⁶ Proposed Draft Budget (DB) 2026-29/30, published by the Minister of Finance on 06 January 2026 as a Written Ministerial Statement to the Assembly, Annex C, page 10. Available [here](#).

⁸⁷ Department of Education (2025). *Givan welcomes agreement on teachers' pay*, 04 April. Available [here](#).

⁸⁸ Department of Finance (2025). *2025-26 Draft Budget Document*, 31 January. Available [here](#).

⁸⁹ Derry Journal (2026). "Plans to reform classroom support for children with special educational needs in Northern Ireland", 19 February. Available [here](#).

⁹⁰ Education Authority (EA) (2026), *EA sets out new classroom support model*, 19 February. Available [here](#).

⁹¹ The Irish News (2025), "Concern over state of Northern Ireland schools with repairs bill that 'could be up to £800m'", 16 October. Available [here](#).

⁹² Northern Ireland Audit Office (2024). *Managing the Schools' Estate*, 11 November. Available [here](#). The Northern Ireland Audit Office (2024) state that the Department of Education estimate that it will "need 30 years and £3.2 billion to complete its current list of approved capital projects, with the current maintenance backlog estimated at around £450 million – but potentially much higher".

⁹³ Department of Education (2026). *Five-Year Education Budget Strategy: Delivering a stable, sustainable and high-quality education system*, 04 February. Available [here](#). The Department's Five-Year Education Budget Strategy identifies the restructuring of the schools' estate, including a reduction in the number of schools as a reform area, and states: "Northern Ireland's home-to-school transport eligibility criteria is more generous than elsewhere in the UK, with around 27% of pupils receiving transport assistance compared with only 6% in England and 10-15% in Scotland and Wales" Department of Education (2025: 2).

⁹⁴ Proposed Draft Budget (DB) 2026-29/30, published by the Minister of Finance on 06 January 2026 as a Written Ministerial Statement to the Assembly, Annex B, page 9. Available [here](#).

2026/27⁹⁵. This leaves little room for addressing prison overcrowding^{96 97 98}, court backlogs⁹⁹, or criminal justice reforms¹⁰⁰.

- **Infrastructure:** The Department for Infrastructure was designated £654.9m in 2026/27 for Resource DEL and £941.5m for Capital DEL, with the capital allocation rising to £1,081.2m by 2028/29¹⁰¹. However, these figures are dominated by earmarked Flagship Projects and do not reflect the scale of maintenance backlog across the roads network or the investment needs of Northern Ireland Water¹⁰². For further detailed discussion with regards to Capital DEL – and Resource DEL – in the context of the DB, please see [Paper 1](#), [Paper 2](#), [Paper 3](#) and [Paper 4](#) in this series for additional information.

Against this backdrop of increasing spending pressures on departments, the Northern Ireland Fiscal Council (NIFC) published its assessment of the Finance Minister’s proposed DB on 24 February 2026. That assessment characterised the fiscal demands of Departments as a persistent cultural issue, stating:

Overspending has become a recurrent feature rather than an exception.

There is the danger that institutional culture is changing or fiscal discipline

⁹⁵ Proposed Draft Budget (DB) 2026-29/30, published by the Minister of Finance on 06 January 2026 as a Written Ministerial Statement to the Assembly, Annex C, page 10. Available [here](#).

⁹⁶ Department of Finance (2025). *2025-26 Draft Budget Document*, 31 January, pages 67-68. Available [here](#). Of particular note, the Draft Budget Document states that crowded accommodation coupled with reduction in staffing level adversely impacts the safety and security of prisons with higher levels of violence and incidents against staff and prisoners, and further warns that “NIPS [Northern Ireland Prison Service] could not meet any of the four healthy prison tests, leaving NIPS open to significant criticism from HM Inspector of Prisons” Department of Finance (2025: 67).

⁹⁷ AgendaNI (2023). *Prisons 25 by 25*, January. Available [here](#). The Director General of NIPS is quoted as stating “Currently, around 1,700 people are in the care of prisons in Northern Ireland, some 200 more than prisons are funded to facilitate.” The article also notes the Director General stating that 34% of the people currently in prison custody have been diagnosed as having a mental health issue, and more than half have a history of self-harm.

⁹⁸ Department for Justice (2025). *The Northern Ireland Prison Population 2024/25*, October. Available [here](#).

⁹⁹ Department for Justice (2025). *Case Processing Time for Criminal Cases Dealt with at Courts in Northern Ireland published*, 14 August. Available [here](#).

¹⁰⁰ Bailie, J. (2025). “Spotlight on access to justice in Northern Ireland”, *Research Matters – Ra/Se blog*, 21 February. Available [here](#).

¹⁰¹ Proposed Draft Budget (DB) 2026-29/30, published by the Minister of Finance on 06 January 2026 as a Written Ministerial Statement to the Assembly, Annex D, page 11. Available [here](#).

¹⁰² Proposed Draft Budget (DB) 2026-29/30, published by the Minister of Finance on 06 January 2026 as a Written Ministerial Statement to the Assembly, Annex E, page 13. Available [here](#).

*is relaxing in such a way that over-spending is becoming a standard operating procedure”*¹⁰³.

Indeed, the Co-Director of Ulster University’s Strategic Policy Unit (UUSPU) described the phenomenon of repeated bailouts from the United Kingdom Government as “*moral hazard*” that is cultivating a significant incentive problem: “*It’s not only an absence of incentives we have here, it’s perverse incentives*”¹⁰⁴.

However, such a situation cannot continue indefinitely, and, according to the Chair of the NIFC, such over-spending will result in unsustainable budgetary pressures that will inevitably require politically unpalatable decisions to be made, such as the introduction of revenue-raising measures¹⁰⁵.

As such, the fiscal problems facing the formation of the Executive Budget could be framed as both a governance and operational issue on the part of public fiscal management, alongside the existence of real and increasing spending pressures across Departments.

2.4 The Need for Strategic Reserves

Acknowledging the likelihood of additional pressures emerging, the proposed DB proposes establishing strategic reserves of £200m in 2027/28 and £400 million in 2028/29 “*to meet unforeseen pressures that may arise*”¹⁰⁶. While prudent, those reserves represent a significant call on already constrained resources and highlight the precariousness of the fiscal position. The absence of any reserve in 2026/27 – the most constrained year – reflects a substantial lack of fiscal headroom.

¹⁰³ Northern Ireland Fiscal Council (2026). *The Finance Minister’s proposed 2026/27 to 28-29/29-30 Budget: an assessment*, March, p. 9. Available [here](#).

¹⁰⁴ Financial Times (2026). “Northern Ireland faces funding crunch despite latest UK bailout”, 24 February. Available [here](#).

¹⁰⁵ Financial Times (2026). “Northern Ireland faces funding crunch despite latest UK bailout”, 24 February. Available [here](#).

¹⁰⁶ Proposed Draft Budget (DB) 2026-29/30, published by the Minister of Finance on 06 January 2026 as a Written Ministerial Statement to the Assembly, page 3. Available [here](#).

2.5 Revenue-Raising as an Essential Response

2.5.1 The Proposed Regional Rate Increases

In the constrained context set out earlier in this Briefing Paper, the Draft Budget assumes revenue-raising measures as essential to fiscal sustainability. With regards to specific revenue-raising measures, the Minister proposes:

- Domestic Regional Rate: 5% annual increase for each year across the Draft Budget period (2026/27, 2027/28, 2028/29).
- Non-Domestic Regional Rate: 3% annual increase for each year across the Draft Budget period¹⁰⁷.

These rate increases represent a significant shift from recent practice. The proposed 5% Domestic Rate increase substantially exceeds likely inflation and will noticeably increase household bills. For a property with a capital value of £150,000 (approximate median value), a 5% rate increase translates to approximately £50-60 of additional annual cost, with cumulative increases of 15.76% over three years (compound effect).

The differential treatment of domestic (5%) versus non-domestic (3%) rates reflects political and economic considerations. The higher domestic rate increase generates more revenue given the larger number of domestic properties (approximately 841,827 domestic versus roughly 75,457 non-domestic properties)¹⁰⁸. However, the lower increase in non-domestic properties acknowledges concerns about business competitiveness and the potential economic impact of significant business rate rises, particularly given the industrial derating and vacant rating relief removal proposals included in the

¹⁰⁷ Proposed Draft Budget (DB) 2026-29/30, published by the Minister of Finance on 06 January 2026 as a Written Ministerial Statement to the Assembly, page 4. Available [here](#).

¹⁰⁸ Department of Finance (2025). *Housing stock statistics*, 3 June, available [here](#). Statistics based on data generated by the Land & Property Services (LPS). LPS data can be accessed via OpenDataNI, [here](#).

public consultation concerning non-domestic rating measures, which will be discussed later in this Briefing Paper, at [sub-section 3.2](#)¹⁰⁹.

The Draft Budget states that the proposed 5% increase for domestic properties and 3% increase for non-domestic properties in 2025/26 will generate £42.6m in additional revenue, contributing to total regional rate income of £732.3m in that year¹¹⁰. Annex G projects continued growth in Regional Rate income (net of Regional Rate income principal repayments for capital investment) across the budget period:

- 2026/27: £771.6 million (increase of £39.3m).
- 2027/28: £801.9 million (increase of £30.3m).
- 2028/29: £830.5 million (increase of £28.6m)¹¹¹.

These year-on-year increases of approximately £30-40m, consistent with continuation of the 5% domestic and 3% non-domestic annual rate increases, represent cumulative gains building on the initial £42.6m.

However, while significant, this additional revenue from rate increases alone is insufficient to address the scale of the fiscal challenge. The approximately £40m annual gain from rate increases makes only a modest contribution to closing the £400m funding gap or addressing the cessation of £520m stabilisation funding.

2.5.2 The Broader Revenue-Raising Agenda

The rate increases announced in the Draft Budget must be understood in the context of the broader revenue-raising consultations undertaken in 2023-2024.

¹⁰⁹ The industrial derating, the industrial derating and vacant rating relief removal were specific proposals included in the official Non-Domestic Rating Measures consultation that was conducted in 2023-24 (as part of the same suite of consultations as the domestic rating measures). Specifically, the Industrial Derating Removal would remove the current 70% rate reduction for approximately 4,500 manufacturing properties, which costs the Executive £71.5 million annually. This relief was already phased out in England/Wales (1963) and Scotland (1995), but still exists in Northern Ireland. The Non-Domestic Vacant Rate Relief Removal would remove the current 50% relief that vacant non-domestic properties receive, meaning they would pay full rates even when empty. As such, as these additional proposed measures would also significantly increase the burden on businesses, the government is being more cautious about the annual percentage increase because they're simultaneously proposing to remove major reliefs that businesses currently benefit from.

¹¹⁰ Proposed Draft Budget (DB) 2026-29/30, published by the Minister of Finance on 06 January 2026 as a Written Ministerial Statement to the Assembly. Available [here](#).

¹¹¹ Proposed Draft Budget (DB) 2026-29/30, published by the Minister of Finance on 06 January 2026 as a Written Ministerial Statement to the Assembly, Annex G, page 15. Available [here](#).

As detailed elsewhere in this Briefing Paper, these consultations explored measures potentially generating £440-550m annually, including:

- Domestic water and sewerage charges: £300-400m annual potential.
- Rating system reforms (removal of industrial derating, vacant rating relief, domestic allowances): £110-120m annual potential.
- Hospital parking charges: £10m annual potential.
- Other measures (private streets fees, water domestic allowances): approximately £20m annual potential¹¹².

Although no decisions have yet been taken on the measures consulted upon, it is clear that rate increases alone are unlikely to be sufficient to provide long-term fiscal sustainability. Without further revenue-raising measures, the options are limited to significant reductions in public spending or a substantial increase in funding from central government beyond current Barnett allocations.

The 06 January 2026 Written Ministerial statement from the Minister of Finance emphasises this dilemma, noting:

*...it is unquestionable that our public services are facing increased demand and increased pressures with increased costs to deliver the services people rely on...*¹¹³

His Written Statement explicitly states:

*...the need for transformation and consideration of different ways of delivering could not be clearer*¹¹⁴

It, however, implicitly acknowledges that transformation and efficiency alone cannot bridge the gap, and, thus, developing mechanisms of revenue-raising is essential.

¹¹² Potential revenue streams taken from published consultation documents, available at the Department of Finance website, [here](#).

¹¹³ Proposed Draft Budget (DB) 2026-29/30, published by the Minister of Finance on 06 January 2026 as a Written Ministerial Statement to the Assembly, page 2. Available [here](#).

¹¹⁴ Proposed Draft Budget (DB) 2026-29/30, published by the Minister of Finance on 06 January 2026 as a Written Ministerial Statement to the Assembly, page 3. Available [here](#).

2.1.3 The Call for Enhanced Fiscal Powers

Significantly, the Draft Budget statement frames the fiscal challenge within a broader argument for enhanced devolved fiscal powers. The Minister of Finance states:

In my view, the Autumn Budget is another illustration of why we need greater powers locally. To ensure our tax system takes account of our circumstances. Having greater fiscal powers would allow us to make different choices, to spur economic activity, or to generate income for public services, in a fairer and more progressive way ¹¹⁵.

The Minister commits that “as part of this, my department will intensify work to progress a full Fiscal Framework” ¹¹⁶. This signals an intention to seek powers beyond the limited devolution of business rates and charges for devolved services currently available to Northern Ireland. Possible enhanced powers could include:

- Income tax varying powers (such as those utilised by Scotland),
- Devolution of additional taxes (Land and Buildings Transaction Tax, Landfill Tax, Air Passenger Duty),
- Greater borrowing powers,
- Reformed funding formula incorporating needs assessment, and/or
- Enhanced control over welfare spending and revenues.

The aim of enhanced fiscal powers would be to provide the Executive with greater autonomy to address fiscal challenges through mechanisms better tailored to Northern Ireland’s unique and specific circumstances. Such powers would, however, also bring enhanced responsibilities and political risks, particularly if used to increase taxes substantially. Moreover, any enhanced fiscal framework would likely include provisions reducing the block grant to

¹¹⁵ Proposed Draft Budget (DB) 2026-29/30, published by the Minister of Finance on 06 January 2026 as a Written Ministerial Statement to the Assembly, page 3. Available [here](#).

¹¹⁶ Proposed Draft Budget (DB) 2026-29/30, published by the Minister of Finance on 06 January 2026 as a Written Ministerial Statement to the Assembly, page 3. Available [here](#).

account for devolved tax revenues, potentially creating fiscal risks if “new” revenue streams were to underperform and fail to meet expectations.

2.6 Potential Unavoidability of Revenue-Raising

It appears that the arithmetic of Northern Ireland’s fiscal position leads to the conclusion that significant revenue-raising is unavoidable. Indeed, the Executive acknowledged this in its October 2024 Budget Sustainability Plan, stating that “*income generation is a key component*” of delivering long-term sustainable public services¹¹⁷, and recognising that efficiency improvements and revenue-raising must be pursued simultaneously rather than sequentially. This reality is underscored by a number of compounding fiscal pressures, namely:

- **The fiscal gap:** With per capita public expenditure of approximately £27,470 and per capita locally raised revenue of approximately £16,404, Northern Ireland has a structural fiscal deficit exceeding £10,000 per person annually¹¹⁸. For a population of approximately 1.9m¹¹⁹, representing a deficit exceeding £20bn, which is funded by central government transfers.
- **Central government funding constraints:** The DB demonstrates that reliance on central government funding is reaching its limits. Despite £26bn in United Kingdom-wide tax increases, Northern Ireland received only £372.3m in additional consequentials across four years – just short of £93m per year on average¹²⁰. There is no indication that central government will substantially increase transfers

¹¹⁷ Department of Finance (2024). *Budget Sustainability Plan*, October, p. 35. Available [here](#).

¹¹⁸ Bergin, A., McGuinness, S. and Banahan, C. (2025). “Economic overview of Ireland and Northern Ireland”, *ESRI Research Series*, No. 203. The paper is available [here](#), and the reader is directed to Table 5.4 and Table 5.5 in particular.

¹¹⁹ Based on the latest population data available from the Northern Ireland Statistics and Research Agency (NISRA), the latest estimate of Northern Ireland’s population (on 30 June 2024) is 1,927,900 – representing an increase of 7,500 people (0.4%) over the previous year. NISRA’s population statistics are available [here](#).

¹²⁰ Proposed Draft Budget (DB) 2026-29/30, published by the Minister of Finance on 06 January 2026 as a Written Ministerial Statement to the Assembly, page 2. Available [here](#).

beyond Barnett formula calculations, particularly given fiscal pressures across England, Scotland, and Wales^{121 122}.

- **Efficiency limits:** While the proposed DB documentation emphasises transformation and efficiency, the Minister of Finance notes that “*the need for transformation and consideration of different ways of delivering could not be clearer*”¹²³ – as efficiency improvements alone cannot bridge a gap of this magnitude. The United Kingdom Treasury’s 2021 Spending Review¹²⁴ set targets for Departments to achieve approximately 5% efficiency savings by 2024/25, with the 2025 Spending Review requiring all Departments to deliver at least 5% savings and efficiencies by 2028/29^{125 126 127}. Even applying that benchmark aggressively across Northern Ireland’s £17bn Resource DEL budget would yield approximately £510-850m over several years – significant, but insufficient to restore fiscal sustainability in Northern Ireland¹²⁸. Moreover, Northern Ireland-specific evidence reinforces those limitations. Analysis by Ulster University’s Strategic Policy Unit (UUSPU) suggests that AI and digital transformation could generate approximately £1bn in annual savings for Northern Ireland (proportional to £43bn United Kingdom-wide potential), noting,

¹²¹ In a Question for the Treasury on 01 April 2025, available [here](#), Lord Weir of Ballyholme specifically enquired about Barnett consequential for Northern Ireland. In response, Lord Livermore responded that the Northern Ireland Executive is receiving £18.2 billion in 2025/26, which includes an additional £1.5 billion through the Barnett formula, ensuring that Northern Ireland continues to receive over 24% more per person than equivalent UKG spending across the rest of the United Kingdom.

¹²² The independent Holtham Commission (2010) calculated that Wales was underfunded relative to assessed need. A copy of the Commission’s final report is available [here](#). Subsequent analysis was conducted for Northern Ireland by Professor Holtham, leading to the publication of *Northern Ireland’s Level of Need*, published in June 2025, which estimated that the range for Northern Ireland’s level of need lies between 126% and 132%, with a central estimate of 128%. The report is available [here](#).

¹²³ Proposed Draft Budget (DB) 2026-29/30, published by the Minister of Finance on 06 January 2026 as a Written Ministerial Statement to the Assembly, page 3. Available [here](#).

¹²⁴ HM Treasury (2021). *Autumn Budget and Spending Review 2021: A Stronger Economy for the British People*, 27 October. Available [here](#).

¹²⁵ HM Treasury (2025). *Spending Review 2025*, 30 June. Available [here](#).

¹²⁶ Global Government Forum (2026). “NAO boss calls for ‘step change’ in financial management across UK public sector”, 24 February. Available [here](#).

¹²⁷ National Audit Office (NAO) (2023). *Cabinet Office functional savings*. Session 2022-23, 25 October, HC 1865. Available [here](#).

¹²⁸ RaISE calculation: 3% of £17bn = £510m; 5% of £17bn = £850m. These are illustrative calculations applying UK Treasury efficiency benchmarks to Northern Ireland’s 2026-27 Resource DEL baseline.

however, that realising such gains requires substantial upfront investment, time, and faces significant implementation risks¹²⁹. Indeed, the Independent Water Review's examination of efficiency potential in water services found that while substantial savings are achievable – Scottish Water delivered 35% operational efficiency gains over seven years, and consultancy analysis identified scope for 3-7% annual efficiency improvements – such transformations require sustained investment and multi-year timeframes¹³⁰.

- **Unacceptable service cuts:** The alternative to revenue-raising and efficiency is, ultimately, dramatic cuts to public services. However, Northern Ireland already has the longest hospital waiting lists in the United Kingdom^{131 132 133 134}, significant infrastructure deficits^{135 136}

¹²⁹ Carson, J. (2025). "Shifting the Dial on NI Public Finances", presentation at the Northern Ireland Economic Conference, 19 November. This presentation relied on figures from the joint publication by the Department for Science, Innovation and Technology, and the Government Digital Service, *State of digital government review*, 21 January 2025, available [here](#).

¹³⁰ Independent Water Review Panel (2007). *Strand One Report: Costs and Funding*. Available [here](#).

¹³¹ Bergin, A., McGuinness, S. and Banahan, C. (2025). "Economic overview of Ireland and Northern Ireland", *ESRI Research Series*, No. 203. The paper is available [here](#). Bergin *et al.* (2025: 31) state that "There were 86 persons per 1,000 population on waiting lists (inpatient plus overnight) for more than 18 months in NI compared to an equivalent figure of 12 per 1,000 population in Ireland".

¹³² NHS Confederation (2025). *Waiting List Initiatives: NICON Webinar Report*, 09 June. Available [here](#). The NHS Confederation (2025) note that "Addressing Northern Ireland's waiting lists, the longest in the UK, is a key Programme for Government (PfG) priority".

¹³³ British Medical Association (2025). *NHS Under Pressure: Northern Ireland*, 20 June. Available [here](#). The BMA (2025) figures state that approximately 545,000 are people waiting for elective care in Northern Ireland (across both inpatient or day case admissions and first consultation-led outpatient appointments), which is the highest recorded since the dataset began in June 2008.

¹³⁴ ONS (2025). *NHS Planned Care Waiting Times Across the UK*, 18 June. Available [here](#). The ONS (2025) report identifies that between December 2012 and September 2023, the number of pathways (per 100 population) where a patient was waiting for a first outpatient appointment has increased from 5.9 to 22.3 in Northern Ireland, compared to an increase from 3.9 to 9.8 in Scotland.

¹³⁵ agendaNI (2025). "Infrastructure delivery shortfall", September. Available [here](#).

¹³⁶ McKibbin, D. (2026). "Experiences of Managing and Delivering Major Capital Projects in Great Britain and Ireland", *RaISe Briefing Paper*, NIAR-248-25.

¹³⁷, and stretched public services more generally^{138 139 140}. Further cuts would likely be economically counter-productive (reducing demand and employment) and politically unsustainable. The Minister of Finance acknowledges this implicitly in the proposed DB Written Ministerial Statement, noting it is “*simply not possible to provide any department with the funding it has requested*” while still allocating substantial increases to priority areas like Health and Education¹⁴¹.

- **Demographic and demand pressures:** Public spending pressures are intensifying due to:
 - Aging population increasing health and social care costs,
 - Growing special educational needs (SEN) requiring additional support,
 - Legacy issues requiring continued investment (victims’ payments, historical institutional abuse),
 - Climate change adaptation and decarbonisation requiring capital investment,
 - Digital transformation of public services, and
 - Security situation requiring continued police and justice funding.

The above-stated pressures are largely unavoidable and will persist regardless of Northern Ireland’s funding envelope from central government.

In particular, an ageing population, with growing healthcare costs, alongside automatic increases in Annually Managed Expenditure (AME) spending (such as welfare payments and pensions costs), are driving an increasing squeeze on the funding available across Departments.

¹³⁷ McKibbin, D. (2020). “Delivering Major Infrastructure Projects: Specialised project delivery bodies”, *RaISe Briefing Paper*, NIAR-193-2020. Available [here](#).

¹³⁸ RTÉ (2025). “NI ‘public services remain in crisis’, Westminster committee says”, 07 April. Available [here](#).

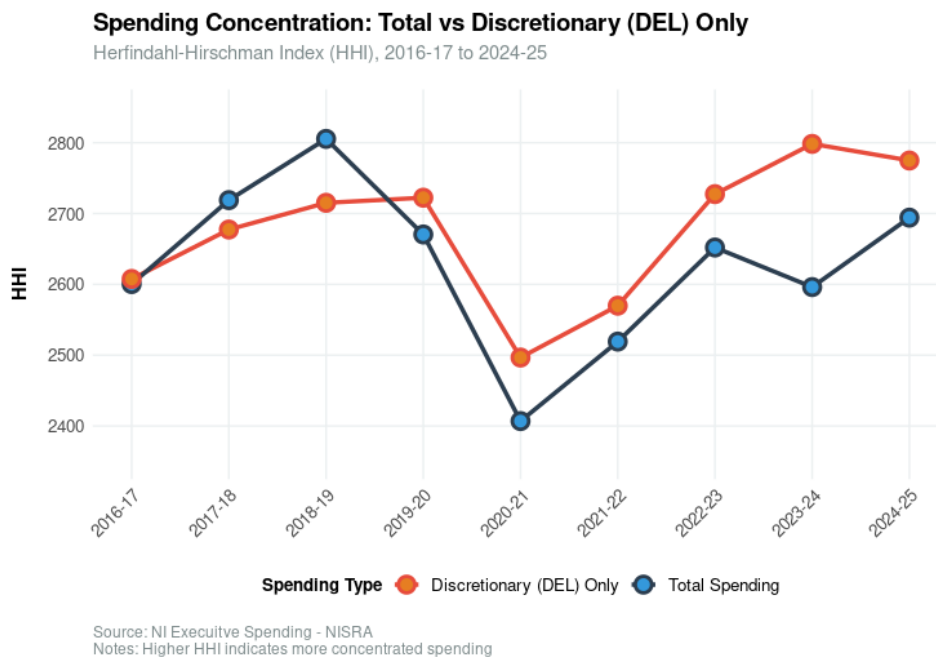
¹³⁹ Financial Times (2026). “Northern Ireland faces funding crunch despite latest UK bailout”, 24 February. Available [here](#).

¹⁴⁰ Belfast Telegraph (2025). “MPs urge radical funding rethink to address NI public services crisis”, 07 April. Available [here](#).

¹⁴¹ Proposed Draft Budget (DB) 2026-29/30, published by the Minister of Finance on 06 January 2026 as a Written Ministerial Statement to the Assembly, page 2. Available [here](#).

Further analysis of this increasing concentration of public expenditure is provided in [Annex 2](#) of this Briefing Paper. Taken from that additional analysis, **Figure 1** below, uses a Herfindahl-Hirschman Index (HHI)¹⁴² to highlight the increasing concentration in spending by the Northern Ireland Executive, such that an increasing proportion of expenditure is utilised by fewer departments¹⁴³. Discretionary spending (DEL) is becoming increasingly concentrated as more funding is required for demand-led areas (AME) and those with sustained political priority, such as health. As such, the scope for redirecting resources to other policy areas is becoming increasingly constrained.

Figure 1: Spending concentration for both discretionary (DEL) and total spending (HHI, 2016-17 to 2024-25)



Source: Northern Ireland Executive Spending, NISRA, available [here](#).

¹⁴² The Herfindahl-Hirschman Index (HHI) is a standard measure of market concentration, commonly used in economic analyses, often in studies concerned with antitrust regulation and market competition, but which can also be utilised to indicate increasing prevalence of particular areas or components within a capitalisation system such as government spending. A higher HHI indicates greater concentration, whilst a lower HHI suggests a more even ‘spread’ across the system being analysed, in this case, expenditure by the Northern Ireland Executive. The index ranges from zero (perfectly distributed) to 10,000 (entirely concentrated in one department).

¹⁴³ These calculations have been conducted by RaISe using data published by the Northern Ireland Statistics Agency (NISRA) to track changes in how spending is distributed across departments. The NISRA expenditure data, published on 3 February 2026, is available [here](#).

As such, it is clear from Figure 1 above that Northern Ireland must raise substantially more revenue from local sources, whether through the rating system reforms, water charging or other measures. The Draft Budget's proposed rate increases represent only a first step. The broader revenue-raising agenda explored in the 2023-2024 consultations – potentially yielding £440-550m annually – should be seriously considered and implemented if fiscal sustainability is to be achieved.

Indeed, in the NIFC's assessment of the proposed DB 2026-29/30, published in February 2026¹⁴⁴, the NIFC acknowledged that although technically balanced, the Draft Budget, as proposed, is not sustainable over the period for which it is proposed, and specifically note revenue-raising as a likely necessary tool to enable fiscal delivery. The NIFC concluded its assessment, recognising:

Without corrective action, whether through additional funding, reform, or revenue[-]raising, the proposed Budget is unlikely to remain deliverable in practice^{145 146}.

3 Overview of Revenue-Raising Proposals To Date

The concept of introducing new revenue-raising mechanisms has long been discussed in the context of Northern Ireland. Since power-sharing was restored in January 2020, several suggestions have been forwarded as potential revenue-raising options, however, proposals have often been rebuked. The prospect of water charges, one of the major options available and proposed as a revenue-raising mechanism, was dismissed by the main political parties^{147 148}

¹⁴⁴ Northern Ireland Fiscal Council (2026). *The Finance Minister's proposed 2026-27 to 28-29/29-30 Budget: an assessment*, March, page 26. Available [here](#).

¹⁴⁵ Northern Ireland Fiscal Council (NIFC) (2026). *The Finance Minister's proposed 2026-27 to 28-29 Budget: an assessment*, March, page 65. Available [here](#).

¹⁴⁶ It should be noted that in their assessment of the proposed DB 2026-29/30, the NIFC state an intention to conduct further analysis focusing on fiscal sustainability later in 2026, in which they will consider several issues including consideration of raising additional revenue to close the funding gap. The NIFC also note that evidence would suggest this gap to be structural in nature.

¹⁴⁷ BBC News (2024). "Water charges: John O'Dowd rules out NI Water mutualisation", 08 April 2024. Available [here](#).

¹⁴⁸ BBC News (2024). "Water charges: Michelle O'Neill rules out introducing new fees", 12 February 2024. Available [here](#).

and continues to be so. The Minister for Infrastructure recently stated that an additional levy on rates, to support wastewater infrastructure would “*represent a form of water charging*”^{149 150}. Other revenue-raising options, such as a potential increase in student fees, have also received strong political opposition¹⁵¹.

As already mentioned in this Paper, on 20 September 2023, the then Secretary of State for Northern Ireland wrote to Permanent Secretaries of all Northern Ireland Civil Service (NICS) Departments directing that they launch a series of public consultations on a range of measures that could help support budget sustainability by raising additional revenue for use by the Northern Ireland Executive¹⁵². That occurred after a meeting with the Head of the NICS, who had reported additional insights with regards revenue-raising^{153 154}. The then Secretary of State stated that a “*sticking plaster funding settlement*” would not solve Northern Ireland’s financial crisis¹⁵⁵, and would not rule out taking the powers to impose revenue-raising measures if required.¹⁵⁶

Subsequently, the consultations were carried out by Departments, with reports published and available on the Department of Finance (DoF) website¹⁵⁷. The

¹⁴⁹ The Irish News (2026). “Additional levy on Northern Ireland rates would “represent a form of water charging”, Infrastructure Minister says”, 19 January 2026., Available [here](#).

¹⁵⁰ This was in response to a report jointly published by Turley and Grant Thornton in June 2025, which proposed a potential mechanism for addressing the wastewater crisis in housing and construction across Northern Ireland, which included the introduction of a low-cost Infrastructure Levy. The report was commissioned by NI Chamber and included consultation and insights provided by the Construction Employers Federation (CEF) and the Northern Ireland Federation of Housing Associations (NIFHA). Available [here](#).

¹⁵¹ BBC News (2025). “Tuition fees should be ‘affordable’ says economy minister”. 13 May 2025. Available [here](#).

¹⁵² Further details regarding the financial context for the consultations is available from the Department of Finance, [here](#).

¹⁵³ The Irish News (2023). “Government to direct public consultations over revenue-raising for NI”, 17 August 2023. Available [here](#).

¹⁵⁴ BBC News (2023). “Chris Heaton-Harris meets Jayne Brady to discuss revenue raising”, 04 August 2023. Available [here](#).

¹⁵⁵ The Irish Times (2023). “London will not ‘throw money’ at North to coax DUP return, says Heaton-Harris”, 03 September 2023. Available [here](#).

¹⁵⁶ BBC News (2023). “Chris Heaton-Harris meets Jayne Brady to discuss revenue-raising”, 04 August 2023. Available [here](#).

¹⁵⁷ Reports on the revenue-raising consultations carried out by various Departments are available from the Department of Finance website, [here](#).

following represents a summary and discussion of the respective consultations' findings.

3.1 Domestic Water and Sewerage Charges

The DfI consultation on water and sewerage charges examined several revenue-raising options, with the introduction of domestic water charges representing the most significant potential revenue measure. Currently, Northern Ireland is the only part of the United Kingdom where domestic water and sewerage services are funded entirely through public expenditure rather than direct charges¹⁵⁸.

The consultation presented the scale of potential revenue: if charges introduced at a level matching the full cost of providing water and sewerage services to households, approximately £171.6m in Resource Budget funding could be reallocated to other public services. Additionally, allowing for Northern Ireland Water's capital borrowing requirements (£155m in 2022/23), approximately £135m from the Capital Budget could be released for investment in other public infrastructure¹⁵⁹. In total, domestic water charging could release over £300m annually from Executive budgets, making it by far the largest single revenue-raising option consulted upon.

More specifically, the consultation explored various charging models, including charges based on property capital value (similar to the current rating system), metered consumption, or hybrid approaches. Implementation pathways considered included revenue collection by Northern Ireland Water directly or through the existing rating system administered by Land & Property Services (LPS)¹⁶⁰. Key policy decisions identified – if such revenue-raising mechanisms were to be introduced – included identification of the level of protection for low-

¹⁵⁸ Department for Infrastructure (2023). *Consultation on Water and Sewerage Charges – Options for Revenue Raising*, 7 December, page 3. Available [here](#).

¹⁵⁹ Department for Infrastructure (2023). *Consultation on Water and Sewerage Charges – Options for Revenue Raising*, 7 December, page 12-13, Section 4.4: Potential Revenue Generated from the Introduction of Water Charging. Available [here](#).

¹⁶⁰ Department for Infrastructure (2023). *Consultation on Water and Sewerage Charges – Options for Revenue Raising*, 7 December, page 9, Section 3: Introduction of Water Charges. Available [here](#).

income households and vulnerable groups, phasing arrangements for introduction, and the nature of billing mechanisms¹⁶¹.

Alongside the main domestic charging proposal, the consultation examined three smaller, but related measures:

- **Removal of domestic allowance for non-domestic customers:** Currently, approximately 48,000 measured water customers and 18,100 sewerage customers benefit from a domestic allowance that exempts a certain volume of usage from charges. This allowance costs approximately £20.6m annually (£12.5m for water, £8.1m for sewerage). The proposal would require these mixed-use properties – including farms, businesses with residential components, and public bodies – to pay for all water consumed¹⁶².
- **Charging for domestic septic tank desludging:** Northern Ireland Water currently provides one free septic tank de-sludge per domestic property in any 12-month period, costing approximately £3.7m annually in subsidy (covering around 40,500 of the 42,000 annual de-sludges performed). The proposal would introduce charges for this service, following the model already applied to non-domestic customers¹⁶³.
- **Recovery of roads drainage costs:** Since 2008-09, the costs of managing drainage from roads and footpaths into public drainage systems has been met through public expenditure rather than

¹⁶¹ Department for Infrastructure (2023). *Consultation on Water and Sewerage Charges – Options for Revenue Raising*, 7 December, page 12. Available [here](#).

¹⁶² Department for Infrastructure (2023). *Consultation on Water and Sewerage Charges – Options for Revenue Raising*, 7 December, page 24-25, Section 7.1: Removal of Domestic Allowance for Non-Domestic Customers. Available [here](#).

¹⁶³ Department for Infrastructure (2023). *Consultation on Water and Sewerage Charges – Options for Revenue Raising*, 7 December, page 26, Section 7.2: Charge Customers for Domestic Septic Tank Desludging. It should be noted that the consultation states “NI Water currently provides one free septic tank desludge per domestic property in any 12-month period” and estimates costs associated with this current practice. Available [here](#).

sewerage charges. The proposal would restore cost recovery from domestic and non-domestic customers for this service^{164 165}.

The water consultation attracted considerable public attention but faced fundamental political opposition. Major political parties have consistently rejected domestic water charges^{166 167}, with the Minister for Infrastructure subsequently stating that any additional levy on rates to support wastewater infrastructure would “*represent a form of water charging*”¹⁶⁸. The consultation acknowledged significant equality and rural impacts, noting that rural areas face higher costs of living, rely more heavily on septic tanks, and have limited public transport alternatives^{169 170}.

3.2 Rating System Reforms

The DoF undertook two parallel rating consultations examining potential reforms to both domestic and non-domestic rating systems. These consultations ran from 7 November 2023 to 13 February 2024 and attracted 1,406 responses, representing the most extensive public engagement on rating policy in recent years¹⁷¹.

3.2.1 Domestic rating measures

¹⁶⁴ Department for Infrastructure (2023). *Consultation on Water and Sewerage Charges – Options for Revenue Raising*, 7 December, page 27, Section 7.3: Recover the cost of Roads Drainage for all Customers. Available [here](#).

¹⁶⁵ Department for Infrastructure (2023). *Water and Sewerage Charges – Regulatory Impact Assessment*, 26 October, page 4 (Policy Option 2). Available [here](#).

¹⁶⁶ BBC News (2024). “Water charges: John O’Dowd rules out NI Water mutualisation”, 8 April. Available [here](#).

¹⁶⁷ BBC News (2024). “Water charges: Michelle O’Neill rules out introducing new fees”, 12 February. Available [here](#).

¹⁶⁸ The Irish News (2026). “Additional levy on Northern Ireland rates would “represent a form of water charging”, Infrastructure Minister says”, 19 January. Available [here](#).

¹⁶⁹ Department for Infrastructure (2023). *Water and Sewerage Charges – Options for Revenue Raising Draft Equality Impact Assessment*, October, pages 3-4. Available [here](#).

¹⁷⁰ Department for Infrastructure (2018). *Rural Needs Impact Assessment (RNIA)*, April, page 3, Section 2B-2C. Available [here](#).

¹⁷¹ Department of Finance (2024). *Consultation summary report – Non-domestic and Domestic rating measures to support budget sustainability by raising additional revenue*, September, page 2. Available [here](#).

Three measures affecting domestic ratepayers were consulted upon:

- **Removal of maximum capital value cap** (£11m potential revenue):
The maximum capital value cap restricts the rates liability for high-value properties. Currently, occupiers of domestic properties with an assessed capital value exceeding £400,000 pay rates as if the property were valued at £400,000. This cap benefits approximately 7,900 properties, with 65% of properties and 74% of the cost concentrated in Belfast and Ards & North Down council areas. The projected 2023/24 cost is £11 million, shared between the Northern Ireland Executive and district councils¹⁷². The consultation report indicated that 802 responses were received on this proposal, with 644 supporting retention of the cap and 158 opposing retention. Key themes from responses included: (1) concerns about fairness to high-value property owners who already pay substantial rates; (2) arguments that removal would be “punitive” and could affect property values; and, (3) suggestions that the threshold could be raised rather than removed entirely. Some respondents supported removal on grounds that it would make the system more progressive^{173 174}.
- **Removal of early payment discount** (£7.9m potential revenue): A 4% discount applies to domestic rate bills paid in full by a specified date (usually mid-May). In 2022/23, approximately 158,000 ratepayers claimed this discount. The full cost of £7.9m is met by the Northern Ireland Executive. No equivalent discount exists in council

¹⁷² Department of Finance (2024). *Consultation summary report – Non-domestic and Domestic rating measures to support budget sustainability by raising additional revenue*, September, pages 10-11: Section 5. Available [here](#).

¹⁷³ Department of Finance (2024). *Consultation summary report – Non-domestic and Domestic rating measures to support budget sustainability by raising additional revenue*, September, pages 10-11: Section 5. Available [here](#).

¹⁷⁴ Department of Finance (2023). *Consultation event – rates consultation* (presentation slides), 9 November. Available [here](#).

tax systems elsewhere in the United Kingdom^{175 176}. The consultation attracted 779 responses, with 693 supporting retention and 86 opposing. Respondents argued that: (1) the discount rewarded responsible financial behaviour; (2) helped those managing budgets carefully; and, (3) provided incentive for prompt payment that aided cash flow management. Those supporting removal argued it disproportionately benefits higher-income households who possess the ability to pay upfront¹⁷⁷.

- **Removal of landlord allowance** (£14.2m potential revenue): Landlords responsible for rates on rental properties receive a 10% allowance if the full amount is paid by 30 September each year. This applied to over 210,000 properties in 2022/23, including properties managed by social housing providers (Northern Ireland Housing Executive and Housing Associations). The projected 2023/24 cost is £14.2m, of which £7.5m is funded by the Northern Ireland Executive, with the remainder by district councils¹⁷⁸. The measure received 821 responses, with 736 supporting retention and 85 opposing. The key concern was centred around the possibility that removal would likely increase rents as landlords pass costs to tenants, particularly affecting social housing tenants and those in private rental accommodation. The social housing sector argued strongly for retention, noting their non-profit status and that increased costs would

¹⁷⁵ Department of Finance (2024). *Consultation summary report – Non-domestic and Domestic rating measures to support budget sustainability by raising additional revenue*, September, pages 13-14. Available [here](#).

¹⁷⁶ Department of Finance (2023). *Consultation event – rates consultation* (presentation slides), 9 November. Available [here](#).

¹⁷⁷ Department of Finance (2024). *Consultation summary report – Non-domestic and Domestic rating measures to support budget sustainability by raising additional revenue*, September, page 12: Section 6. Available [here](#).

¹⁷⁸ Department of Finance (2024). *Consultation summary report – Non-domestic and Domestic rating measures to support budget sustainability by raising additional revenue*, September, page 16. Available [here](#).

reduce resources available for housing maintenance and development¹⁷⁹.

3.2.2 Non-Domestic Rating Measures

Four measures affecting businesses were consulted upon:

- **Removal of industrial derating (£71.5m potential revenue):**
Industrial derating awards a 70% reduction in rates liability for properties used for manufacturing purposes. Approximately 4,500 manufacturing properties benefit, half of which are located in Armagh City, Banbridge and Craigavon, Belfast, Mid Ulster, and Newry, Mourne & Down. The projected 2023/24 cost is £71.5m, entirely funded by the Northern Ireland Executive through revenue foregone and derating grant payments to councils¹⁸⁰.

This represents the largest single rating support measure. Removal would bring Northern Ireland into parity with the rest of the United Kingdom, where industrial derating was phased out in 1963 in England and Wales and 1995 in Scotland. The consultation noted that properties with rateable values up to £15,000 would become eligible for Small Business Rate Relief, partially offsetting the impact and increasing Small Business Rate Relief costs by approximately £2m¹⁸¹.

The consultation attracted 897 responses, with 854 wanting to retain the support and 43 opposing retention. Manufacturing sector representatives argued strongly that removal would: (1) undermine Northern Ireland's competitiveness; (2) threaten manufacturing jobs; and, (3) potentially force business closures or relocations. They emphasised manufacturing's importance to the local economy and

¹⁷⁹ Department of Finance (2024). *Consultation summary report – Non-domestic and Domestic rating measures to support budget sustainability by raising additional revenue*, September, pages 13-14: Section 7. Available [here](#).

¹⁸⁰ Department of Finance (2023). *Consultation Paper – Non-Domestic Rating Measures*, page 11. Available [here](#).

¹⁸¹ Department of Finance (2023). *Consultation Paper – Non-Domestic Rating Measures*, page 11. Available [here](#).

argued the relief helps offset other competitive disadvantages. Some respondents supported removal on grounds it would level the playing field across sectors and bring Northern Ireland into line with the rest of the United Kingdom¹⁸².

- **Removal of non-domestic vacant rate relief (£19.7-31m potential revenue):** Currently, vacant non-domestic properties receive 50% rate relief after an initial 3-month grace period. The consultation document indicates a cost of £19.7m attributable to the 50% relief, though total vacant rate support (including exemptions and grace periods) amounts to £31m. Approximately 4,700 properties benefit from this relief¹⁸³. The measure received 741 responses, with 527 wanting retention and 214 opposing. Arguments for removal included that it would: (1) discourage “land banking”; (2) encourage active use of property; and, (3) reduce potential for rates evasion through false vacancy claims. Arguments against removal emphasised that: (1) vacant property does not benefit from public services; (2) current planning difficulties can delay change of use permissions for years; and, (3) removal could force distressed sales and deter property improvements at a time when environmental considerations favour refurbishment over new build¹⁸⁴.
- **Removal of freight transport relief (£2.3 million potential revenue):** This relief applies to 17 freight transport operators and costs £2.3m annually. The consultation received 682 responses (653 supporting retention, with 29 opposing). The freight sector argued the relief recognises their role in economic infrastructure and helps

¹⁸² Department of Finance (2024). *Consultation summary report – Non-domestic and Domestic rating measures to support budget sustainability by raising additional revenue*, September, pages 5-6. Available [here](#).

¹⁸³ Department of Finance (2023). *Consultation Paper – Non-Domestic Rating Measures*, pages 13-14. Available [here](#).

¹⁸⁴ Department of Finance (2024). *Consultation summary report – Non-domestic and Domestic rating measures to support budget sustainability by raising additional revenue*, September, pages 7-8, Section 4. Available [here](#).

maintain competitiveness with operators based elsewhere in the United Kingdom and the Republic of Ireland¹⁸⁵.

- **Removal of halls of residence exemption (£2.0m potential revenue):** Student halls of residence owned or managed by universities and colleges are currently exempt from non-domestic rates, costing £2m annually and affecting 17 properties. The consultation received 684 responses (658 supporting retention, with 26 opposing). Universities argued that removal would increase accommodation costs for students or reduce resources available for educational provision¹⁸⁶.

3.2.3 Outcomes from the Rating System Consultations

With regards to the outcomes of the consultations, the September 2024 consultation summary report emphasised that the consultations were “limited and without wider options appraisal”, noting that “further consultative and policy development work would need to be conducted” if any measures proceed to implementation. The report stressed that it was intended to “refresh and inform thinking” about how rating systems operate, with future policy development to be aligned with Executive priorities respective departmental ministers¹⁸⁷. As such, the consultations themselves were not intended to offer formal conclusions with regards to the provision of recommendations for rating system reform.

Notably, despite the consultations being framed as revenue-raising exercises, the overwhelming majority of responses across all measures favoured retention of existing supports, discounts, and allowances. That reflects both the consultation methodology (which attracted responses primarily from those directly affected) and genuine concerns about impacts on households,

¹⁸⁵ Department of Finance (2023). *Consultation Paper – Non-Domestic Rating Measures*, pages 16-17. Available [here](#).

¹⁸⁶ Department of Finance (2023). *Consultation Paper – Non-Domestic Rating Measures*, pages 18-19. Available [here](#).

¹⁸⁷ Department of Finance (2024). *Consultation summary report – Non-domestic and Domestic rating measures to support budget sustainability by raising additional revenue*, September, pages 2-3. Available [here](#).

businesses, and the broader economy during a period of significant cost pressures¹⁸⁸.

3.3 Hospital Parking Charges

The DoH consultation addressed the potential re-introduction of hospital parking charges following the Hospital Parking Charges Act (Northern Ireland) 2022¹⁸⁹, which abolished charges across health and social care hospital sites with effect from 12 May 2024. The consultation sought views on whether this Act should be repealed, and the previous cost-recovery charging system re-introduced¹⁹⁰.

3.3.1 Revenue Potential and Costs

Implementing free parking as required by the 2022 Act involves capital expenditure of £5.7m for traffic management systems and ongoing revenue costs of approximately £10m per annum from 2024/25 onwards for provision and maintenance. Currently, these costs are covered by parking charge income; without charges, the £10 million must be found from health service budgets. The consultation framed re-introduction of charges as avoiding this £10m recurrent cost, thereby protecting health service provision¹⁹¹.

The consultation noted that £10m could fund significant health services, providing illustrative examples:

- 233 full-time (Band 5) nursing staff,
- 1,667 ear, nose and throat inpatient procedures,
- 1,429 gynaecology inpatient procedures,
- Operation of 48 general medicine beds, or

¹⁸⁸ Department of Finance (2023). *Consultation summary report – Non-domestic and Domestic rating measures to support budget sustainability by raising additional revenue*, September, pages 4-19. Available [here](#). Comprehensive response patterns across all measures show majority support for retention in each case.

¹⁸⁹ The Hospital Charges Act (Northern Ireland) 2022 is available from legislation.gov.uk, [here](#).

¹⁹⁰ Department of Health (2023). *Re-introduction of Hospital Parking Charges*, pages 3-4. Available [here](#).

¹⁹¹ Department of Health (2023). *Re-introduction of Hospital Parking Charges*, page 4. Available [here](#).

- Operation of 28 general surgery beds¹⁹².

3.3.2 Current Charging Structures

Prior to the 2022 Act, hospital parking charges varied across the five Health & Social Care Trusts (HSCTs), typically ranging from £1-£2 for one hour to £4-£6 for 6-8 hours or 24-hour parking. The 2012 cost recovery policy provided that charging should cover investment payback and maintenance costs, with any surplus reinvested into the provision of patient services. The policy included free and concessionary parking for specific groups: disabled badge holders, frequent outpatient attenders (at least 3 times monthly for 3+ months), parents of sick children staying overnight, and staff working night shifts¹⁹³.

3.3.3 Car Parking Charges Consultation Proposals

The DoH proposed that if charges were re-introduced, the existing exemptions would not only be restored, but potentially enhanced to include:

- Extended exceptions for persons with terminal illness diagnoses and relatives of terminally ill inpatients,
- Enhanced exceptions for patients with mental health disabilities and those accessing addiction services,
- 30 minutes free parking across all chargeable sites,
- Free staff parking for permitted pass holders, and
- Modernised payment systems¹⁹⁴.

The consultation acknowledged that implementing these enhancements on a full cost recovery basis would likely require increased parking charges above previous levels¹⁹⁵.

¹⁹² Department of Health (2023). *Re-introduction of Hospital Parking Charges*, page 5. Available [here](#).

¹⁹³ Department of Health (2023). *Re-introduction of Hospital Parking Charges*, pages 6-8. Available [here](#).

¹⁹⁴ Department of Health (2023). *Re-introduction of Hospital Parking Charges*, pages 5-6. Available [here](#).

¹⁹⁵ Department of Health (2023). *Re-introduction of Hospital Parking Charges*, page 6. The report specifically acknowledges the potential that “a full cost recovery system may require an increase in hospital parking charges to accommodate these changes”. The consultation report is available [here](#).

3.3.4 Car Parking Charges Consultation Responses

The DoH received 1,184 responses via the Citizen Space portal and 17 email submissions. Interestingly, response patterns showed significant division:

- Question 1 (whether re-introduction is fair and appropriate): 517 (44%) agreed, 663 (56%) disagreed.
- Substantial support for the proposed enhanced concessions, ranging from 63-85% across different measures.
- 183 (15%) identified Section 75 equality issues.
- 632 (53%) believed re-introduction could negatively impact people from rural areas¹⁹⁶.

3.3.5 Key Themes from Car Parking Charges Consultation Responses

Arguments supporting re-introduction:

- Hospital parking charges provide income that should fund car park operation and maintenance, preferable to the utilisation of healthcare budgets for free parking,
- Charges help protect spaces for patients and visitors by discouraging abuse,
- Current tariffs are reasonable and should not be increased if re-introduced, and
- Parking should be free for NHS staff specifically¹⁹⁷.

Arguments opposing re-introduction:

- Staff, patients and visitors face significant financial pressure from cost-of-living crisis; charges add to this burden,
- Hospital attendance is stressful; parking charges increase that stress,

¹⁹⁶ Department of Health (2024). *Consultation on the Re-introduction of Hospital Parking Charges: Summary of Responses Report*, pages 3-4: Section 3. Available [here](#).

¹⁹⁷ Department of Health (2024). *Consultation on the Re-introduction of Hospital Parking Charges: Summary of Responses Report*, page 5: Section 4.2. Available [here](#).

- NHS staff are underpaid compared to counterparts in the other regions of the United Kingdom and should not pay to park at their workplace,
- Parking charges represent an “additional tax on the sick and vulnerable”,
- NHS is free at point of use; parking charges should not be a barrier to accessing treatment, and
- Public transport inadequacy means private vehicles are the only viable option for many individuals seeking medical care¹⁹⁸.

3.3.6 Equality & Rural Impacts Identified During Parking Charges Consultation

This consultation identified several equality concerns:

- These included, firstly, that patients, visitors and staff with disabilities or mobility issues are disproportionately impacted as they are less able to use public transport,
- Women are more likely to be negatively affected as they more frequently require routine hospital treatment, tend to have lower incomes, and are more likely to have caring responsibilities,
- Older people and disabled individuals attend hospitals more frequently, and
- Rural residents are disproportionately impacted due to greater reliance on private vehicles¹⁹⁹.

3.3.7 Current Status of Hospital Car Parking Charges

As of the time of writing, the Hospital Parking Charges Act 2022 remains in force, and free parking continues at hospital sites across Northern Ireland. To date, there has been no indication of repealing that Act, albeit the £10m annual

¹⁹⁸ Department of Health (2024). *Consultation on the Re-introduction of Hospital Parking Charges: Summary of Responses Report*, pages 5-6: Section 4.2. Available [here](#).

¹⁹⁹ Department of Health (2024). *Consultation on the Re-introduction of Hospital Parking Charges: Summary of Responses Report*, pages 8-9. Available [here](#).

cost it incurs, which continues to be funded from health service budgets and contributes to pressures on service delivery.

3.4 Private Streets Inspection Fees

The DfI consultation examined potential increases to inspection fees associated with private streets. Currently, developers pay for DfI Roads to inspect road infrastructure in new housing developments, before they are adopted into the public road network. The fees have remained unchanged since 2003, despite significant cost increases²⁰⁰.

3.4.1 Current Fee Structure and Costs

The private streets fee mechanism currently calculates fees for each bonded phase of development as:

- A flat fee of £1,000; plus
- 2% of the bond (or deposit) value; up to
- A maximum fee of £5,000 for any bonded length²⁰¹.

These fees cover inspection of road construction within the adoptable area, street lighting installation, materials testing, and various administration costs. Fees are non-refundable and payable in advance when bond documents are deposited²⁰².

Over the past three years covering 2020-2023, DfI entered into an average of 270 Private Streets Agreements annually, generating average fee income of approximately £361,000 per year (ranging from £331,000 to £396,000).

Following a January 2023 increase in developer bond values (approximately 75%), projected 2023/24 income was estimated to increase to £440,000²⁰³.

²⁰⁰ Department for Infrastructure (2023). *Consultation Paper: Increase in Private Streets Inspection Fees*, 15 December, pages 1-2, Sections 1.6-1.9. Available [here](#).

²⁰¹ Department for Infrastructure (2023). *Consultation Paper: Increase in Private Streets Inspection Fees*, 15 December, pages 4-5, Section 4. Available [here](#).

²⁰² Department for Infrastructure (2023). *Consultation Paper: Increase in Private Streets Inspection Fees*, 15 December, page 5. Available [here](#).

²⁰³ Department for Infrastructure (2023). *Consultation Paper: Increase in Private Streets Inspection Fees*, 15 December, page 6, Section 4.2. Available [here](#).

However, the total staff cost for DfI Roads to exercise all function associated with the management of private streets is £2.6m annually. The proportion of work directly related to recoverable activities (processing bonds, carrying out inspections, investigations, tests, and sampling) is estimated at 50%, equating to £1.3m in recoverable costs. This means cost recovery averages just 28%, with an annual shortfall of approximately £900,000^{204 205}.

3.4.2 Rationale for Increases

Managing Public Money Northern Ireland (MPMNI)²⁰⁶ guidance indicates that normal practice is to charge for full cost recovery. The DfI consultation noted that staff costs have risen approximately 88% since fees were last set in 2003, creating an increasingly unsustainable position^{207 208}. The DfI identified this as both a financial sustainability issue and as a matter of ensuring compliance with public sector charging guidance.

3.4.3 Private Street Fees Consultation Options

This consultation presented three options:

- **Increase fees to match current costs (full cost recovery):** This would involve increasing the flat fee and/or percentage rate to achieve the £1.3m annual recovery needed for inspections and administration.
- **Introduce a higher flat fee for bonding administration:** A proposal for a £1,500 fee to recover staff costs for administering the bonding process associated with Private Streets developments²⁰⁹.

²⁰⁴ Department for Infrastructure (2023). *Consultation Paper: Increase in Private Streets Inspection Fees*, 15 December, page 6, Section 2. Available [here](#).

²⁰⁵ Department for Infrastructure (2023). *Equality Impact Assessment*. Available [here](#).

²⁰⁶ Further information of the guidance provided by Managing Public Money Northern Ireland (MPMNI) is available from the Department of Finance website, [here](#).

²⁰⁷ Department for Infrastructure (2023). *Equality Impact Assessment*, page 5, Section 6. Available [here](#).

²⁰⁸ Department for Infrastructure (2023). *Consultation Paper: Increase in Private Streets Inspection Fees*, 15 December, page 2, Section 1.9. Available [here](#).

²⁰⁹ Department for Infrastructure (2023). *Consultation Paper: Increase in Private Streets Inspection Fees*, 15 December, page 7, Section 6. Available [here](#).

- **Expand fees to cover enforcement costs:** Currently, when developers fail to complete works and DfI must initiate enforcement action (engaging contractors to complete construction using bond funds or pursuing developers through courts), staff costs are not recovered. This option would include these costs within the fee structure²¹⁰.

3.4.4 Equality Impact Assessment for Private Street Fees Consultation

The consultation's Equality Impact Assessment noted that the proposed increase would affect developers, who may pass costs to prospective homeowners. However, the impact would be spread across all new-build houses coming onto market each year. The estimated additional cost per house was calculated at approximately £119 for the “average” development, representing approximately 0.25% of average house costs²¹¹.

It should be noted that the consultation worked on the principle that these cost reforms be applied to developments of more than five dwellings (the typical threshold for adoption), and potentially to developments of three to five dwellings. Access roads serving one to two dwellings are not normally determined for adoption and are exempt from private streets fees²¹².

3.4.5 Comparative Context Regarding Private Street Fees

Section 38 of the Highways Act 1980²¹³ empowers highway authorities in England and Wales to adopt new highways by agreement, with fees normally payable by developers to the highway authority. The DfI consultation noted that approaches elsewhere in the United Kingdom typically also involve developer

²¹⁰ Department for Infrastructure (2023). *Consultation Paper: Increase in Private Streets Inspection Fees*, 15 December, pages 7-8, Section 7. Available [here](#).

²¹¹ Department for Infrastructure (2023). *Equality Impact Assessment*, page 5. Available [here](#).

²¹² Department for Infrastructure (2023). *Consultation Paper: Increase in Private Streets Inspection Fees*, 15 December, page 4, Section 4. Available [here](#).

²¹³ The Highways Act 1980 is available on legislation.gov.uk [here](#).

contributions with regards to inspection costs, though specific mechanisms vary²¹⁴.

3.5 Additional Measures Identified

Beyond the four main consultation areas, several additional revenue-raising measures and considerations emerged through the consultation process and wider policy discussions²¹⁵.

3.5.1 Regional Rate Increases

While not subject to separate consultation during the 2023/24 process, the DoF's approach to annual regional rate increases represents an important component of revenue strategy²¹⁶.

The proposed DB proposes annual increases of 5% for domestic properties and 3% for non-domestic properties. In 2025/26, these increases are projected to generate £42.6m in additional revenue, raising total regional rate income to £732.3m. Projects noted in Annex G of the proposed DB document are expected to experience continued growth in Regional Rate income across the budget period, rising to £771.6m (2026-27), £801.9m (2027-28), and £830.5m (2028-29). These projections imply year-on-year increases of £39.3m, £30.3m, and £28.6m respectively – gains consistent with continuation of similar

²¹⁴ Department for Infrastructure (2023). *Consultation Paper: Increase in Private Streets Inspection Fees*, 15 December, page 5, Section 4. Available [here](#).

²¹⁵ Prescription charges represent a further measure that has featured in public discourse on revenue-raising in Northern Ireland, though it was not part of the formal Secretary of State-directed consultation process, nor mentioned in the output from those consultations. Northern Ireland abolished prescription charges in April 2010 under the Health (Miscellaneous Provisions) Act (Northern Ireland) 2008 (available [here](#)), diverging from England where charges remain in place. Reintroduction has been raised periodically as a potential revenue measure, though it would face significant political opposition and equity concerns given the disproportionate impact on those with chronic conditions. Revenue potential would be relatively modest compared to the consulted measures.

²¹⁶ It should be noted that the formal revenue-raising consultations were carried out during of period of a non-functioning Executive and focused narrowly on specific revenue-raising measures the Secretary of State directed. The rate increases themselves represent a different policy lever, and are the Executive's decision about the annual 'poundage' (the rate in the pound charged on property taxes), not about the structure of reliefs or exemptions.

percentage rate increases, though the proposed DB does not explicitly commit to 5% or 3% increases beyond 2025/26²¹⁷.

The lower percentage increase for non-domestic properties (3% versus 5% domestic) reflects consideration of the cumulative burden on businesses if other non-domestic relief removals were also implemented, particularly industrial derating (£71.5m) and vacant rate relief (£19.7-31m), as discussed previously.

3.5.2 Additional Measures Referenced in Rating Consultations

The rating consultations invited views on “additional revenue-raising proposals, which may include the removal or reduction of any other rate support measures”²¹⁸. Whilst the consultations themselves focused on seven specific measures, the comprehensive rate support system includes various other reliefs and allowances that were not consulted upon but represent potential areas for future consideration.

Domestic sector (not consulted upon):

- Low Income Rate Relief: £5.8m annual cost,
- Disabled Persons Allowance: £4.2m,
- Lone Pensioners Allowance: £8.5m, and
- Vacant Rate Exclusions: £1.6m²¹⁹.

Non-domestic sector (not consulted upon):

- Small Business Rate Relief: £20.7m annual cost (though this was noted as a potential offset for industrial derating removal),
- Statutory Exemptions (charitable, community halls, churches, etc.): £102m,
- Sport and Recreation Relief: £4.6m, and

²¹⁷ The Proposed Draft Budget (DB) 2026-29/30, published by the Minister of Finance on 06 January 2026 as a Written Ministerial Statement to the Assembly, paragraphs 3.46-3.47 in particular, and Annex G, page 15. Available [here](#).

²¹⁸ Department of Finance (2023). *Consultation summary report – Non-domestic and Domestic rating measures to support budget sustainability by raising additional revenue*, September, page 5. Available [here](#).

²¹⁹ Department of Finance (2023). *Consultation event – rates consultation* (presentation slides), 9 November. Available [here](#).

- Residential Care Establishment relief: £8.1m²²⁰.

3.5.3 Student Tuition Fees:

Although not part of the formal Northern Ireland Secretary of State-directed consultation process, student tuition fees have been identified as a potential revenue area in the media and as an element of public discourse. Tuition fees have been frozen at £4,710 annually since 2006/07. However, the proposal has faced political opposition, with the Minister for the Economy stating in May 2025 that tuition fees should be “affordable”²²¹. Any increase would affect both the income available to universities and the financial burden on students and families.

3.5.4 Infrastructure Levy Proposals:

A June 2025 report by Turley and Grant Thornton, commissioned by the Northern Ireland Chamber and developed in consultation with the Construction Employers Federation and Northern Ireland Federation of Housing Associations²²², proposed a low-cost infrastructure levy to address the wastewater crisis affecting housing development across Northern Ireland. However, the Minister for Infrastructure stated this would “represent a form of water charging”, indicating continued political sensitivity around any water-related charges²²³.

3.6 Conclusions from Revenue-Raising Consultations

The extent of the landscape concerning potential additional measures of revenue-raising demonstrates that while the Secretary of State-directed consultations examined specific high-value options, the broader discussion of revenue-raising in Northern Ireland encompasses a much wider array of

²²⁰ Department of Finance (2023). *Consultation event – rates consultation* (presentation slides), 9 November. Available [here](#).

²²¹ BBC News. “Tuition fees should be ‘affordable’ says economy minister”, 13 May 2025. Available [here](#).

²²² Grant Thornton and Turley (2025). *NI Water Summary Position Paper*. Available [here](#).

²²³ The Irish News (2026). “Additional levy on Northern Ireland rates would “represent a form of water charging”, Infrastructure Minister says”, 19 January. Available [here](#).

potential mechanisms. Many of these potential options face similar challenges to those formally consulted upon, including: (1) political opposition; (2) concerns about impacts during ongoing cost-of-living pressures; (3) questions about equity and distribution of the resulting fiscal burden; and, (4) implementation complexity. The Northern Ireland Executive must weigh these options against the scale of fiscal challenge discussed earlier in this paper – estimated at a structural funding gap of £400m, alongside the cessation of £520m in stabilisation funding.

4 Potential Effects of Revenue-Raising Measures

Table 1 below displays the collective potential revenue effects of the range of proposals consulted upon. Following on is a discussion of key observations that operates as a conclusion of the potential of these options to address the fiscal challenge facing Northern Ireland.

Table 1: Aggregate revenue potential from revenue-raising consultations

Measure	Annual Revenue Potential (million)	Source ²²⁴
Domestic water and sewerage charges	£171.6m (Resource) £135m (Capital) Total: £306.6	Dfl Water Consultation
Rating reforms: Domestic		
Removal of maximum capital value cap	£11.0	DoF Rating Consultation
Removal of early payment discount	£7.9	DoF Rating Consultation
Removal of landlord allowance	£14.2	DoF Rating Consultation
<i>Domestic subtotal</i>	£33.1	
Rating reforms: Non-domestic		

²²⁴ All published consultation reports, were available, can be obtained from the Department of Finance website, [here](#).

Removal of industrial derating	£71.5	DoF Rating Consultation
Removal of vacant rate relief	£19.7 - 31.0	DoF Rating Consultation
Removal of freight transport relief	£2.3	DoF Rating Consultation
Removal of halls of residence exemption	£2.0	DoF Rating Consultation
<i>Non-domestic subtotal</i>	£95.5 - 107.5	
Rating reforms total	£128.6 - 140.6	
Hospital parking charges (avoided cost)	£10.0	DoH Consultation
Water-related additional measures		
Removal of non-domestic domestic allowance	£20.6	Dfl Water Consultation
Charging for domestic septic tank desludging	£3.7	Dfl Water Consultation
Recovery of roads drainage costs	<i>Not quantified</i>	Dfl Water Consultation
Private streets fee increases	£0.9 (shortfall to cover)	Dfl Private Streets
Regional rate annual increases (5%/3%)	£42.6 (2025-26 increase)	Proposed DB 2026-29/30
Total potential revenue:	£511 – 533 per annum (Excluding regional rate increases which are additional incremental revenue)	

Source: Figures taken from consultation documents available [here](#); general calculations conducted by RalSe.

It is possible to draw key observations based on Table 1 above and the figures reported from the various consultation processes. Those include:

- **The scale of options varies dramatically:** Domestic water charges (£307m) represent approximately 60% of the total potential revenue from all measures combined, dwarfing all other options. This explains why water charges remain central to revenue-raising discussions despite consistent political opposition.
- **Concentration in rating system:** Collectively, the rating reform measures (£129-141m) represent the second-largest revenue source, with industrial derating (£72m) being the largest single non-water measure. The rating system's significance reflects its status as the Northern Ireland Executive's only devolved tax mechanism.
- **Relative scale of measures:** Hospital parking charges (£10m) and private streets fees (£0.9m), whilst important for service provision and cost recovery principles, are relatively small in revenue terms compared to the scale of the fiscal challenge.
- **Cumulative annual gains vs. one-off savings:** All figures represent annual recurring revenue, not one-off savings. The cumulative impact over the Draft Budget period (2026/27-29/30) would multiply these figures accordingly, though implementation timeframes would affect actual yield profiles.
- **Regional rate increases provide baseline growth:** The proposed 5% domestic and 3% non-domestic regional rate increases (generating £42.6 million in 2025/26, with similar projected annual increases) provide a baseline revenue growth independent of the discrete measures consulted upon. Annex G of the proposed DB document projects this to build to approximately £100m additional revenue by 2028/29 compared to the 2025/26 baseline.
- **Revenue potential vs. fiscal challenge:** The maximum theoretical revenue from all consulted measures (approximately £530m annually if all were implemented) exceeds the identified £400m funding gap but must be considered against: (1) the cessation of £520m stabilisation funding; (2) implementation timeframes and transition costs; (3) behavioural responses that may reduce yield; and, (4) political and practical feasibility of implementation.

- **Offsetting effects:** Some measures include offsetting costs. For example, industrial derating removal would increase Small Business Rate Relief costs by approximately £2m, reducing the net gain to £69.5m from the gross £71.5m. Similar offsets may arise from other measures.
- **Geographic and sectoral concentration:** Several measures show significant geographic or sectoral concentration. For example, 65% of properties affected by the maximum capital value cap are in Belfast and Ards & North Down; half of all industrial derating recipients are in four council areas. This concentration affects the distributional impacts and political economy of implementation.
- **Not all measures are mutually compatible:** Full implementation of all measures simultaneously may create cumulative impacts that differ from simple addition. For example, removing multiple reliefs in the non-domestic sector while also increasing the regional rate by 3% annually could create compound impacts that affect business viability and, consequently, actual revenue yield.

As mentioned above, it is important to note that the behavioural implications of implementing any revenue-raising measures could be significant and warrant further economic analysis. Indeed, assessing the behavioural impacts of revenue-raising measures is essential for accurate revenue forecasting and appropriate policy design. The DoF's consultation summary explicitly acknowledged that *"...further consultative and policy development work would need to be done...particularly in relation to the further analysis of any impacts and mitigation measures..."*, before implementing any of the consulted measures. This recognition aligns with established public finance literature, demonstrating taxpayers respond to fiscal changes by altering their behaviour in ways that can significantly reduce actual revenue yields below established projections. The elasticity of taxable income – which measures how much a tax base changes in response to rate changes – has become a central parameter in

tax policy analysis²²⁵, with empirical evidence showing that behavioural responses vary substantially depending on policy design, enforcement mechanisms, and the availability of avoidance opportunities²²⁶. In theory, in the Northern Ireland context, where multiple revenue measures affecting households and businesses could be implemented simultaneously and understanding how these compound behavioural effects could be particularly important.

Revenue projections that fail to account for behavioural adjustments risk the formulation of fiscal planning that is based on overly optimistic yield assumptions. Instead, careful analysis of likely responses would inform policy design choices that aim both to minimise distortions and maximise sustainable revenue generation²²⁷. Developments with regards to revenue-raising policy should take careful consideration of the continued financial challenges faced by Northern Ireland households and businesses and their likely responses to any policy reform.

For further detailed discussion with regards to potential effects on households and businesses across Northern Ireland, see [Paper 3](#) in this series.

5 Thematic Analysis of the Relevant Literature

A review of the academic literature concerning revenue-raising in Northern Ireland adds additional context and allows for relevant comparative or theoretical insights with regards fiscal devolution, local revenue-raising in other jurisdictions and intergovernmental fiscal relations.

5.1 Revenue-Raising Options Identified for Northern Ireland

The literature identifies a range of potential revenue instruments for Northern Ireland, overlapping with those options consulted upon, spanning devolved

²²⁵ Saez, E., Slemrod, J. and Giertz, S. H. (2012). "The Elasticity of Taxable Income with Respect to Marginal Tax Rates", *Journal of Economic Literature*, 50(1): 3-50. Available [here](#).

²²⁶ Advani, A. and Tarrant, H. (2021). "Behavioural responses to a wealth tax", *Fiscal Studies*, 42(3-4): 509-537. Available [here](#).

²²⁷ OECD (2010). *Tax Policy Reform and Economic Growth*. OECD Publishing, Paris. Available [here](#).

taxes, new local charges, non-tax revenues, and borrowing powers. These are discussed below.

5.1.1 Corporation Tax

Corporation tax is the most extensively discussed option within the literature. Multiple sources identify the devolution of corporation tax as a potential “game changer” for closing Northern Ireland’s persistent economic gap relative to Great Britain^{228 229}. The Corporation Tax (Northern Ireland) Act 2015²³⁰ was enacted in Westminster, empowering the Northern Ireland Assembly to set its own rate. However, that legislation has not been commenced by central government to date, and it appears Northern Ireland views about pursuing a rate cut have shifted²³¹. The rationale for Corporation Tax variation drew heavily on the Republic of Ireland’s competitive 12.5% rate at the time the legislation was brought forward and eventually enacted. However, several academics caution that institutional and legal complexities make this far from a straightforward lever^{232 233 234}.

A further barrier to a Corporation Tax reduction in Northern Ireland is that HM Treasury committed to a corresponding Block Grant adjustment to offset any fiscal cost of a lower Corporation Tax rate in Northern Ireland, meaning the net fiscal benefit to the Northern Ireland Executive would be substantially reduced. That is in line with the “rules” specifying the financial arrangements under the current devolution settlement in Northern Ireland.

²²⁸ Birnie, E. and Brownlow, G. (2016). “Should the fiscal powers of the Northern Ireland Assembly be enhanced?”, *Regional Studies*, 51(9): 1,429-1,439. Available [here](#).

²²⁹ Vértessy, L. and Gyakovác, D. (2024). “The Law and Concept of Fiscal Devolution in the United Kingdom”, *Jogelméleti Szemle*, 4: 104-129. Available [here](#).

²³⁰ The Corporation Tax (Northern Ireland) Act 2015 is available [here](#).

²³¹ Eiser, D. (2020). “Wealth taxes and devolution”, *Wealth Tax Commission Background Paper*, 120. Available [here](#).

²³² Brownlow, G. and Birnie, E. (2018). “Rebalancing and Regional Economic Performance: Northern Ireland in A Nordic Mirror”, *Economic Affairs*, 38(1): 58-73. Available [here](#).

²³³ Birnie, E. and Brownlow, G. (2016). “Should the fiscal powers of the Northern Ireland Assembly be enhanced?”, *Regional Studies*, 51(9): 1,429-1,439. Available [here](#).

²³⁴ Heald, D. and Mcleod, A. (2003). “Revenue-raising by UK Devolved Administrations in the Context of an Expenditure-based Financing System”, *Regional & Federal Studies*, 13(4): 67-90. Available [here](#).

A final point of note here is that, while any direct fiscal cost of a lower Corporation Tax rate would be addressed through a Block Grant adjustment, there could also be wider economic benefits, as articulated by proponents of a reduced Corporation Tax rate have argued^{235 236 237 238}. These are discussed in the following sub-sections.

5.1.2 Income Tax

Income tax devolution is discussed by several sources as a further option. Brownlow identifies income tax alongside corporate profits tax as candidates for devolution²³⁹, while Hughes, Hallett and Scott model the effects of income tax variation in Scotland, noting that for every 1% reduction in the income tax burden relative to elsewhere (including other regions of the United Kingdom), 720 expatriates and 150 high-skilled regional migrants could be attracted to

²³⁵ These include, for example, increased direct foreign investment (FDI), business formation, and employment growth, with the OECD finding evidence of a negative relationship between corporation tax rates and FDI flows across member states. Further details, the reader is directed to: OECD (2007). "Tax Effects on Foreign Direct Investment: Recent Evidence and Policy Analysis". *OECD Tax Policy Studies*, No. 17. Available [here](#).

²³⁶ In the Northern Ireland context specifically, Ulster University's Economic Policy Centre (UUEPC) modelled the potential economic impact of a reduced corporation tax rate, finding positive effects on inward investment levels, though with significant uncertainty around the magnitude and timing of those effects. See: Ulster University Economic Policy Centre (2016). *Measuring the economic impact of a reduced rate of Corporation Tax in Northern Ireland*, UUEPC Technical Report. Available [here](#).

²³⁷ A comparison with Ireland is constructive when considering corporation tax. Bergin, McGuinness and Banahan (2025) find that productivity in Ireland's foreign-owned firms was almost four times that of equivalent firms in Northern Ireland, with Ireland's lower corporation tax rate widely identified as a key driver of that divergence in FDI attraction. See: Bergin, A., McGuinness, S. and Banahan, C. (2025). "Economic overview of Ireland and Northern Ireland", *ESRI Research Series*, No. 203. Available [here](#). However, Birnie and Brownlow (2016) caution that Ireland's experience was a "slow burn" – with the great leap in FDI levels not materialising until approximately three decades after profits were first taxed lightly – and that a simple replication of the Irish model is not straightforward given Northern Ireland's institutional, administrative, and competitive context. See: Birnie, E. and Brownlow, G. (2016). "Should the fiscal powers of the Northern Ireland Assembly be enhanced?", *Regional Studies*, 51(9): 1,429-1,439. Available [here](#).

²³⁸ There are also additional considerations with considering the efficacy of reforming tax policy. For example, Scotland's relatively progressive tax regime – in relation to the rest of the United Kingdom – is, in part, designed to raise revenue and improve the equity of distribution. However, it is increasingly complex and distortionary. Further detailed discussion concerning Scotland's record on tax and benefit policy can be found at: Adam, S., Michael, J., Phillips, D. and Wernham, T. (2026). "The Scottish Government's record on tax and benefit policy", *Institute for Fiscal Studies (IFS) Report*, March. Available [here](#).

²³⁹ Brownlow, G. (2022). "Institutional Geography Once More? Devolution Economics Northern Ireland Style", *National Institute Economic Review*, 261: 34-47. Available [here](#).

Scotland²⁴⁰. The broader United Kingdom reform proposals in Booth include income tax variation as one of several local revenue streams²⁴¹.

5.1.3 Property Tax

Property taxes receive significant attention. Heald and Mcleod discuss the potential for Northern Ireland to replace its domestic rates system with a capital value-based property tax²⁴². The Republic of Ireland's experience introducing a Local Property Tax in 2013 is presented as a potential model, with features such as self-assessment, valuation bands, and innovative payment methods offering design lessons²⁴³. Property taxes are identified as the main source of tax revenue for local budgets across EU Member States, with the immobility of the tax base cited as a key advantage for local governments²⁴⁴.

5.1.4 Air Passenger Duty

Air Passenger Duty (APD) on direct long-haul flights from Northern Ireland was devolved and zero-rated from 2013²⁴⁵, representing one of the few instances where Northern Ireland has actually exercised a devolved fiscal power.

5.1.5 Environmental Levies

Environmental levies represent another avenue for raising revenue. Northern Ireland introduced a two-phase levy on single-use carrier bags, starting at 5p in April 2013 and rising to 10p in April 2014, with 66% consumer support²⁴⁶. While

²⁴⁰ Hughes Hallett, A. J. and Scott, A. (2010). "Scotland: A New Fiscal Settlement", *GMU School of Public Policy Research Paper*, No. 2010-15. Available [here](#).

²⁴¹ Booth, P. (2015). *Federal Britain: The case for decentralisation*. The Institute of Economics Affairs (iea), London. Available [here](#).

²⁴² Heald, D. and Mcleod, A. (2003). "Revenue-raising by UK Devolved Administrations in the Context of an Expenditure-based Financing System", *Regional & Federal Studies*, 13(4): 67-90. Available [here](#).

²⁴³ Turley, G. (2022). "Designing and implementing a local residential property tax from scratch: lessons from the Republic of Ireland", *Commonwealth Journal of Local Governance*, 27: 83-101. Available [here](#).

²⁴⁴ Karpenko, M. Y. (2023). "Formation of Local Budgets Revenues in the EU Member States", *Business Inform*, 8(547): 53-64. Available [here](#).

²⁴⁵ Eiser, D. (2020), "Wealth taxes and devolution", *Wealth Tax Commission Background Paper*, 120. Available [here](#).

²⁴⁶ Frater, L. and Lee, R. (2012). "Leading the charge? Payments for single use carrier bags in Wales", *The Northern Ireland Legal Quarterly*, 63(4): 551-562. Available [here](#).

the revenue generated from such schemes is modest, they demonstrate the feasibility of devolved environmental charges.

5.1.6 Congestion Charging

Congestion charges have been explored specifically for Belfast, with a discrete choice experiment finding willingness-to-pay values ranging from £2.12 to £11.43 for various policy measures funded by such charges²⁴⁷. The highest willingness-to-pay was for improvements to public transport frequency, coverage, and connectivity. Tate *et al.* (2025) identify a median willingness-to-pay value to reduce car usage by one day per week as £3, which in turn – due to reduced emissions and road casualties – is estimated to generate benefits worth £3.83m. However, this would be substantially outweighed by the costs involved²⁴⁸.

5.1.7 Developer Contributions

Developer contributions were introduced in Northern Ireland primarily by Belfast City Council, representing a non-tax revenue mechanism, though the scheme has been characterised as narrow in purpose and codified around market-focused rationality²⁴⁹.

5.1.8 Water Charging

Water charges represent a significant unrealised revenue source. Brownlow discusses the concept of “super parity” – denoting reduced costs or charges for businesses or individuals in Northern Ireland due to policy divergence with the rest of the United Kingdom – and notes estimates of differentiation are largely

²⁴⁷ Tate, C., Longo, A., Boeri, M., Taylor, T., Garcia, L. and Hunter, R. (2025). “A Stated Preference Study to Explore Market-Based Instruments to Reduce Car Usage”, *Environmental and Resource Economics*, 88: 2,201 – 2,233. Available [here](#).

²⁴⁸ Tate, C., Longo, A., Boeri, M., Taylor, T., Garcia, L. and Hunter, R. (2025). “A Stated Preference Study to Explore Market-Based Instruments to Reduce Car Usage”, *Environmental and Resource Economics*, 88: 2,201 – 2,233. Available [here](#).

²⁴⁹ Kearney, M. and Ritchie, H. (2021). “Developer contributions and community benefits: understanding the regulatory context for the implementation of a value-capturing instrument in Northern Ireland”, *Town Planning Review*, 92(5): 615-641. Available [here](#).

due to the absence of domestic water charges: Northern Ireland experiences a 'revenue loss' of £344.5m²⁵⁰.

At a broader United Kingdom reform level, Booth proposes a comprehensive suite of local revenue instruments including user charges, land value taxes, business property taxes, natural resource levies, consumption taxes, tourist taxes, and various powers to securitise revenues from investment projects²⁵¹. For Northern Ireland, although the introduction of domestic water charging represents the most quantifiably significant unrealised revenue-raising option, a range of novel instruments such as congestion charges or environmental levies, as discussed above, are also plausible. However, even if deemed politically feasible, such measures would generate comparatively modest revenue streams.

5.2 The Block Grant System and its Effects on Local Revenue Incentives

A dominant theme across the literature is the constraining effect of Northern Ireland's existing fiscal architecture on the local revenue-raising effort. The United Kingdom is one of the most fiscally centralised countries in the G7, with only 5% of revenue raised locally compared with 50% in Canada and 13% in France²⁵². Northern Ireland exemplifies this centralisation: the Block Grant from Westminster, determined by the Barnett Formula, finances the overwhelming majority of devolved spending^{253 254}.

The Barnett formula is widely criticised across the literature. It allocates incremental changes in funding based on population share rather than

²⁵⁰ Brownlow, G. (2022). "Institutional Geography Once More? Devolution Economics Northern Ireland Style", *National Institute Economic Review*, 261: 34-47. Available [here](#).

²⁵¹ Booth, P. (2015). *Federal Britain: The case for decentralisation*. The Institute of Economics Affairs (iea), London. Available [here](#).

²⁵² Booth, P. (2015). *Federal Britain: The case for decentralisation*. The Institute of Economics Affairs (iea), London. Available [here](#).

²⁵³ Vértessy, L. and Gyakovác, D. (2024). "The Law and Concept of Fiscal Devolution in the United Kingdom", *Jogelméleti Szemle*, 4: 104-129. Available [here](#).

²⁵⁴ King, D. and Eiser, D. (2015). "Allocating Grant to the UK's Devolved Territories by Needs Assessment: Lessons from School Funding Formulae in England and Scotland", *Fiscal Studies*, 38(1): 81-109. Available [here](#).

assessed spending needs^{255 256}, which multiple authors argue leads to inequitable outcomes. King and Eiser^{257 258} demonstrate that the English and Scottish education allocation formulae produce similar estimates of spending needs across United Kingdom regions, suggesting that needs-based allocation is more feasible than commonly assumed. The Barnett formula is also criticised for lacking transparency and for generating a “Barnett squeeze” – a gradual convergence of per capita spending that may not reflect underlying differences in need^{259 260}.

Several studies identify the Block Grant system as creating disincentives for local revenue-raising. The dependency on central government funding produces what Brownlow²⁶¹ characterises as “soft budget constraints” and “moral hazard problems”, where the devolved administration lacks incentives to expand its own tax base. Morphet further argues that centrally controlled “deal” funding models have compounded this problem by undermining devolved decision-making while creating additional dependency on central government ²⁶².

Keating *et al* note that the Barnett formula restricts the ability to recoup savings

²⁵⁵ Brownlow, G. (2022). “Institutional Geography Once More? Devolution Economics Northern Ireland Style”, *National Institute Economic Review*, 261: 34-47. Available [here](#).

²⁵⁶ King, D. and Eiser, D. (2015). “Allocating Grant to the UK’s Devolved Territories by Needs Assessment: Lessons from School Funding Formulae in England and Scotland”, *Fiscal Studies*, 38(1): 81-109. Available [here](#).

²⁵⁷ King, D. and Eiser, D. (2015). “Allocating Grant to the UK’s Devolved Territories by Needs Assessment: Lessons from School Funding Formulae in England and Scotland”, *Fiscal Studies*, 38(1): 81-109. Available [here](#).

²⁵⁸ King, D. and Eiser, D. (2016). “Reform of the Barnett formula with needs assessment: Can the challenges be overcome?”, *Regional Studies*, 50(5): 790-804. Available [here](#).

²⁵⁹ Heald, D. and McLeod, A. (2003). “Revenue-raising by UK Devolved Administrations in the Context of an Expenditure-based Financing System”, *Regional & Federal Studies*, 13(4): 67-90. Available [here](#).

²⁶⁰ Heald, D. (2020). “The Politics of Scotland’s Public Finances”, in Keating, M. (ed.), *The Oxford Handbook of Scottish Politics*, pp. 512-542. Oxford University Press, Oxford. Available [here](#).

²⁶¹ Brownlow, G. (2022). “Institutional Geography Once More? Devolution Economics Northern Ireland Style”, *National Institute Economic Review*, 261: 34-47. Available [here](#).

²⁶² Morphet, J. (2023). “Deals and devolution: The role of local authority deals in undermining devolved decision making”, *Local Economy: The Journal of the Local Economy Policy Unit*, 37(7): 622-638. Available [here](#).

from policy innovations, further dampening incentives for fiscal experimentation²⁶³.

The system also creates structural risks. Heald highlights the complexity of Block Grant Adjustments when tax powers are devolved, noting that negative reconciliations can create fiscal instability²⁶⁴. Eiser identifies diseconomies of scale, complexity for taxpayers, and various inequities as potential costs of fiscal devolution that must be weighed against its benefits²⁶⁵. Lisenkova *et al* find, somewhat counterintuitively, that tax-sharing regimes do not necessarily improve growth incentives relative to basic block grants²⁶⁶.

Foreman-Peck and Lungu present evidence from Wales suggesting that high intergovernmental transfers can crowd out the private sector, noting that a 1% cut in income tax matched by a corresponding reduction in government spending would produce a net gain in employment²⁶⁷. Northern Ireland – which has the highest ratio of government spending to output among United Kingdom nations – may face analogous dynamics.

5.3 Policy Constraints Specific to Northern Ireland

Northern Ireland faces a distinctive constellation of constraints that differentiate it from the other devolved nations regions of the United Kingdom. These are set out in the following sub-sections.

5.3.1 Interrupted Devolution

Political instability is the most prominent Northern Ireland-specific barrier. Repeated suspensions of the Assembly, resulting in interrupted devolution,

²⁶³ Keating, M., Cairney, P. and Hepburn, E. (2012). “Policy Convergence, Transfer and Learning in the UK under Devolution”, *Regional & Federal Studies*, 22(3): 289-307. Available [here](#).

²⁶⁴ Heald, D. (2020). “The Politics of Scotland’s Public Finances”, in Keating, M. (ed.), *The Oxford Handbook of Scottish Politics*, pp. 512-542. Oxford University Press, Oxford. Available [here](#).

²⁶⁵ Eiser, D. (2020). “Will the benefits of fiscal devolution outweigh the costs? Considering Scotland’s new fiscal framework”, *Regional Studies*, 54(10): 1,457-1,468. Available [here](#).

²⁶⁶ Lisenkova, K., Greig, A., McGregor, P. G., Roy, G. and Swales, J. K. (2022). “Growth incentives and devolved fiscal systems”, *Regional Studies*, 56(10): 1,744-1,756. Available [here](#).

²⁶⁷ Foreman-Peck, J. and Lungu, L. (2009). “Fiscal devolution and dependency”, *Applied Economics*, 41(7): 815-828. Available [here](#).

have delayed fiscal developments, including the implementation of devolved corporation tax^{268 269}. Vértesy and GyakovácZ note that political instability has dampened the devolutionary process in Northern Ireland relative to Scotland and Wales²⁷⁰. Brownlow emphasises that appropriate institutional structures and personnel must be in place before tax powers can be effectively devolved²⁷¹.

5.3.2 Regulatory Environment in Northern Ireland after United Kingdom Exit

The regulatory environment after the United Kingdom exited the EU has introduced additional complexity in Northern Ireland. The Northern Ireland Protocol (NIP) and The Windsor Framework (WF) require Northern Ireland to follow EU rules on customs, VAT, State Aid, and energy markets²⁷². Those arrangements constrain fiscal policy autonomy in ways not experienced by Scotland or Wales, as dynamic regulatory alignment with the EU single market restricts the scope of independent economic policy. Brownlow and Birnie note that the European Court of Justice (ECJ) State Aid rules historically posed barriers to Corporation Tax variation in Northern Ireland²⁷³.

5.3.3 Limited Economic Base in Northern Ireland

Limitations in relation to the economic base are significant. Northern Ireland has a persistent economic gap relative to Britain²⁷⁴ and a comparatively weak private sector²⁷⁵. The private sector tax base is correspondingly narrower –

²⁶⁸ Heald, D. and Mcleod, A. (2003). "Revenue-raising by UK Devolved Administrations in the Context of an Expenditure-based Financing System", *Regional & Federal Studies*, 13(4): 67-90. Available [here](#).

²⁶⁹ Eiser, D. (2020). *Wealth Taxes and Devolution*. Wealth Tax Commission: London. Available [here](#).

²⁷⁰ Vértesy, L. and GyakovácZ, D. (2024). "The Law and Concept of Fiscal Devolution in the United Kingdom", *Jogelméleti Szemle*, 4: 104-129. Available [here](#).

²⁷¹ Brownlow, G. (2022). "Institutional Geography Once More? Devolution Economics Northern Ireland Style", *National Institute Economic Review*, 261: 34-47. Available [here](#).

²⁷² Whitten, L. C. (2024). "Northern Ireland and the United Kingdom internal market: the exception that disproves the rules?", *Legal Quarterly*, 75(1): 154-167. Available [here](#).

²⁷³ Brownlow, G. and Birnie, E. (2018). "Rebalancing and Regional Economic Performance: Northern Ireland in A Nordic Mirror", *Economic Affairs*, 38(1): 58-73. Available [here](#).

²⁷⁴ Birnie, E. and Brownlow, G. (2017). "Should the fiscal powers of the Northern Ireland Assembly be enhanced?", *Regional Studies*, 51(9): 1,429-1,439. Available [here](#).

²⁷⁵ Brownlow, G. and Birnie, E. (2018). "Rebalancing and Regional Economic Performance: Northern Ireland in A Nordic Mirror", *Economic Affairs*, 38(1): 58-73. Available [here](#).

characterised by higher economic inactivity rates and greater dependence on lower-productivity industries than elsewhere in the United Kingdom and Ireland – limiting the potential yield from devolved taxes²⁷⁶. As such, Birnie and Brownlow (2017) stress that tax variations are “no substitute” for a focus on increased competitiveness²⁷⁷. The risk of tax-induced migration is also relevant. Foreman-Peck and Zhou (2019) find that even limited tax devolution, as conferred on Wales, could trigger substantial tax revenue and gross value added (GVA) spillovers²⁷⁸, a risk that would be amplified for Northern Ireland given its land border with a low-tax jurisdiction in Ireland.

5.3.4 Sequencing and Capacity Constraints in Northern Ireland

Sequencing and capacity constraints are repeatedly emphasised. Birnie and Brownlow identify issues of sequencing and policy capacity as “salient”²⁷⁹, and Brownlow argues that combinations of taxes are likely to produce better outcomes than reliance on any single tax instrument, but that the speed and order of reform implementation are crucial²⁸⁰. Eiser notes that Northern Ireland lacks tools for managing cyclical tax revenue risks²⁸¹, a prerequisite for effective fiscal autonomy.

5.3.5 Administrative and Institutional Capacity in Northern Ireland

Administrative and institutional capacity is a further concern: the Northern Ireland Assembly can legislate on property taxes, for example, but cannot impose taxes substantially similar to those already levied by central government, as detailed legislation and administrative infrastructure would be

²⁷⁶ For further discussion with regards to issues related to higher economic inactivity rates and greater dependence upon industries that offer lower productivity, the reader is referred to Paper 3 of this series, “Northern Ireland Economic Context”.

²⁷⁷ Birnie, E. and Brownlow, G. (2017). “Should the fiscal powers of the Northern Ireland Assembly be enhanced?”, *Regional Studies*, 51(9): 1,429-1,439. Available [here](#).

²⁷⁸ Foreman-Peck, J. and Zhou, P. (2020). “Devolving fiscal policy: migration and tax yields”, *Regional Studies*, 54(3): 308-317. Available [here](#).

²⁷⁹ Birnie, E. and Brownlow, G. (2017). “Should the fiscal powers of the Northern Ireland Assembly be enhanced?”, *Regional Studies*, 51(9): 1,429-1,439. Available [here](#).

²⁸⁰ Brownlow, G. (2022). “Institutional Geography Once More? Devolution Economics Northern Ireland Style”, *National Institute Economic Review*, 261: 34-47. Available [here](#).

²⁸¹ Eiser, D. (2020). *Wealth Taxes and Devolution*. Wealth Tax Commission: London. Available [here](#).

required for the imposition of new tax systems²⁸². McIntyre *et al* observe that the administrative implementation of tax devolution in Scotland has been “complex and largely untested”²⁸³, suggesting comparable or greater challenges for Northern Ireland.

5.4 A Comparative Perspective

A range of insights in relation to revenue-raising in other jurisdictions – particularly Ireland and the other devolved regions of the United Kingdom – and their relevance to Northern Ireland, are discussed in the below sub-sections. Included for ease of reference at the end of this section is Table 2, to highlight some key differences between Northern Ireland’s status and specific aspects of revenue-raising powers in those jurisdictions as noted in the literature.

5.4.1 Scotland

Scotland has progressed furthest amongst devolved nations of the United Kingdom with regards to fiscal devolution. Income tax rates have been varied, with the Scottish Government raising additional revenue estimated at £500m from higher earners and projecting a net improvement of £1.3bn per annum by 2026/27, alongside the aim to raise around 50% of its budget from local taxes²⁸⁴. However, McIntyre *et al* find that, despite some improvements, progress on accountability and scrutiny following tax devolution has been

²⁸² Heald, D. and Mcleod, A. (2003). “Revenue-raising by UK Devolved Administrations in the Context of an Expenditure-based Financing System”, *Regional & Federal Studies*, 13(4): 67-90. Available [here](#).

²⁸³ McIntyre, S., Mitchell, J. and Roy, G. (2022). “Careful What you Wish for? Risk and Reward with Scottish Devolution”, *The Political Quarterly*, 93(3): 392-400. Available [here](#).

²⁸⁴ McIntyre, S., Mitchell, J. and Roy, G. (2022). “Careful What you Wish for? Risk and Reward with Scottish Devolution”, *The Political Quarterly*, 93(3): 392-400. Available [here](#).

limited²⁸⁵. Northern Ireland is consistently characterised in the literature as being ‘behind’ Scotland in terms of devolved fiscal powers^{286 287 288}.

5.4.2 Wales

Wales has devolved business rates fully from 2015 – considered a local tax – and introduced a Land Transaction Tax (LTT) in 2018^{289 290}. Devolved taxes now constitute almost 20% of the Welsh budget, providing the Welsh Government with greater control over public spending and policy decisions, allowing the tailor of tax policy to local economic conditions and priorities, whilst maintaining alignment with United Kingdom-wide fiscal rules²⁹¹. Experience from Welsh business rates shows that a local retention scheme could polarise funding, benefiting areas with buoyant property markets while disadvantaging others²⁹². Moreover, Foreman-Peck and Zhou find that even limited tax devolution in Wales could trigger substantial migration-driven revenue spillovers²⁹³. Northern Ireland faces analogous risks given its shared border with the Republic of Ireland.

5.4.3 Republic of Ireland

The Republic of Ireland provides critical context given geographic and economic proximity. The Irish tax system at the national governmental level is more progressive than that in Northern Ireland, reducing income inequality more

²⁸⁵ McIntyre, S., Mitchell, J. and Roy, G. (2023). “Fiscal devolution and the accountability gap: budget scrutiny following tax devolution to Scotland”, *Regional Studies*, 57(7): 1,380-1,391. Available [here](#).

²⁸⁶ Brownlow, G. (2022). “Institutional Geography Once More? Devolution Economics Northern Ireland Style”, *National Institute Economic Review*, 261: 34-47. Available [here](#).

²⁸⁷ Vértessy, L. and Gyakovác, D. (2024). “The Law and Concept of Fiscal Devolution in the United Kingdom”, *Jogelméleti Szemle*, 4: 104-129. Available [here](#).

²⁸⁸ Keating, M., Cairney, P. and Hepburn, E. (2012). “Policy Convergence, Transfer and Learning in the UK under Devolution”, *Regional & Federal Studies*, 22(3): 289-307. Available [here](#).

²⁸⁹ Low Incomes Tax Reform Group (2025). *Devolved taxes*, 6 April. Available [here](#).

²⁹⁰ Zhou, L., Matthews, K. and Munday, M. (2020). “Land transactions tax variation in Wales”, *Welsh Economic Review*, 27: 33-40. Available [here](#).

²⁹¹ Ymchwil y Senedd (Senedd Research). *Fiscal devolution in Wales*. Available [here](#).

²⁹² Kapitsinis, N. (2019). “A review of the current business rates scheme in Wales and the effects of a potential local retention”, *Local Economy: The Journal of the Local Economy Policy Unit*, 34(1): 10-32. Available [here](#).

²⁹³ Foreman-Peck, J. and Zhou, P. (2020). “Devolving fiscal policy: migration and tax yields”, *Regional Studies*, 54(3): 308-317. Available [here](#).

through taxation. However, the level and coverage of means-tested benefits in the Republic of Ireland is lower, resulting in similar overall levels of redistribution²⁹⁴. Ireland's introduction of a Local Property Tax (LPT) in 2013 after a 35-year absence offers design lessons: In particular, self-assessment, appropriate valuation bands, and the development of innovative payment methods contributed to a successful rollout of the tax policy²⁹⁵. It should be noted that Ireland's local government revenues as a share of GDP are relatively low by EU standards²⁹⁶, but fiscal reforms since the 2008 crisis have reduced vertical and horizontal fiscal imbalances²⁹⁷.

5.4.4 Nordic Countries

Nordic countries – namely Norway, Sweden, Finland and Denmark – are invoked in the literature as examples of an alternative model with regards to revenue-raising. Brownlow and Birnie argue that Northern Ireland's economic difficulties ultimately stem from a weak private sector rather than an excessively large public sector, noting that in Nordic countries, a large public sector was the result of building and developing a successful tradable private sector, rather than its cause²⁹⁸. Emonts-Holley *et al* model a Scandinavian-style high-tax, high-spend scenario for Scotland – on the back of the unprecedented degree of fiscal autonomy within the United Kingdom – and find that it would result in positive benefits only if the public valued increased public spending sufficiently

²⁹⁴ Doorley, K., Gubello, M. and Tuda, D. (2024). "Drivers of Income Inequality in Ireland and Northern Ireland", *The ESRI Research Series*, No. 196. Available [here](#).

²⁹⁵ Turley, G. (2022). "Designing and implementing a local resident property tax from scratch: lessons from the Republic of Ireland", *Commonwealth Journal of Local Governance*, 27: 83-101. Available [here](#).

²⁹⁶ Karpenko, M. Y. (2023). "Formation of Local Budgets Revenues in the EU Member States", *Business Inform*, 8(547): 53-64. Available [here](#).

²⁹⁷ Turley, G. (2022). "Designing and implementing a local resident property tax from scratch: lessons from the Republic of Ireland", *Commonwealth Journal of Local Governance*, 27: 83-101. Available [here](#).

²⁹⁸ Brownlow, G. and Birnie, E. (2018). "Rebalancing and Regional Economic Performance: Northern Ireland in A Nordic Mirror", *Economic Affairs*, 38(1): 58-73. Available [here](#).

insomuch that they would accept a corresponding reduction take-home salary²⁹⁹.

5.4.5 International Federated Systems

International federal systems offer structural comparisons. Hughes Hallett and Scott compare Scotland's fiscal autonomy with that of the Basque and Navarre regions of Spain, South Tirol in Italy, and the Channel Islands, Isle of Man and Gibraltar. They find that fiscal autonomy models in these regions provide transparency and garner significant political support³⁰⁰. Ultimately, they conclude that significantly more fiscal powers should be transferred to Scotland and offer a "blueprint" for how such proposals could be implemented in practice.

In a wide-ranging analysis of revenue trends in sub-central governments (SCGs) across Member countries of the Organisation for Economic Cooperation and Development (OECD), Blöchliger and Petzold find that federal countries allocate higher tax shares to SCGs, that personal income taxation and consumption taxes could form part of a revenue-neutral increase in local taxation, and that fiscal equalisation systems are important for reducing disparities³⁰¹.

Much like earlier criticism of the Barnett formula in a United Kingdom context, Blöchliger and Petzold find evidence that inter-governmental grants are typically larger than that required for equalisation and tend to exacerbate rather than smooth fluctuations in SCG revenues, alongside reducing the incentive for SCGs to raise revenue themselves. Nordic countries display the highest levels of budgetary decentralisation among EU states, alongside countries with three-tier budget systems³⁰². Moreover, in these systems, there are noted advantages

²⁹⁹ Emonts-Holley, T., Greig, A., Lecca, P., Lisenkova, K., McGregor, P. G. and Swales, J. K. (2019). "A Scandinavian 'high-tax, high-spend' model for regions? The impact of enhanced regional fiscal autonomy", *Spatial Economic Analysis*, 14(3): 321-338. Available [here](#).

³⁰⁰ Hughes Hallett, A. J. and Scott, A. (2010). "Scotland: A New Fiscal Settlement", *GMU School of Public Policy Research Paper*, No. 2010-15. Available [here](#).

³⁰¹ Blochliger, H. and Petzold, O. (2009). "Taxes or Grants: What Revenue Source for Sub-Central Governments?", *OECD Economics Department Working Papers*, No. 706, OECD Publishing, Paris. Available [here](#).

³⁰² Karpenko, M. Y. (2023). "Formation of Local Budgets Revenues in the EU Member States", *Business Inform*, 8(547): 53-64. Available [here](#).

of including property taxes within the remit of local budgets, due in part to the immobility of the tax base, and due to the increased ability of local authorities to appropriately and accurately assess the property status of residents³⁰³.

Table 2: Comparison of key revenue-raising aspects of other jurisdictions with Northern Ireland's current position, based on the literature

Comparator	Key aspect	Northern Ireland position
Scotland	Income tax devolution yielding ~£500m additional from higher earners	No income tax powers exercised
Scotland	~50% of budget from local taxes targeted	Minimal local revenue share
Wales	LTT and business rates fully devolved	No equivalent devolution
Ireland	More progressive tax system; LPT since 2013	Similar redistribution overall; no equivalent property tax reform
Ireland	Corporation tax at 12.5%	Northern Ireland rate unchanged despite legislation
Nordic countries	Large public sector built on strong private sector	Weak private sector constrains fiscal options

³⁰³ Karpenko, M. Y. (2023). "Formation of Local Budgets Revenues in the EU Member States", *Business Inform*, 8(547): 53-64. Available [here](#).

United Kingdom average	5% of revenue raised locally	Due to prevalence of the Block Grant, at or below United Kingdom average
OECD average	Higher sub-central tax shares in federal states	Significantly below OECD norms

Source: Taken from analysis of the literature as identified and discussed in the text above; references cited in footnotes.

5.5 Potential Revenue Receipt Estimates

Quantitative estimates of potential revenue receipts specific to Northern Ireland are scarce in the literature, reflecting the limited extent of fiscal devolution to date. The most concrete Northern Ireland-specific estimate concerns water charges: the absence of domestic water charges is estimated to cost approximately £344.5m in foregone revenue³⁰⁴. For Belfast specifically, a congestion charge scheme could generate willingness-to-pay of £2.12 to £11.43 per trip, though the estimated benefits from reduced emissions and road casualties (£3.83m) are outweighed by implementation costs³⁰⁵. Broader United Kingdom-wide estimates provide indicative benchmarks: Booth estimates that increasing the local share of taxation from 5% to 20% for the United Kingdom as a whole could raise Gross Domestic Product (GDP) per capita by 6%³⁰⁶, and Hughes Hallet and Scott estimate that every 1% of the Scottish Budget transferred to local control could increase incomes-per-head by 0.6% to 1.3%³⁰⁷. Scotland's experience shows that income tax devolution produced a

³⁰⁴ Brownlow, G. (2022). "Institutional Geography Once More? Devolution Economics Northern Ireland Style", *National Institute Economic Review*, 261: 34-47. Available [here](#).
³⁰⁵ Tate, C., Longo, A., Boeri, M., Taylor, T., Garcia, L. and Hunter, R. (2025). "A Stated Preference Study to Explore Market-Based Instruments to Reduce Car Usage", *Environmental and Resource Economics*, 88: 2,201 – 2,233. Available [here](#).
³⁰⁶ Booth, P. (2015). *Federal Britain: The Case for Decentralisation*. The Institute of Economic Affairs, London. Available [here](#).
³⁰⁷ Hughes Hallett, A. and Scott, D. (2010). "Scotland: A New Fiscal Settlement", *Centre for Dynamic Macroeconomic Analysis Working Paper Series*, CDMA10/09. Available [here](#).

net improvement of approximately £100m initially, with projected additional revenues of £1.3bn per annum by 2026/27³⁰⁸. Hypothecated United Kingdom-wide levies on alcohol and tobacco offer further reference points: a 15% tax on tobacco industry advertising and sponsorship is estimated as being able to generate £194m per year, and a cross-cutting consequential impact tax at £2.5b per year³⁰⁹, though Northern Ireland's share of these estimated figures would be proportionally small.

5.6 Implementation Considerations

The literature consistently identifies implementation capacity as a critical bottleneck. The Northern Ireland Executive must ensure appropriate structures and people are in place before devolving tax powers³¹⁰. The creation of independent fiscal councils and tax commissions are seen as positive steps, and the Northern Ireland Fiscal Commission is already exploring options for tax devolution³¹¹. Coordination with the central government is essential. Block Grant adjustments must accompany any devolution of tax powers³¹², requiring inter-governmental data-sharing and dispute resolution mechanisms³¹³. The experience of Scotland's Fiscal Framework demonstrates the complexity of reconciling devolved tax revenues with Block Grant reductions^{314 315}.

³⁰⁸ McIntyre, S., Mitchell, J. and Roy, G. (2022). "Careful What you Wish for? Risk and Reward with Scottish Devolution", *The Political Quarterly*, 93(3): 392-400. Available [here](#).

³⁰⁹ Hatchard, J., Buykx, P., Brennan, A. and Gillespie, D. (2023). "Options for modifying UK alcohol and tobacco tax: A rapid scoping review of the evidence over the period 1997-2018", *NIHR Open Research*, 3:26. Available [here](#).

³¹⁰ Brownlow, G. (2022). "Institutional Geography Once More? Devolution Economics Northern Ireland Style", *National Institute Economic Review*, 261: 34-47. Available [here](#).

³¹¹ McIntyre, S., Mitchell, J. and Roy, G. (2022). "Careful What you Wish for? Risk and Reward with Scottish Devolution", *The Political Quarterly*, 93(3): 392-400. Available [here](#).

³¹² Heald, D. (2020). "The Politics of Scotland's Public Finances", in Keating, M. (ed.), *The Oxford Handbook of Scottish Politics*, pp. 512-542. Oxford University Press, Oxford. Available [here](#).

³¹³ Eiser, D. (2020), "Wealth taxes and devolution", *Wealth Tax Commission Background Paper*, 120. Available [here](#).

³¹⁴ McIntyre, S., Mitchell, J. and Roy, G. (2022). "Careful What you Wish for? Risk and Reward with Scottish Devolution", *The Political Quarterly*, 93(3): 392-400. Available [here](#).

³¹⁵ Heald, D. (2020). "The Politics of Scotland's Public Finances", in Keating, M. (ed.), *The Oxford Handbook of Scottish Politics*, pp. 512-542. Oxford University Press, Oxford. Available [here](#).

Phased implementation is widely recommended. Birnie and Brownlow stress that sequencing matters and that tax variations should complement competitiveness-focused strategies³¹⁶. A graduated approach – beginning with taxes that have immobile bases (such as property), before moving to more mobile bases (such as income or corporate profits) – is implied by the comparative evidence on tax-induced migration³¹⁷. Public acceptability is a prerequisite. Ireland’s Local Property Tax (LPT) succeeded partly due to simplicity and central administration by the Revenue Commissioners³¹⁸. The Carrier Bag Levy in Northern Ireland achieved 66% public support³¹⁹.

For more significant revenue measures, Emonts-Holley *et al* find that public willingness to accept reduced take-home pay in exchange for improved public services is determinative of whether high-tax models succeed³²⁰. Risk management capacity is also currently underdeveloped. Northern Ireland lacks tools for managing cyclical tax revenue risks³²¹, and McIntyre *et al* note that debate about risk-sharing and fiscal risks has been insufficient even in Scotland’s more advanced devolution context³²². Loutzenhiser and Mann identify practical solutions for liquidity challenges that would accompany wealth-based taxes, including withholding tax, deferred payment arrangements, and

³¹⁶ Birnie, E. and Brownlow, G. (2017). “Should the fiscal powers of the Northern Ireland Assembly be enhanced?”, *Regional Studies*, 51(9): 1,429-1,439. Available [here](#).

³¹⁷ Foreman-Peck, J. and Zhou, P. (2020). “Devolving fiscal policy: migration and tax yields”, *Regional Studies*, 54(3): 308-317. Available [here](#).

³¹⁸ Turley, G. (2022). “Designing and implementing a local residential property tax from scratch: lessons from the Republic of Ireland”, *Commonwealth Journal of Local Governance*, 27: 83-101. Available [here](#).

³¹⁹ Frater, L. and Lee, R. (2012). “Leading the charge? Payments for single use carrier bags in Wales”, *The Northern Ireland Legal Quarterly*, 63(4): 551-562. Available [here](#).

³²⁰ Emonts-Holley, T., Greig, A., Lecca, P., Lisenkova, K., McGregor, P. G. and Swales, J. K. (2019). “A Scandinavian ‘high-tax, high-spend’ model for regions? The impact of enhanced regional fiscal autonomy”, *Spatial Economic Analysis*, 14(3): 321-338. Available [here](#).

³²¹ Eiser, D. (2020), “Wealth taxes and devolution”, *Wealth Tax Commission Background Paper*, 120. Available [here](#).

³²² McIntyre, S., Mitchell, J. and Roy, G. (2022). “Careful What you Wish for? Risk and Reward with Scottish Devolution”, *The Political Quarterly*, 93(3): 392-400. Available [here](#).

payment in specie, all of which may need to be considered if Northern Ireland is to dramatically alter its current tax regime³²³.

5.7 Key Conclusions

The literature collectively reveals an apparent tension in that Northern Ireland has both the greatest theoretical scope for increasing locally raised revenue among regions of the United Kingdom – given its extremely low starting base – and the most severe practical constraints in doing so. This tension is explained in the context of several complementary mechanisms.

First, the relationship between fiscal autonomy and economic capacity operates differently depending on a nation's starting economic conditions. Scotland's successful early experience with income tax devolution – which generated an additional £500m from higher earners³²⁴ – reflects a relatively diversified economy with a substantial higher-rate taxpayer base. Northern Ireland's weaker private sector³²⁵ and persistent economic gap³²⁶ mean that the same tax instruments would yield less revenue and, additionally, carry greater risk of deterring investment and/or triggering out-migration. The modelling evidence from Wales, where even modest tax devolution could produce substantial migration-driven revenue spillovers³²⁷, suggests that Northern Ireland's land border with the Republic of Ireland – a lower-tax jurisdiction – amplifies these risks considerably.

Second, political instability has created a “sequencing problem”. Effective fiscal devolution requires institutional infrastructure – such as established fiscal commissions, tax administration systems, forecasting capacity, etc. – that must

³²³ Loutzenhiser, G. and Mann, E. (2021). “Liquidity issues: solutions for the asset rich, cash poor”, *Fiscal Studies*, 42(3-4): 651-675. Available [here](#).

³²⁴ McIntyre, S., Mitchell, J. and Roy, G. (2022). “Careful What you Wish for? Risk and Reward with Scottish Devolution”, *The Political Quarterly*, 93(3): 392-400. Available [here](#).

³²⁵ Brownlow, G. and Birnie, E. (2018). “Rebalancing and Regional Economic Performance: Northern Ireland in A Nordic Mirror”, *Economic Affairs*, 38(1): 58-73. Available [here](#).

³²⁶ Birnie, E. and Brownlow, G. (2017). “Should the fiscal powers of the Northern Ireland Assembly be enhanced?”, *Regional Studies*, 51(9): 1,429-1,439. Available [here](#).

³²⁷ Foreman-Peck, J. and Zhou, P. (2020). “Devolving fiscal policy: migration and tax yields”, *Regional Studies*, 54(3): 308-317. Available [here](#).

be built during periods of stable governance^{328 329}. Repeated Assembly suspensions have prevented this foundational work, meaning that Northern Ireland lacks the prerequisites for more ambitious tax devolution even where legislative authority exists in principle³³⁰. It should be noted however, that, the Corporation Tax (Northern Ireland) Act 2015, for example, while enacted, has not been commenced by central government, due to commencement being linked to conditions around budget sustainability.

Third, the regulatory environment since United Kingdom exiting the EU has introduced an additional layer of constraint that is unique to Northern Ireland. The Windsor Framework's requirement for dynamic alignment with EU single market rules on customs, VAT and State Aid limits the scope for independent fiscal manoeuvres in ways that do not apply to Scotland or Wales³³¹.

Given those constraints, the literature collectively suggests a pragmatic sequencing approach for Northern Ireland. The most immediately feasible revenue options are those with immobile tax bases and lower administrative complexity - for example, the introduction of domestic water charges (which could potentially garner £599–690m)³³², reforming the domestic rates system toward a capital value-based property tax³³³, and expanding local charges and levies.

More ambitious measures – such as income tax variation, or corporation tax reduction – require prior investment in institutional capacity, political stability, and risk management tools. The evidence from Scotland and Wales indicates that even with these prerequisites in place, the administrative implementation is

³²⁸ Brownlow, G. (2022). "Institutional Geography Once More? Devolution Economics Northern Ireland Style", *National Institute Economic Review*, 261: 34-47. Available [here](#).

³²⁹ Vértessy, L. and Gyakovác, D. (2024). "The Law and Concept of Fiscal Devolution in the United Kingdom", *Jogelméleti Szemle*, 4: 104-129. Available [here](#).

³³⁰ Eiser, D. (2020). *Wealth Taxes and Devolution*. Wealth Tax Commission: London. Available [here](#).

³³¹ Whitten, L. C. (2024). "Northern Ireland and the United Kingdom internal market: the exception that disproves the rules?", *Legal Quarterly*, 75(1): 154-167. Available [here](#).

³³² Brownlow, G. (2022). "Institutional Geography Once More? Devolution Economics Northern Ireland Style", *National Institute Economic Review*, 261: 34-47. Available [here](#).

³³³ Heald, D. and McLeod, A. (2003). "Revenue-raising by UK Devolved Administrations in the Context of an Expenditure-based Financing System", *Regional & Federal Studies*, 13(4): 67-90. Available [here](#).

complex and largely untested³³⁴, and that accountability benefits may not materialise without deliberate investment in scrutiny mechanisms³³⁵.

The international evidence is broadly consistent: fiscal decentralisation is associated with higher national income and both better public service performance and increased satisfaction with public service delivery^{336 337 338 339}, but the benefits depend critically on the decentralisation of revenue-raising powers rather than merely spending^{340 341 342}. For Northern Ireland, the implication is that meaningful fiscal devolution – not merely enhanced efficiency of the administration of Westminster-determined spending – is the route to improved economic outcomes, but that the specific instruments and pace of reform must be calibrated to Northern Ireland's distinctive economic, political, and regulatory context^{343 344}.

³³⁴ McIntyre, S., Mitchell, J. and Roy, G. (2022). "Careful What you Wish for? Risk and Reward with Scottish Devolution", *The Political Quarterly*, 93(3): 392-400. Available [here](#).

³³⁵ McIntyre, S., Mitchell, J. and Roy, G. (2023). "Fiscal devolution and the accountability gap: budget scrutiny following tax devolution to Scotland", *Regional Studies*, 57(7): 1,380-1,391. Available [here](#).

³³⁶ Booth, P. (2015). *Federal Britain: The case for decentralisation*. The Institute of Economics Affairs (iea), London. Available [here](#).

³³⁷ Pu, X., Zeng, M. and Zhang, W. (2023). "Does fiscal decentralization really matter for public service satisfaction", *Applied Economics*. Available [here](#).

³³⁸ ur Rahim, F. and Shah Shirazi, N. (2018). "Fiscal decentralization and citizen's satisfaction from local public service delivery in Pakistan", *International Journal of Ethics and Systems*, 34(1): 122-142. Available [here](#).

³³⁹ Adam, A., Delis, M. D. and Kammas, P. (2014). "Fiscal decentralization and public sector efficiency: evidence from OECD countries", *Economics of Governance*, 15: 17-49. Available [here](#).

³⁴⁰ Booth, P. (2015). *Federal Britain: The case for decentralisation*. The Institute of Economics Affairs (iea), London. Available [here](#).

³⁴¹ Gemmell, N., Kneller, R. and Sanz, I. (2013). "Fiscal Decentralization and Economic Growth: Spending Versus Revenue Decentralization", *Economic Inquiry*, 51(4): 1,915-1,931. Available [here](#).

³⁴² Boex, J., Williamson, T. and Ylmaz, S. (2022). *Decentralization, Multilevel Governance and Intergovernmental Relations: A Primer*. Local Public Sector Alliance and The World Bank: Washington DC. Available [here](#).

³⁴³ Of course, this is true for other states as well, especially in the context of countries at earlier stages of development. For further discussion, the reader is referred to: Dick-Sagoe, C. (2020). "Dentralization for improving the provision of public services in developing countries: A critical review", *Cogent Economics & Finance*, 8: 1804036. Available [here](#).

³⁴⁴ Again, concerns raised by sceptics of the efficacy of decentralisation often fundamentally emerge from lack of specific local context being taken into account. For further discussion, the reader is referred to: Arends, H. (2020). "The Dangers of Fiscal Decentralization and Public Service Delivery: a Review of Arguments", *Polit Vierteljahresschr*, 61: 599-622. Available [here](#).

6 Key Takeaways

Northern Ireland raises only approximately 5% of its revenue locally – one of the lowest levels among comparable jurisdictions in the developed world – leaving its public finances structurally dependent on central government through the Block Grant. The proposed Draft Budget (DB) 2026/27-2029/30 reflects this dependency acutely, with the Northern Ireland Fiscal Council (NIFC) concluding that, without corrective action through additional funding, reform, or revenue-raising, the proposed Budget is unlikely to remain deliverable in practice.

The most comprehensive package of revenue-raising consultations since devolution, directed by the then Secretary of State in September 2023, identified a potential aggregate annual revenue of between £511m and £533m if all consulted measures were implemented. Domestic water and sewerage charges alone account for approximately £307m of this total, reflecting Northern Ireland's unique status as the only part of the United Kingdom where domestic water services are funded entirely through public expenditure.

Despite this revenue potential, no decisions have been taken on implementing the consulted measures. Significant political opposition – most notably to domestic water charges – remains a substantial barrier. The proposed DB does, however, introduce annual regional rate increases of 5% for domestic and 3% for non-domestic properties, generating approximately £42.6m in additional revenue in 2025/26, building to approximately £100m of cumulative additional revenue by 2028/29.

Revenue projections for any of the consulted measures must account for behavioural responses from households and businesses. The academic literature demonstrates that taxpayers and businesses adjust behaviour in response to fiscal changes – through legal avoidance, altered consumption patterns, or relocation – in ways that can significantly reduce actual yields below projected figures. This is particularly pertinent in Northern Ireland given the land border with the lower-tax jurisdiction of the Republic of Ireland.

The Block Grant financing architecture creates structural disincentives for local revenue-raising. The academic literature identifies that dependency on central

government funding produces “soft budget constraints” and “moral hazard” dynamics, in which the devolved administration lacks sufficient incentive to expand its own tax base. The Barnett Formula, which allocates funding based on population share rather than assessed need, further compounds this by failing to reward fiscal innovation at the devolved level.

Northern Ireland faces a distinctive constellation of constraints not shared by Scotland or Wales. These include: repeated Assembly suspensions that have created a sequencing problem for the institutional capacity-building required for meaningful tax devolution; post-United Kingdom exit obligations under the Windsor Framework that limit fiscal autonomy in areas such as State Aid and Value Added Tax; and a comparatively narrow private sector tax base characterised by higher economic inactivity and lower productivity relative to the rest of the United Kingdom.

The academic literature collectively suggests a pragmatic sequencing approach for Northern Ireland. Near-term revenue measures should prioritise those with immobile tax bases and lower administrative complexity – such as property-related charges and domestic water charges – before pursuing more ambitious devolved taxes, such as income tax variation or corporation tax reduction, which require greater institutional capacity, political stability, and risk management infrastructure.

Meaningful fiscal devolution – not merely enhanced efficiency in the administration of centrally-determined spending – is identified in the academic literature as the longer-term route to improved economic outcomes for Northern Ireland. The Minister of Finance has committed his department to intensifying work towards a full Fiscal Framework to this end. However, the specific instruments and pace of reform must be carefully calibrated to Northern Ireland’s distinctive economic, political, and regulatory context.

Analysis of Northern Ireland Executive spending data from 2016/17 to 2024/25 demonstrates that discretionary spending is becoming increasingly concentrated, with Health and Annually Managed Expenditure (AME) dominating the budget to a growing degree. This concentration progressively reduces the scope for redirecting resources to other policy areas, further

underlining the urgency of developing sustainable locally-raised revenue streams.

Annex 1: The Barnett formula in the context of the proposed DB 2026-29/30

The Draft Budget (DB) 2026-29/30 is shaped fundamentally by the operation of the Barnett Formula, which determines the annual change to Northern Ireland's Block Grant, rather than its overall level. Northern Ireland's allocation continues to be driven largely by spending decisions taken the United Kingdom Government at the 2025 Spending Review³⁴⁵ and the Autumn Budget³⁴⁶.

How Barnett shapes Northern Ireland's baseline for the proposed DB

The proposed DB begins from a constrained starting position in 2026/27, reflecting two simultaneous Barnett-related factors:

- A limited Resource DEL uplift at the United Kingdom level in 2026/27, and
- The ending of the £520 million stabilisation funding provided as part of the 2024 restoration package, which leaves Northern Ireland's opening Resource DEL position together than in previous years.

This creates a comparatively weak first year in the proposed DB, with incremental Barnett consequentials insufficient to offset the loss of temporary funding.

Needs factor and VAT abatement

Northern Ireland's Barnett calculation includes:

- A needs-based factor of 124%, applied when Northern Ireland's relative per-capita funding would otherwise fall below assessed need, and
- A 2.5% VAT abatement, reflecting Northern Ireland's ability to reclaim VAT on functions delivered locally that are delivered by local authorities elsewhere.

³⁴⁵ HM Treasury (2025). *Spending Review 2025*, 11 June. Available [here](#).

³⁴⁶ HM Treasury (2025). *Budget 2025 in full*, 26 November. Available [here](#).

These mechanisms were applied in the 2025 Spending Review³⁴⁷, providing partial insulation from the ‘Barnett Squeeze’ – the long-term convergence in funding per head³⁴⁸. However, they operate only on changes in spending, not on the underlying block grant baseline. Structural funding pressures therefore remain.

Autumn Budget consequentials in the proposed DB context

The Autumn Budget³⁴⁹ generated £372.3 million Resource and Capital Barnett consequentials across the DB period. The Minister of Finance, in the Written Statement to the Northern Ireland Assembly presenting the proposed DB 2026-29/30, highlights that this uplift, although helpful, is limited relative to pressures and spread thinly across four years³⁵⁰.

Due to statutory requirements specified at Section 64 of the Northern Ireland Act 1998³⁵¹, these consequentials cannot yet be included in the published DB position proposed until an updated settlement letter is received from the Secretary of State. The Northern Ireland Executive, however, may agree to allocate them on an indicative basis, with proposed allocations respectively set out in Annexes H and I of the proposed DB 2026-29/30 consultation document.

How Barnett mechanics contribute to Departmental pressure

Departmental Resource DEL allocations in the proposed DB show very modest year-on-year growth, typically between 0% and 2%, consistent with United Kingdom-wide DEL trajectories rather than Northern Ireland-specific need - for example³⁵²:

³⁴⁷ HM Treasury (2025). *Spending Review 2025*, 11 June. Available [here](#).

³⁴⁸ Institute for Government (IfG) (2025). “Barnett Formula”, *IfG Explainer*, 25 November. Available [here](#).

³⁴⁹ HM Treasury (2025). *Budget 2025 in full*, 26 November. Available [here](#).

³⁵⁰ The proposed Draft Budget (DB) 2026-29/30, published by the Minister of Finance on 06 January 2026 as a Written Ministerial Statement to the Assembly is available [here](#).

³⁵¹ The Northern Ireland Act 1998 is available [here](#).

³⁵² Take from the proposed Draft Budget (DB) 2026-29/30, published by the Minister of Finance on 06 January 2026 as a Written Ministerial Statement to the Assembly. Available [here](#).

- **Health:** +0.8% (2026–27), +1.8% (2027–28), +1.9% (2028–29) excluding earmarked items.
- **Education:** between +1.2% and +2.3% per year.
- **Infrastructure:** Between +1% and +3.8%.

These patterns reflect the Barnett formula's logic: Northern Ireland changes track spending patterns of the United Kingdom, not Northern Ireland-specific cost pressures (for example, changing demographic trends, wages, or inflation dynamics).

Barnett and earmarked funding in the DB

The proposed DB relies heavily on earmarked or HM Treasury-ringfenced funding streams for key policy areas (for example, The Windsor Framework, Transformation, EU match funding), totalling approximately £1.3-£1.35 billion per year. These funds often arise from United Kingdom-level policy decisions and do not increase the Northern Ireland Executive's discretion over Resource DEL. Barnett consequentials do not automatically expand local flexibility when tied to specific purposes.

Multi-year certainty and structural limitations

The proposed DB marks the first multi-year budget for Northern Ireland in over a decade, aligned with the 2025 United Kingdom Chancellor's Spending Review fixed envelope. That means:

- Northern Ireland's spending limits are largely predetermined by Barnett outcomes set in Westminster,
- The Northern Ireland Executive has limited scope to change overall resources during 2026/27–29/30 except, via local revenue measures or reallocation, and
- Structural pressures (e.g., pay, health demands, infrastructure backlog, etc.) cannot be addressed through Barnett alone.

Why this matters for scrutiny of the proposed DB

Understanding the Barnett formula is essential for interpreting the proposed DB, for a variety of reasons summarised in the following Table:

Table 3: Overview of Barnett formula and its influence on Budget scrutiny

How Barnett influences the DB	What it means for scrutiny by Members
The formula sets the annual uplift, not total funding	Northern Ireland cannot rebalance the baseline through Barnett
Allocations depend on United Kingdom fiscal events	Northern Ireland's budget is exposed to decisions taken in Westminster
Needs factor protects relative levels, not absolute pressures	Costs may arise faster than Barnett-based uplifts
Earmarked consequentials restrict discretion	Not all new funding is usable for local priorities
The DB must work within fixed United Kingdom-set DEL ceilings	Local reprioritisation is required to fund new commitments

Source: [Statement of Funding Policy](#) (June 2025)

As such, Barnett arrangements help explain why the proposed DB faces constrained growth, why trade-offs are required across Northern Ireland Departments, and why the Northern Ireland Executive's fiscal space is heavily dependent on United Kingdom decision, rather than Northern Ireland-specific assessments of need.

Annex 2: Analysis of Northern Ireland Executive spending data from 2016/17 – 2024/25

Analysis of Northern Ireland Executive spending data from 2016/17 – 2024/25 reveals that discretionary spending has become increasingly concentrated across Departments.

Using the Herfindahl-Hirschman Index (HHI) – a standard measure of market concentration – this article uses data published by the Northern Ireland Statistics Agency (NISRA)³⁵³ to track changes in how total spending is distributed across departments and examines the drivers behind growing budget concentration.

What is the Herfindahl-Hirschman Index?

The HHI measures concentration by calculating the sum of squared market shares and is typically used in assessing the degree of competition within competitive markets. In this context, it measures how spending is distributed across government departments. A higher HHI indicates that spending is concentrated in fewer Departments, while a lower HHI suggests more even distribution. The index ranges from 0 (perfectly distributed) to 10,000 (entirely concentrated in one Department).

Overall spending concentration: 2016-17 to 2024-25

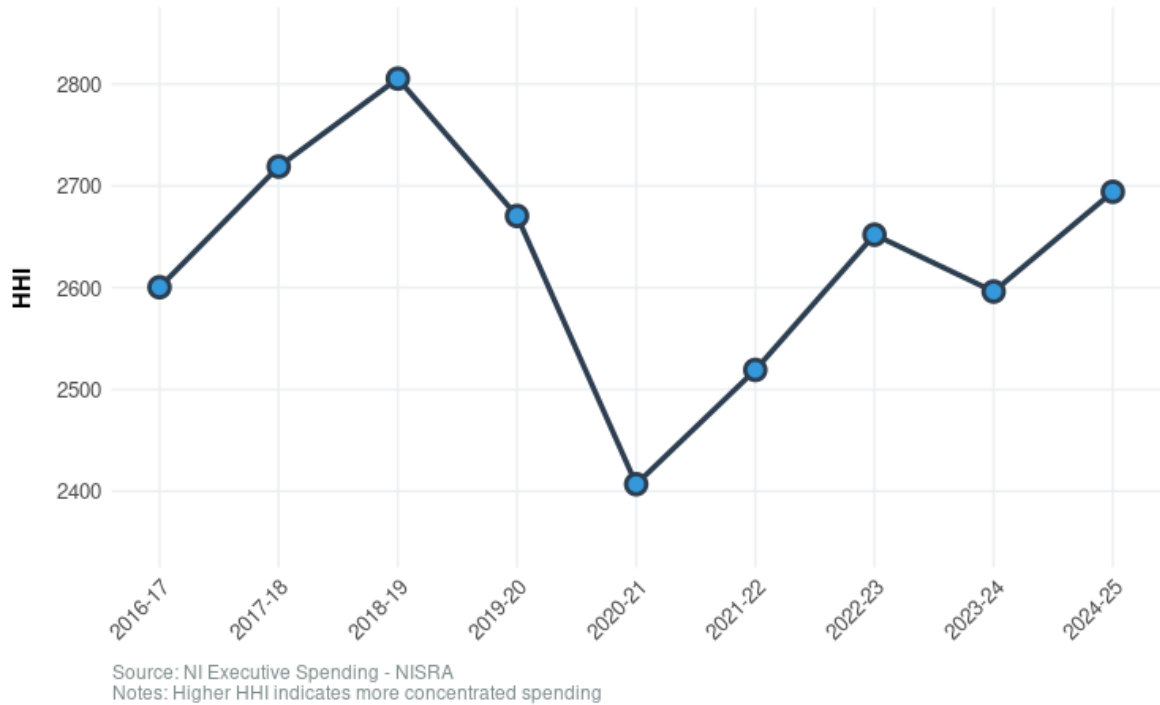
Total Northern Ireland Executive spending showed an HHI ranging from 2,407 to 2,805 over the nine-year period. The index peaked at 2,805 in 2018-19, before falling to its lowest point of 2,407 in 2020-21 – the first full year of the COVID-19 pandemic. Since then, concentration has gradually increased, reaching 2,694 in 2024-25.

The 2020-21 decrease reflects how emergency COVID-19 spending was distributed across multiple departments rather than concentrated in a single area. This included support for businesses, education continuity measures, and policing requirements, alongside the health response, as highlighted in the below:

³⁵³ The NISRA data pertaining to expenditure by the Northern Ireland Executive is available [here](#).

Northern Ireland Government Spending Concentration

Herfindahl-Hirschman Index (HHI) across departments, 2016-17 to 2024-25



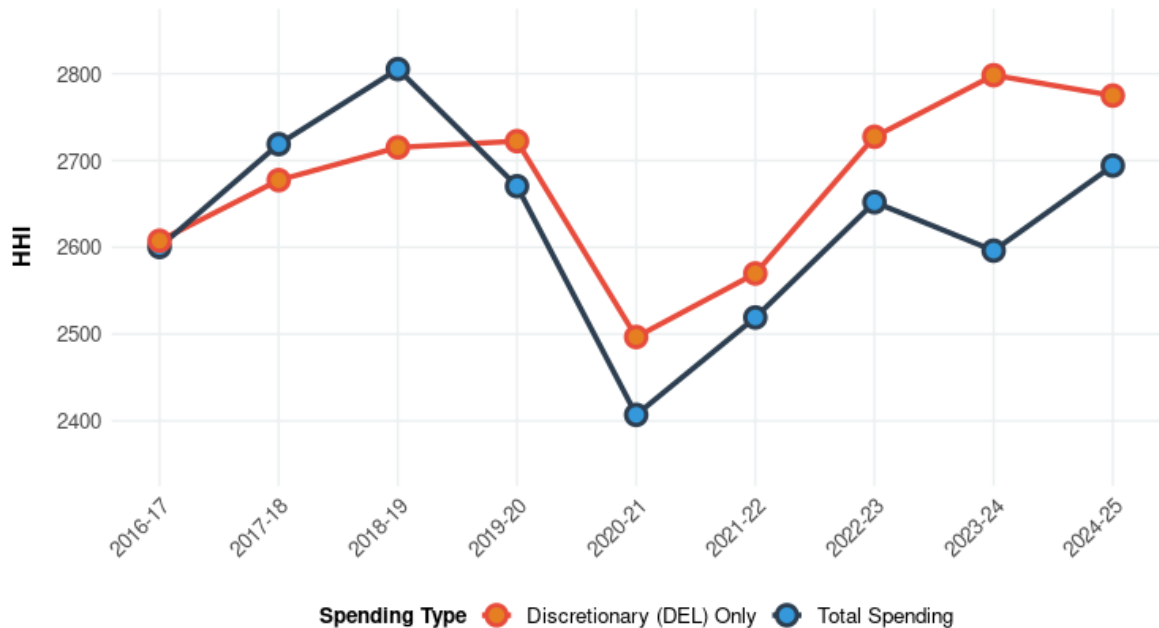
Discretionary spending shows higher concentration

Annually Managed Expenditure (AME) – which includes benefits, pensions, and other demand-led spending that responds automatically to demographic and economic conditions – represents a substantial portion of total Northern Ireland Executive spending. To examine concentration in areas where ministers have direct budget control, HHI was calculated separately for Departmental Expenditure Limits (DEL) only.

Concentration in DEL spending followed a similar pattern to total spending during the COVID-19 period, declining from 2,722 in 2019/20 to 2,497 in 2020/21, with total HHI dropping from 2,670 to 2,407. However, since then, both have generally increased, though DEL concentration has risen more consistently, reaching 2,798 in 2023/24, the highest level in the dataset, before declining slightly in 2024/25 – see in the below figure:

Spending Concentration: Total vs Discretionary (DEL) Only

Herfindahl-Hirschman Index (HHI), 2016-17 to 2024-25



Source: NI Executive Spending - NISRA
Notes: Higher HHI indicates more concentrated spending

Department growth rates

Between 2016/17 and 2024/25, Departments experienced varying rates of spending growth:

- The Department of Agriculture, Environment and Rural Affairs (DAERA) showed the highest average annual growth rate at 21.4%, though from a relatively small baseline and with high volatility (standard deviation of 45.8%).
- The DoH grew by 61.5% in total, with average annual growth of 6.9%.
- The Department of Education (DE) increased by 62.2% overall, with average annual growth of 6.3%.
- AME grew by 50.5%, driven by demographic factors and benefit uprating, with average annual growth of 6.5%.
- Departments more directly associated with economic development – the Department for the Economy (DfE) and the Department for Communities (DfC) – showed more modest growth at 3.4-3.5% annually.

Below, Table 4 collects growth, changes in growth, share of overall expenditures over the period analysed.

Table 4: Northern Ireland Executive Spending Growth and Shares, 2016/17 to 2024/25

Department	Average Annual Growth (%)	Total Change (%)	2016-17 Share (%)	2024-25 Share (%)
DAERA	21.4	257.0	1.0	2.4
TEO	17.5	53.5	0.7	0.7
DoF	16.3	16.4	0.9	0.7
Dfl	8.6	78.0	4.0	4.8
DoH	6.9	61.5	26.3	29.0
AME	6.5	50.5	43.3	44.5
DE	6.3	62.2	10.5	11.6
Other	3.8	44.0	0.4	0.4
DfE	3.5	28.9	4.0	3.6
DfC	3.4	23.4	4.5	3.7
DOJ	3.3	31.3	5.3	4.7

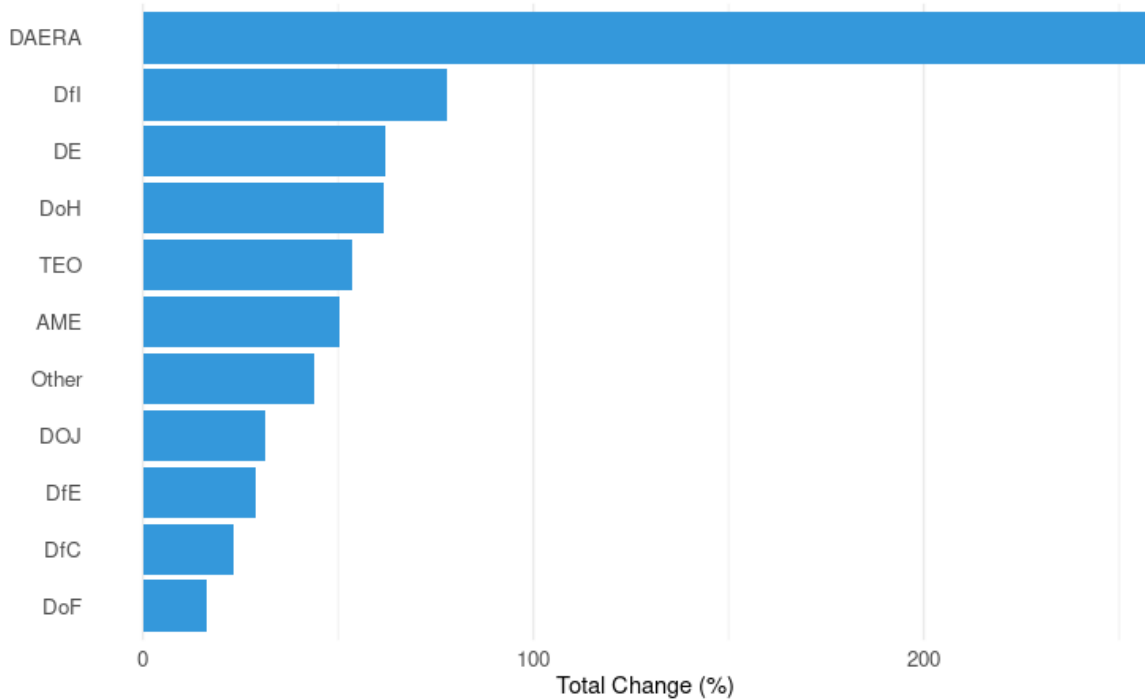
Source: NISRA, NI Executive Spending Data, available [here](#).

The growth in DAERA spending represents total growth over the period of 257%, although the department remains a small component in the context of overall spending by the Executive (<3% overall). The majority of DAERA's growth is attributable to increased spending in food and farming, which

increased from £45 million in 2016-17 to £488 million in 2024-25. Resource spending in this category rose particularly sharply between 2019-20 and 2020-21, from £90 million to £415 million – see figure below:

Total Spending Change by Department, 2016-17 to 2024-25

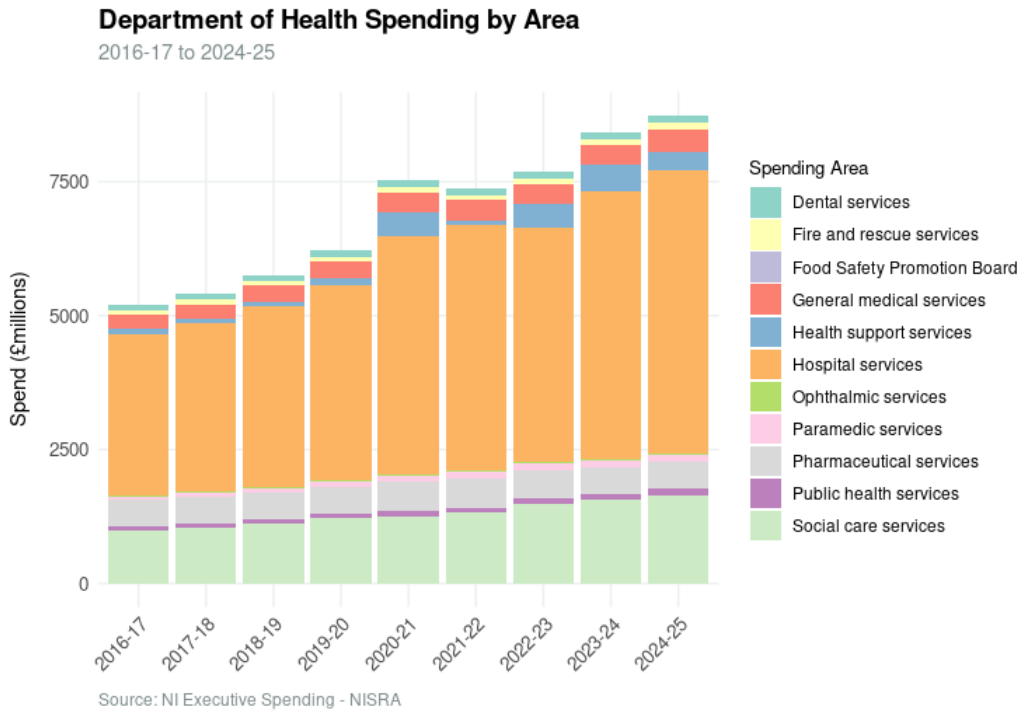
Percentage change in departmental budgets



Source: NISRA Dashboard Tables 2024-25

The health budget: Breaking down DoH spending

The Department of Health (DoH) represents the largest single department in the Executive budget. In 2024-25, DoH spending totalled £8.7 billion, accounting for approximately 29% of total Executive spending and around 45% of discretionary (DEL) spending – see below figure:



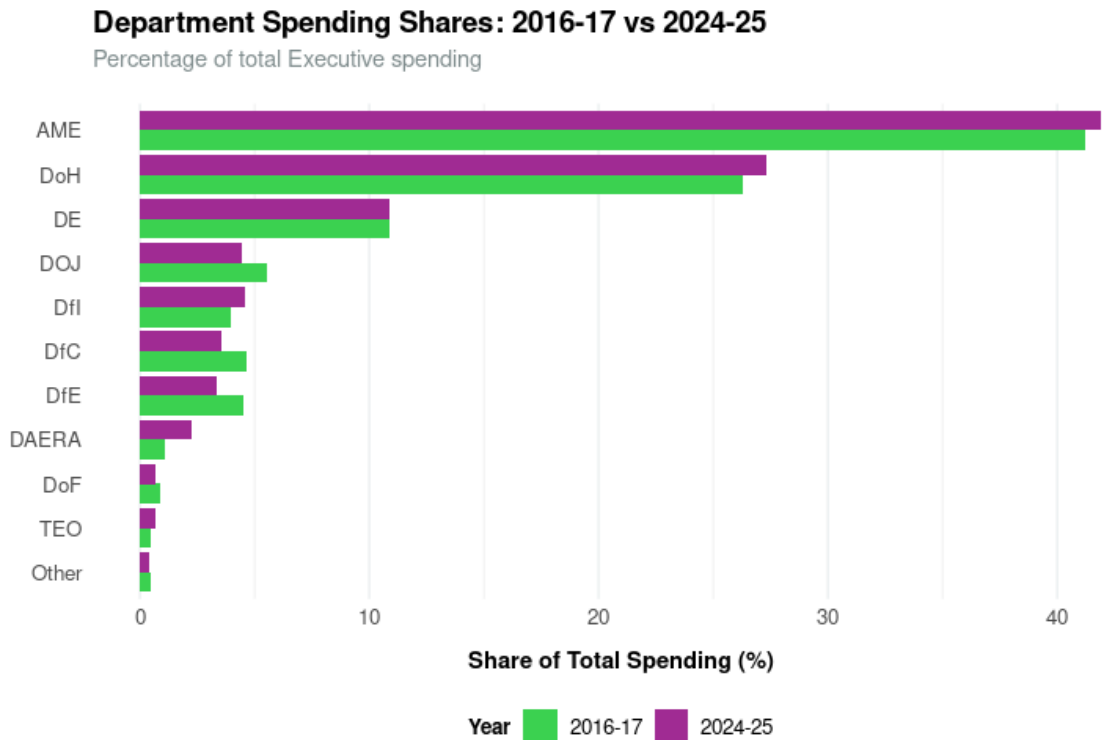
Within the Health budget, spending is dominated by two areas:

- **Hospital services:** £5.3 billion (60% of DoH budget). This is up from £2.8 billion in 2016/17, representing an 88% increase.
- **Social care services:** £1.7 billion (19% of DoH budget). This represents a 66% increase from £1.0 billion in 2016/17.

Together, these two categories account for 79% of health spending. Other significant areas include pharmaceutical services (£509 million), general medical services (£420 million), and health support services (£355 million).

Department shares: 2016/17 vs. 2024/25

The distribution of spending across departments has shifted over the nine-year period. While AME and DoH continue to dominate the budget, their combined share has increased. Meanwhile, some departments have seen their proportion of total spending decline, even where absolute spending has grown – see figure below:



Source: NI Executive Spending - NISRA

Understanding Budget concentration

Budget concentration affects the range of policy options available to ministers during budget negotiations. When a large proportion of spending is committed to demand-led areas (AME) and service with sustained political priority (such as health and education), the scope for redirecting resources to other policy areas becomes more constrained. The increasing DEL concentration documented here indicates that discretionary spending decisions are operating within tighter parameters than previously experienced within the past decade.

Methodological note

This analysis uses spending data from NISRA’s Dashboard Tables 2024-25, Table 4. The 2024-25 figures are based on provisional outturn data; all previous years use final outturn data. The analysis aggregates spending by department and year, including all expenditure categories (Capital DEL, Resource DEL, Financial Transaction Capital (FTC), and AME where applicable). The HHI is calculated as the sum of squared departmental spending shares, multiplied by 10,000 for the standard scale.