



**Northern Ireland
Assembly**

**Committee for Communities
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To: Peter Hall, Clerk to the Committee for the Committee for Finance

From: Emer Boyle, Clerk to the Committee for Communities

Date: 4 March 2025

Subject: Call for views on the 2025-26 Budget

Dear Peter,

At its meeting on 20 February, the Committee for Communities considered its response to the Committee for Finance call for views on the 2025-26 Budget.

Members of the Committee for Communities agreed the attached response be sent to the Committee for Finance.

Relevant Documentation

A copy of the response is attached.

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COMMITTEE FOR COMMUNITIES

Committee for Communities response to the Committee for Finance's call for views on the 2025-26 Budget

1. Introduction

The Committee for Communities has considered the Department for Communities (DfC) budget allocation for 2025-26 and budget management 2024-25 in response to the Committee for Finance's round-robin call for views. This response provides an analysis of the Department's budget, the financial pressures it faces, and the implications for public services, based on currently available information.

Please note that this response, of necessity, has been drafted before Committee engagement with DfC officials on the January Monitoring round, which is scheduled for 27 February 2025. The Chairperson and Members hope to glean more information from that briefing, which will better equip them to participate in the Committee for Finance's Budget take-note debate.

The Committee acknowledges the challenging fiscal environment in which the budget has been set, with limited funding available to meet departmental bids. Executive officials have characterised the 2025-26 financial year as one of the most constrained in recent history, with no Department receiving the full amount requested in its bid. This has necessitated difficult prioritisation decisions across all areas of public spending.

The Committee is particularly concerned about potential impacts on housing, social security, employment support, local government, and community development.

Additionally, the Committee notes that changes to the Northern Ireland Civil Service (NICS) budget and workforce could impact service delivery, for example in the administration of welfare, housing grants, and employment support schemes.

While recognising the Executive's efforts to stabilise public finances, the Committee notes that many of the pressures evident in 2024-25 remain unresolved, particularly

in relation to housing shortages, welfare mitigation measures, and local government funding.

2. Overview of the Department for Communities Budget 2025-26

The Department for Communities has been allocated funding across various expenditure categories, with notable increases in some areas but significant constraints in others. The indicative allocations for 2025-26 are as follows:

- Departmental Expenditure Limit (DEL):
 - Resource DEL: £920.4 million
 - Capital DEL: £232.5 million
- Annually Managed Expenditure (AME):
 - Resource AME: £6,063.4 million
 - Capital AME: £44.5 million
- Total Net Budget:
 - Resource: £6,983.8 million
 - Capital: £277.0 million
- Net Cash Requirement: £7,269.6 million.

The Resource DEL allocation is used for the ongoing operational costs of public services, such as social security administration, local government support, cultural and community programmes, and employment schemes. The Capital DEL allocation is intended for infrastructure investment, with a strong focus on housing and urban regeneration.

The AME allocation primarily funds demand-driven welfare payments such as housing benefits, pensions, and Universal Credit.

The Committee notes that while the total budget allocation for DfC appears substantial, increasing demand for public services, inflationary pressures, and constraints on discretionary spending mean that the Department faces considerable financial challenges.

3. Observations on the 2025-26 Budget Allocation

3.1 Alignment with Programme for Government (PfG) and Budget Sustainability Plan

A key concern raised by the Finance Committee is that the 2025-26 budget does not clearly align with the Programme for Government (PfG). The lack of an

explicit strategic framework linking funding decisions to policy outcomes makes it difficult to assess whether financial allocations are being directed toward the most urgent needs.

As part of the Budget Sustainability Plan, agreed under the Executive Restoration Package, several measures have been introduced to improve long-term financial planning:

- The introduction of multi-year budgets where possible.
- Routine publication of in-year financial monitoring data for greater transparency.
- A commitment to raising at least £113 million in additional income through regional rate increases and other revenue-generating measures.

Although these initiatives are welcome steps toward more sustainable public finances, the Committee for Communities emphasises that clearer alignment between budget allocations and PfG objectives is essential for effective scrutiny and accountability. The five-year departmental business plans expected in autumn 2025 may help address this gap, provided they integrate financial planning with strategic priorities.

3.2 Financial Constraints and Pressures

The 2025-26 budget has been developed in a context of extreme fiscal constraint, with a significant reduction in Barnett Consequentials compared to 2024-25. This has left Departments with little flexibility to manage emerging financial pressures, particularly in relation to pay awards, inflation, and public service demands.

- The Resource DEL allocation of £920.4 million reflects only a modest increase over the previous year, insufficient to cover rising costs in social security, housing, and employment programmes.
- The Capital DEL allocation of £232.5 million, while essential for infrastructure projects, remains lower than the Department had requested, limiting investment in housing and urban regeneration.

The Executive has attempted to offset some of these constraints through revenue-raising measures, including planned increases in domestic and non-domestic rates, expected to generate an additional £140 million in 2025-26. However, these measures will not fully address existing funding shortfalls.

3.3 Impacts on Key Policy Areas

- Housing and Regeneration:
 - The housing sector remains under significant strain, with a persistent shortage of affordable social housing.
 - The budget includes £4.5 million for Social Housing New Build, but additional bids for £14.5 million for housing adaptations and £6 million for further new-build funding have not yet been approved.
 - The Northern Ireland Housing Executive (NIHE) requires substantial additional investment to address backlogs in maintenance and repairs.
- Welfare and Employment Services:
 - Welfare mitigation schemes remain a significant component of DfC's budget, yet many of these are still dependent on temporary funding arrangements that require legislative approval.
 - JobStart 50+ has received an additional £1.9 million, reflecting the importance of employment support for older workers, though broader skills and training programmes remain underfunded.
- Impact of Northern Ireland Civil Service Budget Changes:
 - Reductions in the NICS budget for shared services, finance, procurement, and digital transformation could slow administrative processes.
 - 1,300 vacant NICS posts remain unfilled, and ongoing recruitment issues could impact the delivery of welfare, housing grants, and employment support services.
 - Community and voluntary organisations that rely on NICS-led funding schemes may experience delays in grant approvals and financial processing, further affecting service delivery.
- Culture, Arts, and Sport:
 - Funding remains available for cultural initiatives, but financial pressures have resulted in constraints, particularly for arts organisations and sports facilities.
- Local Government:

- The budget maintains funding for councils, but local authorities have raised concerns about the impact of inflation and service demand on their financial sustainability.

4. Issues arising from 2024-25 Budget Management

The 2024-25 financial year has presented significant budgetary challenges, with multiple in-year adjustments required to manage emerging pressures:

- Spring Supplementary Estimates (SSEs) included additional funding for housing and emergency response measures, indicating continued financial instability.
- January Monitoring Round:
 - £4.5 million allocated for Social Housing New Build.
 - £1.9 million provided for JobStart 50+.
 - Additional allocations for pandemic preparedness and education.
- Expenditure Variances: Significant fluctuations in welfare and housing spending highlight ongoing challenges in financial forecasting.

5. Conclusion and Recommendations

The Committee acknowledges that the 2025-26 budget is set against a backdrop of severe fiscal constraints, requiring difficult trade-offs between competing priorities. While the Executive has sought to stabilise finances, many critical funding gaps remain unaddressed.

The Committee for Communities makes the following recommendations:

- Stronger PfG Linkages: Future budgets must clearly align with Programme for Government priorities to enable better accountability.
- Sustainable Welfare Funding: The Department should prioritise securing long-term legislative backing for welfare mitigation schemes.
- Housing Investment Strategy: The Department should develop a long-term financial plan for housing and regeneration, including exploring alternative funding models.

- **Transparent Budget Reporting:** The Department should enhance financial transparency by publishing detailed expenditure tracking reports.
- **Support for NICS Financial Stability:** The Executive should ensure that reductions in NICS funding do not disrupt critical services, particularly those affecting housing, welfare, and employment support.

The Committee for Communities will continue to monitor budget implementation to ensure funds are used effectively to support Northern Ireland's most vulnerable communities.