



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Dr. Caoimhe Archibald MLA
Minister of Finance
Department of Finance
Clare House
303 Airport Road
BT3 9ED

13 February 2024

Dear Caoimhe,

NORTHERN IRELAND EXECUTIVE RESTORATION PACKAGE SETTLEMENT

1. Congratulations on your appointment as the Northern Ireland Executive's Finance Minister and thank you for your letter of 5 February. I am delighted that the Executive has been restored, and I look forward to working with you.

2. The Secretary of State for Northern Ireland offered a comprehensive financial package to the Northern Ireland parties in December 2023. As he made clear at the time, this substantial financial package will allow the Executive to stabilise public services, better manage public finances, increase opportunities for improved infrastructure and investment, pave the way for long promised and much needed transformation of public services, and crucially, enable the delivery of a pay award to public sector workers. I am writing today to confirm the details and conditions for this funding. Funding profiles are set out in *Annex A*.

Needs-based factor in the Barnett formula

3. The UK Government will implement a needs-based funding mechanism for the Northern Ireland Executive applying from 2024-25. This needs-based factor in the Barnett formula will be set at 124%, and will apply to any future uplifts to UK Government departmental DEL budgets.

4. From 2024-25, uplifts to Northern Ireland Executive DEL through the operation of the Barnett formula will attract a 24% needs-based factor. This includes both Resource DEL and Capital DEL but does not apply to Annually Managed Expenditure (AME) which



is not covered by the Barnett formula. Further detail on AME funding is confirmed in the Statement of Funding Policy.

5. I welcome the Executive's suggestions on topics to include as part of the forthcoming negotiations on the new Fiscal Framework and look forward to starting these conversations with you in due course.

Stabilisation package for public services

6. The lack of functioning devolved government for the last two years has had a significant impact on public services. In recognition of this, the UK Government will provide the Northern Ireland Executive with additional funding of £1.040 billion RDELex (£520.000 million in 2024-25, £520.000 million in 2025-26) to spend on immediate priorities and pressures in line with the Northern Ireland Executive's new Programme for Government. This is un-ringfenced funding.

7. In addition, the UK Government is particularly aware of the acute situation that the health service in Northern Ireland faces, especially the length of time that so many must wait for procedures. Therefore, HM Treasury will provide £34.000 million RDELex at Mains Estimates 2024-25 to tackle the significant waiting list issues faced by the Health and Social Care sector. This funding is ringfenced for this purpose.

2023-24 funding provided at Supplementary Estimates

8. The UK Government will provide £1,045.633 million RDELex at Supplementary Estimates to fund general pressures and pay. This includes £846.000 million RDELex funding from the UK Government Reserve in addition to £199.633 million in-year RDELex Barnett consequentials in 2023-24 to fund general pressures, of which £16.551 million RDELex has already been provided at Mains Estimates 2023-24. This £846.000 million delivers the commitment of up to £584.000 million for public sector pay in 2023-24 and funding for the £559.000 million general overspend pressures in 2023-24 (including the £296.808 million 2022-23 reserve claim debt repayment pause, which is a financial benefit to Northern Ireland Executive).

9. The UK Government has agreed to pause the repayment of up to £559.000 million RDELex of UK Government Reserve access granted to the Northern Ireland Executive to



allow time for the Executive to stabilise public services and implement a plan to deliver sustainable public finances. Repayment will not be required on the condition that the Executive publish Sustainability Plan by May 2024 and demonstrate implementation by May 2025. This plan must also include the Executive's plans to raise additional revenue.

10. Following the completion of Supplementary Estimates 2023-24 and the confirmation of in-year Barnett consequentials, the total repayment amount paused until May 2025 is £558.808 million RDELex. This consists of £296.808 million RDELex from 2022-23 and £262.000 million RDELex from 2023-24. My officials have provided a breakdown of these figures to your officials.

11. The Northern Ireland Executive must also deliver a balanced budget for 2024-25 at the outset of the financial year by raising a minimum of £113.000 million through locally generated income. There are a number of levers available to a Northern Ireland Executive to generate income and it is for you and your Executive colleagues to determine the most appropriate. This will be a material consideration for the gateway process agreed in the financial package.

12. I recognise that your officials have worked hard to identify where departments have included non-contractual pay forecasts in their general overspend forecasts and consequently, the cost of your proposed pay deals has increased. I am prepared to agree flexibility, as requested in the letter of 4 February from the Executive, so that you can utilise the additional funding in 2023-24 for general pressures, for example to support the delivery of public sector pay deals if you choose, on the condition that you must still deliver a balanced budget at the end of the financial year. It is for the Executive to set pay awards for areas that are devolved. It will also be for the Northern Ireland Executive to manage the recurrent cost of the pay awards you make in future years.

Transformation of Public Services

13. Public sector transformation has long been promised and is much needed given the significant performance gap of public services between Northern Ireland and the rest of the UK. To support the Northern Ireland Executive to deliver public services transformation, the UK Government will increase the Executive's spending power by up



to £708.000 million RDELex. This will be achieved by reprioritising existing and new UK Government funding streams and the provision of some additional funding. Full details of the funding streams being reprioritised will be confirmed by officials through the usual course of business.

14. In recognition of the difficult choices that will need to be made in relation to this funding envelope and beyond, the Government in conjunction with the Executive, will establish a new Public Service Transformation Board comprising officials from the Northern Ireland Civil Service and UK Government experts, and may also comprise independent domestic and international experts.

15. As part of this, £473.000 million RDELex will be released for the Executive to decide on its use (i.e. un-ringfenced). This will be released in annual tranches of £94.600 million RDELex by the UK Government at Main Estimates from 2024-25 to 2028-29. A full profile can be found in *Annex A*.

16. An additional £235.000 million RDELex will be released for public sector transformation and ringfenced for that purpose. Release of this funding will be in annual tranches of £47.000 million RDELex at Mains Estimates, subject to approval by the new Public Sector Transformation Board, who will consider whether projects are transformational.

An uplift to the NIE's annual capital borrowing limit

17. The UK Government will increase the Northern Ireland Executive's annual capital borrowing limit by 10% in 2024-25 to £220.000 million. This limit will then increase annually in line with the GDP deflator published at the most recent fiscal event prior to the start of the financial year from 2025-26.

Further Conditions

18. Apart from where conditions to the contrary apply, the UK Government will not require funding from the Reserve set out in this letter to be repaid.

19. The Northern Ireland Executive will be expected to publish a comprehensive and costed long-term strategic infrastructure plan that sets out the priority areas for action and how it will support prosperity and growth.



20. The Northern Ireland Executive will be expected to raise revenue in 2024-25 by at least £113.000 million, the source of which is for the Executive to decide.

21. The usual restrictions will apply to all annual underspends against the profiles set out in this letter. The Northern Ireland Executive's normal budget exchange mechanisms apply, with any further underspends above these thresholds or any underspends on HM Treasury Reserve funding surrendered to HM Treasury in line with the Consolidated Budgeting Guidance.

22. Unless confirmed to the contrary within this letter, the funding set out in this letter will not affect baselines for the purposes of the next spending review.

23. Finally, I would like to take the opportunity to offer my gratitude to your Department of Finance officials for their constructive engagement with my officials throughout a challenging period without an Executive. I look forward to ongoing engagement and would be happy to arrange an introductory meeting as requested in your letter of 5 February 2024.

24. I am copying this letter to the Prime Minister, the Chancellor of the Exchequer, the Secretary of State for Northern Ireland, the First Minister of Northern Ireland and the Deputy First Minister of Northern Ireland.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'Laura Trott', with a stylized flourish at the end.

RT HON LAURA TROTT MP
CHIEF SECRETARY TO THE TREASURY



Annex A: UK Government Commitments – Funding Profiles (£m RDELex)

£m	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Stabilisation for public services	0	520.000	520.000	0	0	0
Health waiting lists support	0	34.000	0	0	0	0
2023-24 pressures	846.000 ¹	0	0	0	0	0
Un-ringfenced transformation funding	0	94.600	94.600	94.600	94.600	94.600
Ringfenced public sector transformation funding	0	47.000	47.000	47.000	47.000	47.000
Total²	846.000	695.600	141.600	141.600	141.600	141.600

¹This funding is in addition to £199.633 million total in-year RDELex Barnett consequentials in 2023-24.

²Additional funding will be provided through the operation of the Barnett formula, including the new 24% needs-based factor, and Northern Ireland Executive spending power will also increase due to the uplift in annual capital borrowing limits and reserve claim repayment write-offs. The combination of these additional measures takes the value of the total package to the Northern Ireland Executive over £3.3 billion.