

Response to the Northern Ireland Assembly Committee for Finance by the Northern Ireland Branch of CIPFA

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The CIPFA Northern Ireland Branch contact is:

Stephen G Mungavin

Chairman

E-mail: REGNIR.President@cipfa.org

Introduction

1. The Finance Committee of the Northern Ireland Assembly is currently undertaking scrutiny of the draft Executive Budget for 2024-25. As part of its scrutiny of the draft Executive Budget for 2024-25, the Committee is seeking the views of stakeholders on the application of the Budget envelope, including the Centrally Held and various 'earmarked' items. We understand the Committee is keen to receive stakeholders' comments on the strategic direction the Executive has taken regarding the Budget.
2. The Northern Ireland Branch of the Chartered Institute of Public Finance & Accountancy (CIPFA) is pleased to respond to this consultation request. CIPFA is the only professional accountancy body in the world that is dedicated to improving public financial management, governance and performance of publicly funded organisations.
3. Northern Ireland's public services have been used to operating under difficult and challenging financial pressures for a long period of time, going back to the banking crisis of 2008. CIPFA Northern Ireland made a number of suggestions to the Finance Committee to improve public finances as far back as 2010¹. Generally, the approach hitherto to address financial pressures has been to 'salami slice' spending, with all government departments and their delivery Arms-Length Bodies (ALBs) having to make cuts of varying degrees. Whilst this is a simple approach, there is nothing strategic about it and it does not prioritise public spending.
4. Since then, much has been written about addressing financial pressures over many years and various reform proposals have been made, e.g. in the Health and Education sectors, to take a more strategic and transformational approach to help ease these pressures. The problem is that the many proposals for public service reform, transformation and improvement have not been implemented and very little has changed to address financial pressures and to strategically develop a sustainable financial future for Northern Ireland's public services.
5. Also, very little has been done to manage public expectations about the provision of public services, including re-defining the relationship between the responsibilities of the individual and the responsibilities of the state. Growing public expectations makes taking tough decisions even more difficult e.g. the over-supply of schools, the location of health services and duplication of certain public services.
6. The Executive Budget for 2024/25 financial year has been broadly set along traditional lines i.e. by using a centralised 'top down' approach with a £14.4B allocation from HMT for the NI Executive to allocate to the various government departments and their delivery bodies to spend on the provision of public services. A relatively small amount of this allocation (circa. £121M) is earmarked for public entities with operational independence e.g. the Assembly Commission, NI Audit Office etc. Whilst it is important that such oversight and scrutiny bodies are properly resourced, they should not be immune from the need to demonstrate value for money, as with all other public entities. In 2024/25, the HMT allocation is augmented by circa. £700M raised through Regional Rates.
7. The current NI Executive Budget process has a number of pitfalls. It is too short-term and does not allow for a more strategic and longer-term approach that responds to needs and

¹ 'Achieving efficiency savings in Northern Ireland Government Departments' (CIPFA) January 2010

changes in the environment. The current budget process is not aligned to impact on outcomes. Above all, the approach encourages a 'begging bowl' mentality where the focus of the NI Executive is trying to extract as much money as possible from the UK Government rather than prioritising public services, making strategic savings, and raising more income locally. The challenge for the Northern Ireland Executive is not about the amount of money coming in from the UK Government, it is how wisely we prioritise and use that money.

8. The Minister of Finance highlighted financial pressures facing Northern Ireland. In her statement the Minister said that *'despite the severity of the financial challenges facing us to work together to make tough choices and demonstrate the leadership that people rightly expect'*². The NI Executive now has an opportunity to take a lead and show different approach to funding public services that can lead to a more sustainable financial future that will benefit the lives of all the citizens of Northern Ireland.

A more effective approach

9. Given that the NI Executive is nearly two months into the 2024/25 financial year, the budget as outlined by the Minister should form the basis of spending to achieve a balanced budget for the current financial year. However, the NI Executive should use the rest of the current year to make improvements to its budget process for the 2025/26 financial year onwards. This will comply with the need to produce and implement a sustainability plan by May 2025³.
10. The starting point to achieve this is developing a NI Executive Strategic Plan for Northern Ireland (referred to as a 'Programme for Government') from April 2025 for the next 5-10 years. This will clearly set out the NI Executive's strategic objectives and its intended outcomes. Departmental and ALB plans will contribute to achieving overall strategic objectives.
11. Multi-year revenue raising plans, budgets and resources should then be identified to help meet these objectives and avoid the situation where there was no defined link between the (draft) Programme for Government and budgets. Multi-year budgets would be reviewed on a regular basis at Assembly, Department and ALB levels and should be finalised by the end of December well in advance of each following year. There needs to be greater time built into the budget process to allow effective scrutiny and review.
12. The Department of Finance monitors public expenditure on behalf of the Executive on an ongoing basis both within the budget setting process (Spending Review) and through in-year monitoring rounds. There is also independent scrutiny of spending through the Northern Ireland Audit Office (NIAO) undertaking audits of the annual accounts and Value for Money studies.
13. In terms of approving and monitoring spending, the degree of centralised and operational oversight by the Department of Finance should be reviewed in favour of more delegated authority and accountability which is then scrutinised through the work of audit and Public Accounts Committee (PAC). Whilst a degree of in-year monitoring is still required to undertake reporting of uncontrollable variances upon which decisions have to be made, the main oversight of public expenditure should be through individual Departments and their

² Written Ministerial Statement (Minister of Finance) April 2024

³ NI Executive Restoration Package Settlement (HMT) February 2024

ALBs and Agencies, with the scrutiny and challenge functions coming from Boards (governing bodies), the work of internal and external audit, the Accounting Officer and ultimately PAC.

14. This approach requires a shift of emphasis in roles and responsibilities to Departments from the Department of Finance which is then free to oversee and monitor more strategic and longer-term spending needs and how these can best be met.
15. When considering a new approach to budgeting for 2025 onwards, the NI Executive should consider economic drivers that will impact upon public spending. Firstly, a focus on growing the economy and enable more people to work e.g. through training and skills development, that will increase consumer spending and also raise tax revenues⁴. Secondly, the effective use of capital investment e.g. to improve infrastructure such as transport, communications and utilities. This means the development of a longer-term infrastructure plan for Northern Ireland, as recommended by HMT⁵. Thirdly, the NI Executive should consider the longer-term impact of any public sector pay awards e.g. recent pay awards mean a long-term financial commitment that has to be paid for in future years.

Overall conclusions

16. The current NI Executive budget process is sub-optimal and needs to be aligned with an overall long-term transformational plan for the provision of public services. When introducing reforms, public expectations about the delivery of public services need to be effectively managed.
17. To introduce change, manage reforms and to take tough decisions requires strong leadership at political, Board and CEO levels. In addition, strong relationships are required at a political level between the UK Government and the NI Executive.
18. Nearly ten years ago, CIPFA set out its manifesto to help achieve sustainable public finances in the UK⁶. Our three overarching themes were:
 - Substantial reforms to our systems of governance and public financial management.
 - Difficult decisions about taxes, spending and personal responsibility to be taken.
 - Our political leaders to be honest with the public about what the future holds and the actions that are needed.
19. These themes, advocated then, remain relevant for the Northern Ireland Executive today and for the foreseeable future.

⁴ As set out in various key research/ policy findings (Ulster University Economic Policy Centre)

⁵ NI Executive Restoration Package Settlement (HMT) February 2024

⁶ 'Things can only get Worse' (CIPFA) 2015