

Written Ministerial Statement

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Department of Finance

DRAFT BUDGET 2025-26

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Dr Archibald (The Minister of Finance): The purpose of this Statement is to inform the Assembly of the draft Budget for 2025-26 as agreed by the Executive on 19 December.

It is important we progress the draft Budget to enable consultation to begin and provide the opportunity for people to have their say.

I would like this to be the last single year budget so we can move to multi year budgets and a more long-term approach.

Funding available

The Chancellor's Autumn Budget resulted in an increase in Barnett funding meaning there will be additional money to invest in our public services in 2025-26.

As a result of the Interim Fiscal Framework I signed on behalf of the Executive in May there will be £248 million in 2025-26 that otherwise wouldn't have been available.

While the additional funding is to be welcomed the Autumn Budget has added to the pressures the Executive faces with the increase in employers' National Insurance Contributions. This will add over £200 million to the cost of delivering public services for departments and other central departments – this doesn't include the potential cost on local government, which is still being considered. I have written to the Chief Secretary to the Treasury asking for them to meet these costs in full.

The continued pay and inflationary pressures and growing demands on our services represents a challenge for the Executive and reinforces the need for the transformation of our public services.

Despite the challenges facing us this Draft Budget demonstrates the Executive's commitment to 'Doing What Matters Most'.

It will deliver and prioritise additional investment in our public services and an economy that supports businesses to improve the lives of workers, families and communities.

It provides £8.4bn for health and social care for day-to-day spending.

An increase of £642.5 million, or 8.3%, against Budget 2024-25 – equating to £4,380 per head being spent on health.

It invests in our children and young people with £3.2bn for education for day-to-day spending. An increase of £344.6 million, or 12%, against Budget 2024-25 – equating to £1,678 per head being spent on education.

It enables delivery of more affordable childcare doubling the investment in funding for the Childcare Strategy helping parents stay in or return to work.

It focuses efforts on growing our economy by investing in skills.

It sees investment in our wastewater infrastructure helping to increase housing supply and provision of more social, affordable and sustainable housing. As well as capital investment in our hospitals, school estate, roads and transport network.

It funds actions to make our communities safer, including a particular focus on ending violence against women and girls.

This draft Budget has been viewed through the lens of the Programme for Government (PfG). The need to maintain existing services until transformation efforts deliver means the level of funding that can be allocated purely on PfG priority is limited.

Nonetheless, the earmarked allocations for Childcare, Skills, Social Housing, Just Transition, Violence Against Women and Girls and Integr8 clearly contribute to PfG priorities in these areas. In other areas, while the funding has not been specifically earmarked, to provide flexibility in managing budget pressures, the allocations to Health, Education, Justice and Economy should contribute to PfG priorities in these areas.

There is of course much more that we would like to do but bids for both day-to-day spending and capital far outweighing the funding available. This means departments will need to prioritise their funding and look at ways in which services can be improved and transformed to deliver better outcomes for citizens.

Departments will now consider how best to deliver their priorities within the funding envelopes which this draft Budget provides. A vital part of this is the consultation carried out by individual departments in line with their Equality Schemes.

My department will also launch an overarching consultation which alongside departmental consultations will be used to inform a final Budget in advance of the new financial year.

Regional Rate

There remains a clear need to secure additional funding for vital public services and to enable the Executive to meet the financial package commitment of raising £113 million from local funding streams.

This draft Budget assumes an increase to the Domestic Regional Rate by 5% and Non-Domestic Regional Rate by 3%. The proposal on the regional rate element of the bill would add 60p per week for a domestic property at the average value.

The legislation required to set the Regional Rate in statute is required to be made at the Assembly and the process to facilitate that will commence in January following Executive agreement.

The lower uplift in the non-domestic poundage has been built into the draft Budget to reflect concerns of the business sector on the impact of the increase in the employer National Insurance Contribution in the Chancellor's Autumn Budget.

Resource DEL – Previous Executive Commitments and Earmarked Allocations

In setting departmental resource budgets priority was given to previous Executive Commitments and Treasury earmarked funding.

Treasury has removed the ring-fence on Agricultural Support Funds and provided funding at 2024-25 levels in the Executive's baseline funding for 2025-26. Recognising the importance of our farming community the Executive has agreed that this funding should be provided as an earmarked allocation to Department of Agriculture, Environment and Rural Affairs (DAERA).

Similarly, the funding previously provided from Treasury as a budget cover transfer for Cyber Security has been included in the Executive's baseline. Given the growing importance of this area, this funding has now been provided as an earmarked allocation to Department of Finance (DoF).

The Executive's Spending Review outcome for 2025-26 includes Treasury earmarked funding for the Executive Programme on Paramilitarism and Organised Crime and for additional security measures. These amounts are included in the budget outcome for the Department of Justice.

It also includes £47 million for Transformation, as set out in the financial package. This will be allocated at a later stage, based on recommendations by the Public Sector Transformation Board.

The Spending Review outcome also included funding for Debt Advice which is not ring fenced, but which has previously been given to the Department for Communities in-year. This has been allocated as earmarked funding in this draft Budget

Combined with a funding for a number of previous commitments this brings the total earmarked allocations to £847.5 million. These are set out below

• Agriculture, Agri-environment, Fisheries and Rural Development	DAERA	£332.5m
• HIA, Victims, Truth Recovery	TEO	£150.0m
• Rates Rebate (Housing Benefit)	DfC/DoF	£122.3m
• EA Pay and Grading Review	DE	£75.0m
• Welfare Mitigations	DfC	£47.3m
• Derating Grant	DfC	£44.1m
• Integr8	DoF	£25.4m
• EU Peace Plus Match Funding	Various	£17.8m
• Medical School at Magee	DfE/DoH	£15.8m
• Executive Programme on Paramilitarism and Organised Crime (match)	DoJ	£8.0m
• Major Sporting Events (The Open)	DfE	£4.2m
• Debt Advice	DfC	£2.9m
• Cyber Security Centre	DoF	£1.2m
• City Deals CPD Costs	Various	£1.1m

In recognition of their independence, the budgets of the Assembly Commission, Audit Office, Public Services Ombudsman are agreed by the Audit Committee rather than the Executive. Therefore, the increase in the funding for these Bodies is a first call on the funding available.

Funding for interest payments for borrowing under the Reform and Reinvestment Initiative will be held centrally. Funding for statutory office holders will be provided to the Department of Justice to meet this statutory obligation.

Further Earmarked Allocations

Given the Executive's previous support for a Childcare Strategy, £50 million is being held centrally until proposals to use this funding are brought forward by the Department of Education.

There are three additional areas where the Executive has agreed it is appropriate to ring-fence an allocation for a specific issue. This is not intended to introduce a commitment to fund these areas going forward but instead reflects the priority given to these issues when determining funding envelopes and places a requirement on those departments to return the funding for reallocation if it cannot be used for that purpose. These additional earmarked allocations are: £16.9 million for the Department for Communities to support benefit delivery; £2 million to the Executive Office towards implementation of Phase 1 of the Strategic Framework to tackle the issue of violence against women and girls; and, £7 million to the Department for the Economy to support skills interventions.

It has also been agreed that £26 million will be held centrally towards NICS pay costs, given negotiations are ongoing, which I hope will be concluded early in the new year.

The remaining funding has been used to provide general allocations to departments, which combined with existing baselines, form a Resource DEL funding envelope within which individual Ministers may prioritise their spending. In determining these general allocations, I have ensured that, excluding

earmarked allocations, no department has a lower level of funding than their 2024-25 October Monitoring position.

The overall Resource DEL outcome for each department is set out in **Annex A**. With the departmental budgets excluding earmarked funding set out in **Annex B**.

Capital DEL

The £2.1 billion of capital funding notified by the Secretary of State has been supplemented by £225.7 million of borrowing under the Reinvestment and Reform Initiative and an anticipated £87 million of funding from the Irish Government in respect of the A5.

The latter has been provided as an earmarked allocation to Department for Infrastructure (DfI). If it is not spent for this purpose, it will be returned to the Irish Government to be reprofiled into future years.

Included in this is £91.5 million of funding which has been earmarked by the Treasury for specific purposes, this has been allocated to the appropriate departments as follows:

• Fresh Start: Shared Education	DE	£48.3m
• City Deals	DfE	£41.1m
• NDNA: Medical School at Magee	DfE	£1.1m
• Inclusive Future Fund	DoH	£0.5m
• NDNA: An Ciste	DfC	£0.5m

As with Resource DEL, the budgets of the Assembly Commission, Audit Office, Public Services Ombudsman have been set by the Audit Committee.

Capital Earmarked Allocations

The Executive has also agreed a number of earmarked Capital allocations, reflecting previous commitments. Two additional new earmarked allocations were also provided to DAERA to support farmers through a Just Transition, to the Department of Education to meet the full costs of delivering the Fresh Start Schools projects in 2025-26. These earmarked allocations are set out below:

• DAERA	Complementary Fund	£0.2m
	Just Transition	£12.3m
• DfC	Sub-Regional Stadia Programme and Casement Park	£33.0m
	City/Growth Deals	£7.8m
	Complementary Fund	£8.1m
	Peace Plus Match Funding	£0.5m
• DfE	City/Growth Deals	£6.5m
	Complementary fund	£3.0m
	Inclusive Future Fund	£3.7m
• DE	Strule Shared Education Campus	£102.8m
	Fresh Start Shared/Integrated Education	£11.6m
• DoH	Mother and Children's Hospital/NIFRS	£69.8m
	City and Growth Deals	£0.7m
• DfI	The A5, A6 and the Belfast Transport Hub	£235.6m
	City/Growth Deals	£43.0m
	Peace Plus Match Funding	£6.4m

Whilst the full amount of borrowing available will be drawn down, the additional funding it provides will be earmarked and used for strategic purposes: £100 million for social housing, £105.7 million for NI Water and £20 million for schools to prevent further deterioration in the schools' estate, assisting with the management of future years capital pressures.

While this isn't sufficient to meet all the demands, it will provide investment in our hospitals, school estate, roads and transport network, as well social housing.

The remaining £1.6 billion has been provided to departments as a general allocation within which individual Ministers may prioritise their spending.

In addition, departments have been provided with £49.2 million of Financial Transactions Capital (FTC) allocations, meeting all bids in full. There remains £8.4 million FTC available to allocate. This funding may only be used or loans to, or equity investment in, private sector entities. All departments are asked to consider proposals to utilise the funding available.

Departmental Capital DEL outcomes are set out in **Annex A**.

As required by Section 64 of the NI Act 1998, the funding allocated in this Budget is within the amounts notified by the Secretary of State on 05 November 2024. A table reconciling the allocations to these controls is provided at **Annex B**.

Conclusion

The financial outlook for public services remains incredibly difficult.

Given the bids for both Resource and Capital far outweighed the funding available no department has received the level of funding it bid for.

Demands on services and rising costs continue and I recognise these allocations won't provide sufficient funding for departments to do everything they want.

However, I believe that in the most challenging of financial contexts as an Executive we are working together to allocate resources to where they are most needed to support the delivery of public services and the Executive's priorities.

In parallel ongoing work on the Budget Sustainability Plan and Budget Improvement Plan will focus on ensuring better transparency developing long term plans for Departments and putting in place the building blocks for fiscal sustainability. But we must also focus on transforming our public services – this is essential if the Executive is to put our finances on a sustainable footing.

Further work will be necessary to align the PfG priorities with Budgets going forward. This will form part of the Budget Improvement Plan and while it will be a longer term aim, I hope that we will be able to publish additional information on the first phase alongside the draft Budget document.

As the draft Programme for Government says – 'Our Plan: Doing What Matters Most'.

We must work together to do what matters most and that is why I am encouraging people to get involved in the draft Budget consultation and have their say on how we prioritise the finite funding available to us. The consultation will be launching on the Department for Finance website. This will include a Budget Overview document and a Factsheet while we work with departments on the draft Budget document which will be published in mid-January.

I believe it is important that citizens and stakeholders are given as much time as possible to respond, and therefore the consultation will be open for 12 weeks ending 13 March 2025.