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Draft Budget 2026/27-2029/30: Context-setting

Paper 1 of 6

RaISe - Public Finance Scrutiny Unit

This Briefing Paper is Paper 1 of 6 in a thematic series. It provides context-setting information, ultimately aiming to help inform Assembly plenaries, statutory committees and the Audit Committee, when scrutinising Draft Budget 2026/27-2029/30, including the Finance Minister's recent proposals.

This information is provided to a Member 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.

Introduction

This Briefing Paper is Paper 1 in a 6-part [thematic series](#)¹. It provides essential context-setting information that aims to facilitate Northern Ireland Assembly scrutiny - in its plenaries, statutory committees and Audit Committee - of the Draft Budget. It starts with a brief summation of the Finance Minister's January 2026 [proposals](#), as outlined in his consultation document; followed by an overview of the boundaries in which the Minister formulated those proposals, namely: international best practice on budgetary governance; prevailing financial and institutional arrangements under current devolution; key fiscal events and related developments at both central and devolved government levels since 2025/26; and, key takeaways.

The Paper is presented as follows using the following five sections:

1. [Draft Budget Proposals - A Summary](#)
2. [International Best Practice - Budgetary Governance and Frameworks](#)
3. [Budgeting at Central and Devolved Levels – Key Financial and Institutional Arrangements under Northern Ireland Devolution](#)
4. [Critical Developments since 2025/26 – Central and Devolved Government Levels](#)
5. [Key Takeaways](#)

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

¹ [Research Publications | Northern Ireland Assembly](#)

1 Draft Budget Proposals – A summary

In December 2025, following no Executive agreement for Draft Budget 2026/27-2029/30, the Finance Minister provided a [Written Ministerial Statement to the Assembly](#) regarding his Draft Budget proposals and his continuing work in parallel with Executive colleagues: all aiming to ultimately reach Executive agreement on a final Budget. Thereafter, on 6 January 2026, the Finance Minister made an [Oral Statement to the Assembly](#) about the start of a three-month [public consultation](#) on his proposals, which subsequently closed on 3 March 2026.

2 International Best Practice – Budgetary Governance Guidance and Frameworks

The Organisation for Economic Co-operation and Development (OECD) has produced a range of publications to support policy and law makers throughout the budget cycle, which has 5 distinct stages, as highlighted in Figure 1 below.

Figure 1. OECD – Budget Cycle, 5 Stages



Source: [OECD](#) (2023)

The OECD recognises the long-term fiscal pressures currently bearing on its member countries when setting their budgets – pressures which are equally experienced in Northern Ireland and impact public finance. It explains:

Countries across the OECD are facing long-term fiscal pressures in areas such as health, ageing, climate change, and defence. At the same time, governments must grapple with mounting debt levels, rising interest rates and high levels of uncertainty. In this increasingly constrained fiscal environment, reconciling new and emerging spending pressures with already stretched public finances requires high-quality budget institutions and processes.²

The sub-sections below provide a number of examples of guidance and frameworks that the OECD have produced to support budgetary governance.

2.1 Recommendation of the Council on Budgetary Governance (2015)

The OECD published its [Recommendation of the Council on Budgetary Governance](#) in February 2015. This document was intended to provide:

... a concise overview of good practices across the full spectrum of budget activity, specifying in particular ten principles of good budgetary governance, which give clear guidance for designing, implementing and improving budget systems to meet the challenges of the future.³

The ten principles of good budgetary governance are shown in Figure 1 below.

² <https://www.oecd.org/en/topics/policy-issues/public-finance-and-budgets.html#context>

³ <https://ppp.worldbank.org/sites/default/files/2022-04/Recommendation-of-the-Council-on-Budgetary-Governance.pdf>

Figure 1. OECD - Ten Principles of Good Budgetary Governance

1. Manage budgets within clear, credible and predictable limits for fiscal policy
2. Closely align budgets with the medium-term strategic priorities of government
3. Design the capital budgeting framework in order to meet national development needs in a cost-effective and coherent manner
4. Ensure that budget documents and data are open, transparent and accessible
5. Provide for an inclusive, participative and realistic debate on budgetary choices
6. Present a comprehensive, accurate and reliable account of the public finances
7. Actively plan, manage and monitor budget execution
8. Ensure that performance, evaluation & value for money are integral to the budget process
9. Identify, assess and manage prudently longer-term sustainability and other fiscal risks
10. Promote the integrity and quality of budgetary forecasts, fiscal plans and budgetary implementation through rigorous quality assurance including independent audit

Source: [Recommendation of the Council on Budgetary Governance](#) (2015)

2.2 OECD Spending Better Framework (2023)

On 1 December 2023, the OECD published the [Spending Better Framework](#), which described the term “spending better” as:

...about ensuring resources are allocated to where they are most valued - and away from areas where they are less valued. It is about safeguarding fiscal sustainability in the long-term. It is about effective citizen and parliamentary engagement and oversight. Key to Spending Better are quality budget institutions.⁴

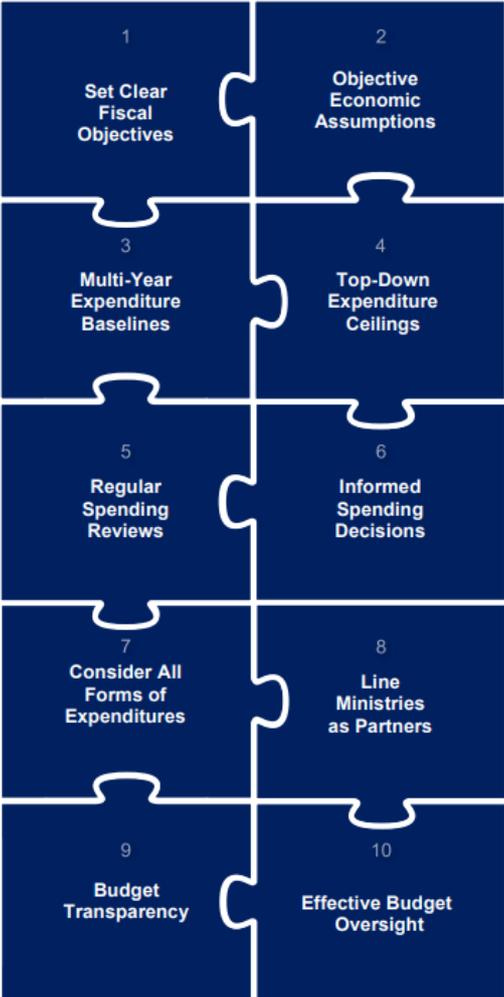
⁴ [https://one.oecd.org/document/GOV/SBO\(2022\)6/REV1/en/pdf](https://one.oecd.org/document/GOV/SBO(2022)6/REV1/en/pdf)

The OECD further described the nature of the support that the Framework is intended to provide in terms of enabling government budgeting and ensuring the best use of public finances. In summary, that Framework:

...presents the OECD’s analysis of the key features that constitute quality budget institutions. It is organised around ten principles, “connecting the dots” of various budget reform initiatives. It is a comprehensive framework that should be viewed holistically. It defines the key entities, functions, processes and procedures that together constitute quality budget institutions.⁵

Figure 2 below details the ten principles which inform the Spending Better Framework.

Figure 2. OECD Spending Better Framework



Source: [OECD](#) (2023)

⁵ See footnote 4 immediately above

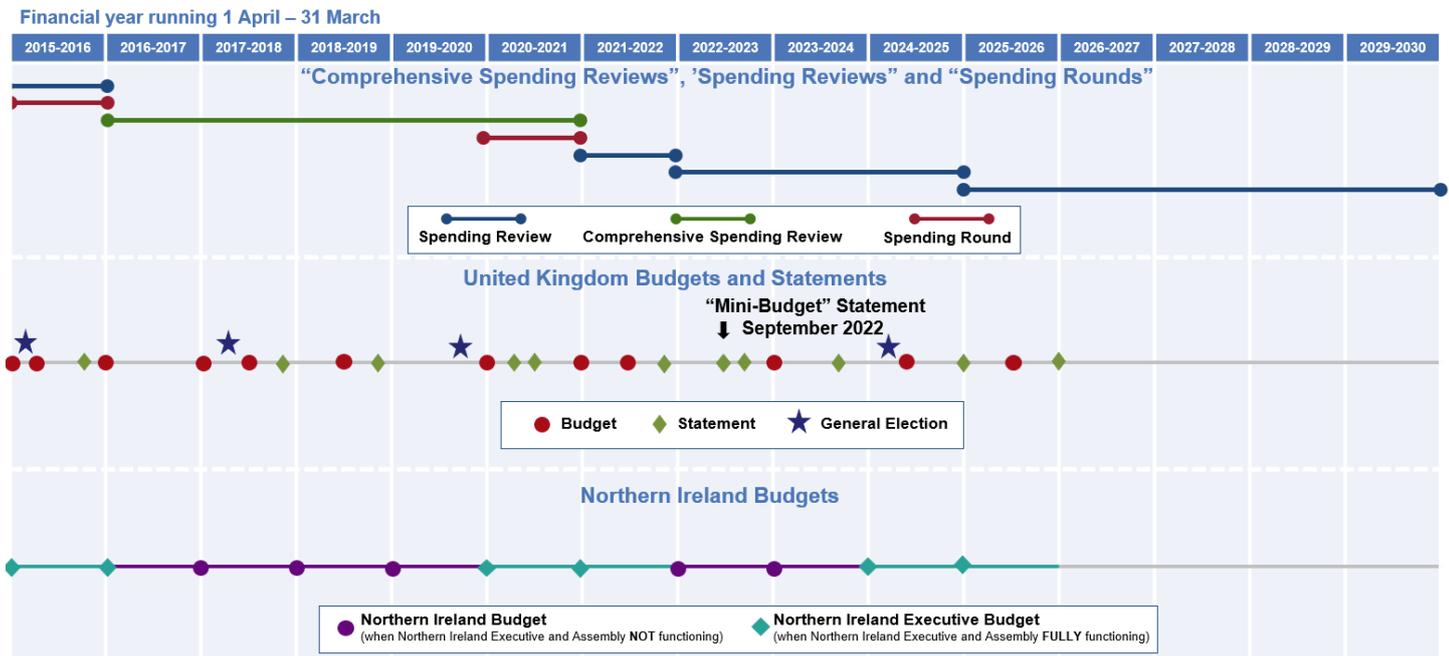
3 Budgeting at Central and Devolved Levels – Key Financial and Institutional Arrangements under Northern Ireland Devolution

The Executive receives the Northern Ireland Budget from central government, in accordance with the prevailing financial and institutional arrangements under current devolution - “the rules”. That Budget informs what is commonly called Northern Ireland’s “spending envelope” - as received at the start of each Budget year, including the Block Grant and non-Block funding that is received at the start of the financial year, plus “Barnett consequentials” and other funding that are received within the given Budget year. Simply stated, that means central government decision-making determines both the spending envelope and the Barnett consequentials - what they amount to. In and, in turn, those fund the majority of the Executive Budget, but not completely, because the Executive has limited fiscal levers available to it, enabling it to raise revenue and thereby “top-up” its Budget from central government, if it so chooses. Amongst other things, those levers include, for example, regional rates, as well as a number of fees, levies and charging for public services.⁶

The Executive Budget is a sub-cycle of the United Kingdom Government’s budget cycle, as highlighted in Figure 2 below.

⁶ Refer to Paper 6 in this series, which address revenue-raising.

Figure 2. Northern Ireland Executive Budget sub-cycle within overarching United Kingdom Budget cycle, under current devolution arrangements



Source: RaISe – Public Finance Scrutiny Unit (2025)

For example, on 3 July 2025, the quantum of funding from the United Kingdom Government for 2026-2029/30 was confirmed by the Northern Ireland Secretary of State (NISoS). That followed the Chancellor’s presentation of her [Spending Review 2025](#) to the United Kingdom Parliament on 30 June 2025. Thereafter, in line with his legal obligations under Section 64 of the [Northern Ireland Act 1998](#), the Northern Ireland Minister of Finance presented that funding information to the Assembly in a [Written Statement](#) dated 3 October 2025.

Further informing Executive Budget decision-making are strategic programmes, plans and policies (existing and planned) at both central and devolved government levels.

This following sub-sections provide an overview of key financial and institutional arrangements under current devolution in Northern Ireland, which guide the formulation of the Executive Budget.

3.1 Statement of Funding Policy

The cornerstone of the financial arrangements under current devolution are set out in the [“Statement of Funding Policy: Funding the Scottish Government,](#)

[Welsh Government and Northern Ireland Executive](#)” (SFP), which is routinely updated alongside Chancellors’ Spending Reviews. The most recent occurred on 11 June 2025. Therein, key concepts and “rules” are specified, including those relating to the “Barnett formula” - and other:

- **“Baseline” Block Grant:** Baselines are created at each Spending Review, and essentially reflect the original Block Grants and all previous Barnett consequentials, excluding those that are one-off or time-limited (for example, Covid-19 funding is excluded as it is classed as non-recurring);
- **Barnett consequentials:** These allocations from the United Kingdom Government serve to “top-up” the existing Block Grant. They relate to changes in planned spending by UKG departments and are calculated by His Majesty’s (HM) Treasury using the Barnett formula;
- **Non-Barnett allocations:** The United Kingdom Government can provide additional funding to Devolved Administrations, such as the Northern Ireland Executive, outside of the Barnett formula (examples include: United Kingdom-wide funding for charities schemes, such as: the Tampon Tax Fund; and, funding for the City and Growth Deals).

For further information, see the [Public Finance Scrutiny Unit Workshop Series](#).

3.2 United Kingdom Treasury Reserve

The United Kingdom Treasury Reserve (the Reserve) is a central fund under the devolved financial arrangements that enable central government to allocate funding to Devolved Administrations for unforeseen contingencies. The principles underpinning the Reserve are set out in the HM Treasury [Consolidated Budgeting Guidance](#). The Guidance specifies the Reserve:

...can only be used for genuinely unforeseen, unaffordable and unavoidable pressures, or certain special cases of expenditure that

would otherwise be difficult to manage, as agreed with the Chief Secretary.⁷

3.3 Budget Sustainability Plan

A further component of the prevailing devolved financial arrangements is the Executive's [Budget Sustainability Plan](#). It implements a key commitment of the February 2024 Executive Restoration [Financial Package](#), as agreed by the Executive and the United Kingdom Government. That Plan commits the Executive to progressing a forward work programme that ultimately aims to develop strategic improvements to the Executive Budget process.

It specifies the following five Executive commitments for delivering sustainable public finances for Northern Ireland:

1. The implementation of multi-year budgets where possible.
2. The routine publication of supplementary financial data tables for in-year monitoring to promote transparency and accountability.
3. The regular, strategic consideration of income generation measures.
4. Engagement with the Treasury on flexible use of existing tools and longer-term solutions, including those that will form part of any Fiscal Framework for Northern Ireland.
5. Agreement to a future workplan to help secure and maintain sustainable finances.

On 14 October 2024, in response to Assembly plenary questions about the Budget Sustainability Plan, the Finance Minister explained:

The Budget sustainability plan is a first step on the Executive's journey towards fulfilling our longer-term ambition of integrating sustainability discussions into the heart of our processes and decision-making. As part of the plan, the Executive have agreed to a work plan that includes the development and implementation of five-year departmental financial sustainability plans. Work is ongoing to

⁷https://assets.publishing.service.gov.uk/media/67bf3a3972e83aab48866b20/Consolidated_Budgeting_Guidance_2025-26_-_for_publication.pdf

finalise the full content of the work plan. However, it is envisaged that the five-year plans will become a rolling programme of work with Departments. In parallel, my officials will look to take forward the development and implementation of a Budget improvement plan...¹

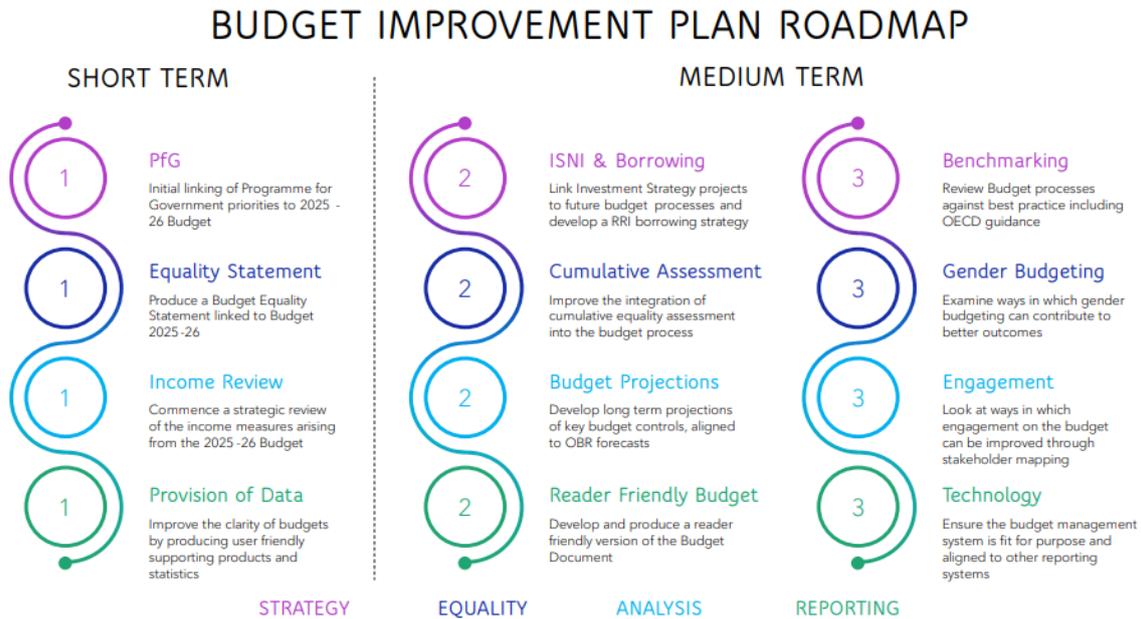
He continued:

The Budget sustainability plan, in and of itself, will not address all the fiscal problems that the Executive face. It provides the Executive with a strategic framework to work together to develop and introduce fiscally sustainable policies to deliver the level of public services that our citizens deserve. Individual Ministers must now begin to address the overcommitments in the current year and take steps to live within budget. However, that work needs to be underpinned by a new approach from the British Government that sees proper investment in public services and infrastructure. The Budget at the end of October is the opportunity for them to signal that intention.¹

The Finance Minister's recent Draft Budget proposals aim to meet the first commitment specified in the agreed Budget Sustainability Plan. **And if** the Executive subsequently agree the Executive Budget, following on from the Finance Minister's current proposals, and thereafter relevant legislation is enacted and receives Royal Assent, **then** the first multi-year Executive Budget would have been agreed in the last 10 years.

3.4 Budget Improvement Plan

On 19 December 2024, the Department of Finance (DoF) published the Budget Improvement Plan Roadmap, to help implement the Budget Sustainability commitment in the February 2024 Executive Restoration [Financial Package](#), as agreed by the Executive and the United Kingdom Government. Figure 5 below provides DoF's overview of the Roadmap.

Figure 5: Budget Improvement Plan Roadmap

Source: DoF - [Budget Improvement Plan: Roadmap](#) (19 December 2024)

3.5 Public Sector Transformation Board

Another component of Northern Ireland's devolved arrangements is the Executive's [Public Sector Transformation Board](#). It too is a further key commitment specified in the February 2024 Executive [Restoration Financial Package](#) that had been agreed by the Executive and the United Kingdom Government. The Board was established, with responsibility for deciding on the viability of transformation projects receiving funding for the purposes of modernising Northern Ireland public service delivery and increasing Northern Ireland public sector efficiency and effectiveness, to ultimately increase public service financial sustainability.

The Chief Secretary of HM Treasury's letter to the Finance Minister regarding the [Financial Support Package Settlement](#) explained:

£235 million of this funding is ring-fenced for the sole purpose of transformation and its release is subject to the establishment of a Public Service Transformation Board. This Board, which will serve as the advisory body to the Executive

on long-term transformation of Northern Ireland's public services, can support strategic decision-making on maximising the impact of this, and other locally generated funding. This Board must also comprise Northern Ireland Civil Service and UK Government experts and may also comprise independent domestic and international experts.

In June 2025, the [Terms of Reference](#) for the Public Sector Transformation Board were published, having been agreed between the Minister of Finance and the Secretary of State for Northern Ireland. It set out the remit of the Board as follows:

The Public Sector Transformation Board will be responsible for making recommendations on proposals it assesses as meeting the criteria for the provision of ringfenced transformation funding. It may also provide strategic advice on transformation of public services at the request of Executive Ministers. The Board is to assess funding proposals' ability to deliver on the following objectives:

- I. Increase the financial sustainability of public services;*
- II. Transform the model of delivery of public services to improve effectiveness and efficiency to meet increased demands and improve outcomes for citizens; and,*
- III. Prevention, Cost Savings, and Early Intervention.*

A current list of Transformation projects agreed for funding by the Executive can be found in [Appendix 1](#) to this Paper.

3.6 Fiscal Framework for Northern Ireland

The establishment of a Fiscal Framework for Northern Ireland was a further key commitment in the February 2024 Executive Restoration [Financial Package](#) agreed by the Executive and the United Kingdom Government. That Framework, as expressed by the Executive in a joint [letter](#) to the Prime Minister on 5 February 2024 is to, amongst other things, address:

- *An assessment of need and a funding floor*
- *The provision of a Fiscal Reserve*
- *Increased Borrowing Powers*
- *The scale and scope of Fiscal Devolution*⁸

Thereafter, on 21 May 2024, the Executive and HM Treasury agreed the [Northern Ireland Executive Interim Fiscal Framework](#), including:

1. A 24% needs-based top-up to Barnett consequentials, to apply in circumstances where the overall Block Grant falls below a 24% premium over equivalent English spending per head.
2. Agreement to review funding for 2026-27 onwards.
3. Agreement on the specified scope of the Budget Sustainability Plan, under which Treasury would write off existing overspends, and that the Executive raise £113 million in revenue in 2025/26.
4. Confirmation that the Executive's capital borrowing limit would be increased to £220 million for 2024/25.
5. Barnett consequentials for 2024/25i of £24 million RDEL, reflecting the application of the 24% needs-based factor to consequentials arising from the Chancellor's Spring Budget 2024.

Subsequently, on the 11 June 2025, an [Northern Ireland Interim Fiscal Framework: Implementation update](#) was published, stating:

*The objective of the relative funding methodology is to assess comparable UK Government and Northern Ireland Executive funding. UK Government funding in reserved areas is excluded as there is no comparable Northern Ireland Executive funding. Similarly, ringfenced non-Barnett additions to the Northern Ireland Executive will also be excluded from the relative funding calculation as it is provided for a specific purpose...*⁹

⁸ <https://www.executiveoffice-ni.gov.uk/news/executive-discuss-financial-stability-prime-minister>

⁹ [Northern Ireland Interim Fiscal Framework: Implementation Update](#) (June 2025)

Potential Scrutiny Points:

Members and committees may wish to consider:

1. What progress has the Executive and HM Treasury made since the establishment of the new Final Fiscal Framework for Northern Ireland?
2. How often do the Executive and HM Treasury engage since the new Fiscal Framework was established?
3. From the perspective of the Department of Finance, what key discussion items merit future engagement with HM Treasury about the establishment of the Final Northern Ireland Fiscal Framework?

3.7 Executive Programme for Government

Central to meeting the commitments specified in the February 2024 [Executive Restoration Financial Package](#), and the implementation of those commitments since that time, is the Northern Ireland Executive [Programme for Government 2024-2027](#) (PfG).¹⁰ The Executive agreed the PfG on 27 February 2025 and specified immediate Executive Priorities, as highlighted in Figure 3 below.

¹⁰ [Programme for Government 2024-2027 'Our Plan: Doing What Matters Most' | The Northern Ireland Executive](#)

Figure 3: Northern Ireland Programme for Government 2024-27 – Priorities

Source: [Northern Ireland Programme for Government 2024-27](#)

The PfG also specified three long-term “Missions” which is “underpinned by a cross-cutting commitment to Peace”¹¹ – see Figure 4 below.

¹¹ https://www.northernireland.gov.uk/sites/default/files/2025-03/programme-for-government-2024-2027-our-plan-doing-what-matters-most_1.pdf

Figure 4: Northern Ireland Programme for Government 2024-27 – Missions

Source: [Northern Ireland Programme for Government 2024-27](#)

The Priorities are to help deliver the Executive, including its individual Departmental Ministers, progress and realise those Priorities and Missions through their policy, legislation and budgetary decision-making, including public spending and revenue raising decisions.

4 Critical Developments since 2025/26 – Central and Devolved Government Levels

Table 1 below highlights critical developments occurring at both central government and devolved government levels that informed the formulation of the [Draft Budget 2026-2029/30](#).

Table 1. Critical Developments since 2025/26 – central and devolved government levels

Month/Year	Critical Developments
April 2025	<ul style="list-style-type: none"> On 3 April 2025, the Executive agreed the 2025/26 Executive Budget. The Finance Minister stated the Budget “sets out a direction of travel”, which “clearly prioritises its Programme for Government priorities”.¹² On 4 April 2025, the context significantly changed when the American President announced substantial trade tariffs. The announcement was followed by: plummeting stock markets across the globe, and a collapsing American bond market; the subsequent 90-day pause on some new United States (US) tariffs on 9 April 2025; other countries’ similar pause, with further consideration of introducing tariffs or issuance of retaliatory tariffs on the US; and, an international trade war arising between the US and China.
May 2025	<ul style="list-style-type: none"> On 8 May 2025, a non-binding trade deal was agreed between the US and UK Governments. The general terms of the new trade deal were subsequently published in the UK-US Economic Prosperity Deal (EPD); the deal non-binding, meaning on-going further negotiations to work through details of the deal.
June 2025	<ul style="list-style-type: none"> On 24 June 2025, DoF published its 2025-26 Budget Factsheet, setting out the Executive’s spending plans for the one-year period from 1 April 2025 to 31 March 2026.
October 2025	<ul style="list-style-type: none"> On 3 October 2025, the Executive’s Finance Minister provided a Written Ministerial Statement detailing Treasury Funding Available 2026-2029/30.

¹² [Ministerial Statement – Public Expenditure Final Budget 2025-26 – 3 April 2025](#)

November 2025	<ul style="list-style-type: none"> On 26 November 2025, the Chancellor’s Autumn Budget 2025 detailed the United Kingdom Government’s resource spending plans up to 2028/29 and capital plans up to 2029/30.
January 2026	<ul style="list-style-type: none"> On 6 January 2026, the Finance Minister published the proposed Draft Budget 2026-2029/30 (not Executive agreed) and announced an eight-week public consultation on the proposals.
February 2026	<ul style="list-style-type: none"> On 11 February 2026, His Majesty’s (HM) Treasury agreed a Reserve claim for the Northern Ireland Executive, to provide £400 million for 2025/26, which is to be repaid over three years. The Finance Minister confirmed in a written statement that same day that the £400 million would be allocated as follows, as agreed by Executive: Department of Education - £214.6 million; and, Department of Health - £185.4 million.
March 2026	<ul style="list-style-type: none"> On 3 March 2026, the Chancellor delivered her Spring Forecast 2026 Later that day, in an Oral Statement to the Assembly, the Finance Minister confirmed additional £390 million Barnett consequentials over the next three-year period, comprising: Resource DEL - £380 million; and, Capital DEL - £9 million.

Source: RaISE-Public Finance Scrutiny Unit 2026, relying on sources hyperlinked in Table

5 Key Takeaways

This Paper provides relevant context to support Assembly scrutiny of the Draft Budget 2026/27–2029/30, including:

- OECD highlights increasing fiscal pressures (ageing, health, climate, debt, interest rates). Its Budgetary Governance (2015) and Spending Better (2023) frameworks emphasise strong budget institutions, long-term sustainability, and allocating resources to where they are most valued

- Northern Ireland’s Budget comprises the annual spending envelope and in-year Barnett consequentials, determined by United Kingdom Spending Reviews and HM Treasury. The Executive has limited fiscal levers to supplement this funding (for example, limited revenue-raising powers).
- Several reform mechanisms arising from the 2024 Executive Restoration financial package shape the Budget context:
 - Budget Sustainability Plan – Committed the Northern Ireland Executive to multi-year budgets (where possible), more transparent in-year monitoring, regular income generation consideration, and development of sustainability-focused financial planning.
 - Budget Improvement Plan Roadmap - Set a structured pathway for improving NI budget processes.
 - Public Sector Transformation Board – Provided £235 million ring-fenced funding available for transformation projects, with Board oversight including Northern Ireland, the United Kingdom Government and independent experts. The Board focuses on projects that address: financial sustainability, service efficiency, and prevention/early intervention.
 - Interim Fiscal Framework - Introduced the 24% needs-based top-up and set out agreements on reviews of funding from 2026–27 onward, revenue-raising commitments and increased borrowing limits.
- Programme for Government (PfG) 2024–2027 provides strategic direction for Budget prioritisation. The PfG sets out the Executive’s priorities and three long-term Missions, and is intended to align Departmental policy, legislation and budget decisions.

Appendix 1. Transformation Projects Agreed for Executive funding – as of March 2025

SPENDING PROFILE (subject to change)

Figures presented in £000's

Transformation Funding Requirement		24-25	25-26	26-27	27-28	28-29	Total
Transformation projects agreed for funding by the Executive							
Department of Health	Primary Care Multidisciplinary Team (MDT) Programme	1,000	6,800	11,200	16,700	25,300	61,000
Department of Education	Special Educational Needs (SEN) Transformation	600	7,560	11,000	6,965	1,375	27,500
Department of Justice*	Speeding up Justice and Transforming the Criminal Justice System	395	4,788	4,620	5,115	5,533	20,451
Department of Infrastructure	Natural Solutions – Urban Drainage	0	375	4,625	5,000	5,000	15,000
Department of Infrastructure	Transforming Planning	50	1,150	600	600	600	3,000
Department of Justice	Modernisation of Electronic Monitoring (Tagging)	0	656	559	501	474	2,190
Project Total		2,045	21,329	32,604	34,881	38,282	129,141
Additional transformation funding required							
Digital Maturity Assessment		300	0	0	0	0	300
Board support**		0	750	750	750	750	3,000
Additional Total		300	750	750	750	750	3,300
Grand Total		2,345	22,079	33,354	35,631	39,032	132,441

*'Speeding up Justice and Transforming the Criminal Justice System' is a joint bid between the Department of Justice (DoJ) and the Public Prosecution Service (PPS). For 2024/25, £178,000 will be allocated to PPS and £217,000 will be allocated to DoJ.

**This is an upper estimate and will depend on the scope of Board's work; administrative support, expert advice, and research required to ensure project delivery.

Source: [Department of Finance \(2025\)](#)