

## **Draft Budget balances but lacks strategy, says NI Fiscal Council**

The NI Executive needs to redouble its efforts to agree a reforming budget ahead of May's Assembly elections if it is to make the most of its three-year Block Grant settlement, according to the NI Fiscal Council's first annual budget assessment.

The Executive failed to agree on a Draft Budget last year but decided to publish the Finance Minister's proposals as a basis for consultation. The Council is satisfied that these 'balance' the budget, as they are required to do, but they lack evidence of strategic priority-setting beyond health as well as concrete proposals for consultation in areas like efficiencies, charging and the halting of unnecessary services.

"Presented with a bigger Block Grant settlement than most people expected, the Finance Minister's big judgements were to increase capital borrowing, freeze Regional Rates and increase departmental spending – especially in health", according to the Chair of the Fiscal Council, Sir Robert Chote. "Most of this is uncontroversial, but the devil has been in the departmental detail."

"Leaving aside money earmarked for particular purposes, the Finance Minister started by asking most departments to take a 2 per cent cut to provide extra money for health.", Sir Robert added. "This sounds even-handed, but the proposed distribution of the increased Block Grant creates relative winners and losers among the departments and there is little explanation of the choices made. For most departments, this extra money more than compensates for the 2 per cent cut."

"In terms of ensuring a strategic approach, it is also regrettable that the Executive could not publish its draft Investment Strategy in time to inform the capital spending proposals. Looking beyond the election, it is also essential that the incoming Executive establishes a close link between its budget allocations and the Programme for Government that it will be required by legislation to agree."

Risks to any budget plans agreed by the Executive include: public sector pay, where the Council argues that in an environment of relatively high inflation, upward pressure for pay increases could represent an additional call on resources for departments; and funding outside of the Executive's control, such as the UK Government replacement of EU funding, where significant uncertainty remains.

Sir Robert explained that one of the key goals of the Fiscal Council is to increase the transparency of public finances. "There have been some useful advances in in this Draft Budget, but there is plenty of scope to do more in the Final Budget. For example, accompanying the spending proposals with an up-to-date forecast for spending in the current year and comparable figures for past years."

Notes to editors:

1. The full assessment of the draft budget is available here: <https://www.nifiscalcouncil.org/publications>
2. Further information on the NI Fiscal Council is available here: <https://www.nifiscalcouncil.org/>
3. Follow us on Twitter: [@NIFiscalCouncil](https://twitter.com/NIFiscalCouncil)