

Northern Ireland Affairs Committee

Oral evidence: Funding and delivery of public services: follow-up, HC 477

Wednesday 22 January 2025

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[Watch the meeting](#)

Members present: Tonia Antoniazzi (Chair); Dan Aldridge; Chris Bloore; Sorcha Eastwood; Claire Hanna; Simon Hoare; Leigh Ingham; Katrina Murray; Dr Al Pinkerton; Gavin Robinson; David Smith.

Questions 84 - 141

Witnesses

I: Fleur Anderson MP, Parliamentary Under-Secretary of State, Northern Ireland Office; Ciarán Hayes, Deputy Director, Fiscal, Economy and Trade Group, Northern Ireland Office; Stephen Rusk, Deputy Director, Transformation, Constitution and Rights Group, Northern Ireland Office.

II: Dr Caoimhe Archibald MLA, Minister of Finance, NI Department of Finance; Neil Gibson, Permanent Secretary, NI Department of Finance; Joanne McBurney, Budget Director, NI Department of Finance.

Examination of witnesses

Witnesses: Fleur Anderson, Ciarán Hayes and Stephen Rusk.

Q84 **Chair:** This is another session on the funding and delivery of public services in Northern Ireland. I would like to welcome the Minister, Fleur Anderson MP, Ciarán Hayes and Stephen Rusk. Could you introduce yourselves and say what your role is?

Fleur Anderson: I am Fleur Anderson. I am an Under-Secretary of State for the Northern Ireland Office.

Stephen Rusk: Hi. I am Stephen Rusk. I am the deputy director with responsibility for transformation, constitution and rights at the Northern Ireland Office.

Ciarán Hayes: I am Ciarán Hayes. I am the deputy director responsible for fiscal, economy and trade issues at the Northern Ireland Office.

Q85 **Chair:** I will start with question No. 1. What are the Government's views of the state of public services in Northern Ireland?

Fleur Anderson: Thank you to the whole Committee for holding this inquiry. It is really important. It is what I hear talked about by almost everyone I meet as I go around Northern Ireland. As a former member of a Select Committee, when we do reports and wonder what is going to happen to them, to have this follow-up report on the report you have done previously is really welcome, because so many things have changed since that report as well.

We now have an Executive in place. Most of the areas of public services are devolved. We had a new devolved settlement in the Budget last autumn, which gives us a different fiscal position. We also have a worsening state of the public services at the same time. That need for transformation is absolutely underlined by the situation at the moment.

To highlight some of the areas, as you know, more than a quarter of people in Northern Ireland are currently on a waiting list. Recent reporting and data indicate that receiving medical treatment in the corridor or waiting more than 12 hours at, for example, Belfast emergency departments has become normal; that some children with special educational needs wait more than a year for the educational support they are entitled to; and that more than 80% of major cases wait in the courts backlog for over a year. That is compared to 27% in the rest of the UK.

More than half of patients in Northern Ireland wait more than a year for that first consultant-led appointment. That is more than a year after being diagnosed and being told that you need to have follow-up treatment before you even get on to the waiting list for treatment. It is more than a half in Northern Ireland, but 4% in England. Those are just some of the areas that I am concerned about.



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I absolutely know that the Executive are concerned about this too. The Executive know the mountain they need to climb. They are very aware of the challenges and difficult decisions that they have. Fundamentally, transforming public services will require the Executive to own a difficult set of decisions. There is a new funding settlement. I am sure that we will come on to talk about that in more detail. The money is there. The levers and powers are there for the Northern Ireland Executive to deliver.

What I hear talked about most are health, housing, childcare and education. All of these have an impact on the economy. We have five missions as a new Labour Government. We want to see them delivered across the whole of the United Kingdom. I am very concerned that, if we do not have transformation of public services in Northern Ireland, Northern Ireland could diverge and not have the gains that we have in the rest of the United Kingdom. That is why the timing of this report by your Committee is very important, because there is an urgency. We need to get on with this to make sure that we see those missions delivered across the whole of the United Kingdom.

I have one more point on those missions. The top one is on growth. Economic inactivity levels are high in Northern Ireland. They are higher than in the rest of the United Kingdom. In the United Kingdom it is 21.8%, but in Northern Ireland it is 28.2%. I have asked about this as I have gone around to many different people. I have spoken to many Executive Ministers and health organisations. I have spoken to Professor Bengoa about the health situation. A lot of this economic inactivity is down to not receiving healthcare, so long-term sickness, as well as to childcare. Fixing this is a way of enabling people to get back to the work that they want to do to be part of the economy in Northern Ireland, much as we have in the rest of the United Kingdom.

If we have transformation of our public services, we can see delivery at the same level as the rest of the United Kingdom, but why not go further? Why could Northern Ireland not show the way in so many areas? It is the scale and size that it absolutely could be showing the way for the rest of the United Kingdom and leading the way, instead of going behind. That is the ambition I have. It is for the Executive to deliver and the United Kingdom Government to do what we can. I have described it as an active partnership, but I hope that I can talk about more of that in response to the questions.

Q86 **Gavin Robinson:** Good morning, Minster. Morning, gentlemen. Minister, what is your personal involvement in negotiating the new fiscal framework?

Fleur Anderson: The new fiscal framework is down to the Treasury to negotiate. There are parts of this that I am responsible for and parts that other parts of the United Kingdom Government are responsible for. I can talk a bit more about that. For us, it is relaying what we hear and what is needed, supporting the independent Fiscal Council in its assessment of need, and supporting the way that the money will be funded, for example



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talking about multi-year budgets. There are other pots of funding as well as the block grant. There is community ownership fund and SPF funding. We are also making sure that the Northern Ireland voice is heard in negotiations over that.

Q87 **Gavin Robinson:** You are not personally involved in the negotiations overall, but you have personal responsibility for some aspects. Is this a recurring feature in your workload on a weekly basis? Are you engaging regularly on issues around fiscal sustainability in Northern Ireland?

Fleur Anderson: Welcome to my world. My whole remit is being a champion of Northern Ireland in the UK Government, and then being the champion of the UK Government in Northern Ireland and facilitating those connections. I see this like a corridor where you have all the Ministers' rooms lined up, and they all open doors for the Northern Ireland Executive to work with and collaborate with.

It is not just about the economy and fiscal sustainability, but I work across with many Ministers. For example, I have met Minister Gwynne recently to talk about health. I have met Minister Morgan to talk about education. I am going very shortly to Northern Ireland with Minister Phillips to talk about violence against women and girls. I could go on.

Q88 **Gavin Robinson:** When you do that, and you engage with Ministers of Health and Education here in Whitehall who have no departmental responsibility for Northern Ireland, are you doing that in conjunction with devolved elected representatives in Northern Ireland, or are you doing that on your own?

Fleur Anderson: I have no remit to speak just on my own. I spend time in Northern Ireland meeting with Ministers. For example, I met jointly recently with Minister Givan, Minister of Education in Northern Ireland, and Minister Morgan, the UK Government Minister, to talk about the childcare strategy. When I go to Northern Ireland with Minister Phillips, we will meet jointly with Naomi Long while we are there.

I very much see this as a collaboration. I see this active partnership as going beyond funding. We provide the block grant, but this does not end there. We need to work together. We are developing new strategies, such as the childcare strategy. We are developing our new health strategy for other parts of the UK. That needs to be done in conjunction. There is always a risk that policy is made in Whitehall and then conveyed to the Northern Ireland Executive, but it needs to be much more hand in hand.

We are seeing that already, for example—we have talked about this before, Gavin—with the Tobacco and Vapes Bill. That is a model of where legislation was done in conjunction with the devolved Governments right from the beginning, and we ended up with legislation that was different for the devolved areas, depending on what their remit is. That is what devolution is. It is local people making decisions about their area, but it



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was done within the whole UK-wide strategy. I hope that we will see a lot more of that as we move forward.

Q89 Gavin Robinson: When do you think the negotiations on the fiscal framework will conclude?

Fleur Anderson: They are ongoing. I cannot say an exact date, but they are absolutely ongoing at the moment.

Q90 Gavin Robinson: This process was commenced and concluded in the first draft phase by the previous Government. At that time, there was criticism of the previous Government because they were not going back to the start of the CSR period. They were not ensuring that the financial losses, when need was not met in Northern Ireland, were met by this Government. We criticised that and the Labour Party criticised that. In your role of advancing and championing the issues of Northern Ireland within Government, can you give any assurance that, as part of this negotiation, the backdating of need will be considered within the three-year comprehensive spending review period?

Fleur Anderson: The assessment of need is done by the independent Fiscal Council. As you know, it will be reassessing that need, so that will be an important part of it. You are going across different periods, so I think Ciarán is best placed to answer that.

Q91 Gavin Robinson: It is a political question, Ciarán. Yes, you have an official answer to give, but it is a political question. Labour criticised the lack of backdating within the three-year CSR period and recognised that because the fiscal arrangements did not go back within that three-year period, the Executive were hamstrung. The Executive were having to pay back money that they should never have been in debt for, because need was not met. My question is more a political one. Are you negotiating on behalf of Northern Ireland to ensure that the outcome of this process recognises that the fiscal need goes back within that three-year period?

Fleur Anderson: It is the Secretary of State who is responsible for that within the Department, so the detail of what we are negotiating on is his, with the Treasury, but Ciarán will know what we are negotiating on.

Q92 Gavin Robinson: If the Secretary of State is responsible, it would have been good to hear from him, I would say, respectfully. If the Cabinet Minister in the Treasury, the Chief Secretary to the Treasury, has overarching responsibility for this, it would have been good to hear from him too. Thank you, Minister.

Ciarán Hayes: If you think back to the original financial package that was done when the Exec returned, although at the time there was not a recognition from the Treasury that it should be formally backdated, the way the stability funding was put in place essentially mimicked what that would have been. In actual fiscal terms, the Executive have the funding that they would have had if that was in place.



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Q93 **Gavin Robinson:** You are saying that the Executive were told, "We will write off the debt that you should not have in the first place, as long as you provide us savings of £113 million or £115 million per year".

Ciarán Hayes: The agreement put in place was that the overspends that had occurred would be written off, subject to a balanced budget. We are on track for that and we have had the publication of the fiscal sustainability plan as well, which is a really good piece of work and a really good step forward.

Q94 **Gavin Robinson:** You would accept that the overspends were less than the sum that would have been delivered to the Executive if need had been met. There is a loss to the Executive in that calculation. You would accept that.

Ciarán Hayes: Based on the calculations we did at the time, the extra money that was put in, when you also include the write-off of the overspends, put the Executive in the same financial position that they would have been in if the 124% had been backdated in terms of the needs-based Barnett formula.

Q95 **Gavin Robinson:** Could you write to the Committee with that in terms, because that is not my understanding?

Ciarán Hayes: I am happy to set out more detail on that. In terms of the next step of it, as we set out at the time, that would be a subject for the spending review, with the Department of Finance and the Treasury working alongside us in the Northern Ireland Office looking at that, and that being a matter of negotiation as part of the spending review.

Q96 **Simon Hoare:** I have a very quick question back to the Minister, following up from Mr Robinson's line of questioning. When you and the Secretary of State had that magic word "shadow" before your positions, you were vocal in your criticism of the stance of the previous Government on this issue, therefore, I suppose, leading legitimately to the expectation that, if returned to government, there would be a fresh approach, filling in the gap of the criticism that you and the then-shadow Secretary of State were making.

In making that assertion, had that position been cleared with the then shadow Treasury team, leading to an expectation that the gap, which Mr Robinson has alluded to, would indeed be filled as a result of a change of thinking? Had there been integration in the thinking before shadow Ministers criticised a policy? Had the shadow Treasury team said, "Yes, you are right. This is what we would do if we were elected", or was the shadow Northern Irish team trading in a vacuum?

Fleur Anderson: I am sure that there was absolute integration across. There is all the time. I would like to highlight that there has been a big settlement this year. This is what we are dealing with. This is the new situation that we are in, with the 124% figure arrived at by the independent Fiscal Council, looking at relative need and funding that with the largest settlement, in real terms, in the history of devolution. The



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Government are providing £18.2 billion for the Northern Ireland Executive, with a £1.5 billion top-up.

Behind all these questions is, "Is there enough money?" I can see that that is absolutely the remit of this inquiry. Is there enough money? That assessment of need would say, "Yes, there is enough money". There is enough money to transform public services. That is the question. The discussion now needs to move on from funding to delivery. That is what I have heard time and time again. There has been strategy after strategy. The budget is now improved. There has been this £1.5 billion top-up through the Barnett consequential this year. I know that you are speaking to the Minister of Finance next. I do not think that she expected that much, and she is using it well. Now is the time to say, "We have enough money, but this cannot be a reason for not having the transformation of public services that we need".

Q97 Simon Hoare: The temporary use of top-ups to plug gaps is a perennial problem when it comes to relationships between Treasury, the Northern Ireland Office, the Executive and the whole of Northern Ireland. It does not address the fundamental issue alluded to by Gavin about the base core assessment of need; the foundation is wrong, hence the trigger for top-ups being required. Is it your and Treasury's intention to fundamentally review the foundations?

Fleur Anderson: There will be a review by the independent Fiscal Council. There will be a review.

Ciarán Hayes: As part of phase 2 of the spending review, the reason why the needs-based part was put into the Barnett consequential was to ensure that the Executive were in a sustainable fiscal position. That was to try to move away from, as you say, the kind of top-up funding that had been done over the years.

Also, crucially, within phase 2 of the spending review, this is looking at a multi-year settlement, which would mean that the Executive would then have certainty on the amount of funding that would be available each year. If you look back in previous years, there was the money that came through the block grant and then other bits on top. In terms of the wider fiscal strategy here with regard to the Northern Ireland Executive, it is to ensure the Executive have, essentially, the fiscal sustainability and the spending power to plan and deliver public services effectively without having to rely on, "There may be more money coming. There may not be more money coming". That certainty is a really important point.

Q98 Katrina Murray: Thank you for your questions and answers so far. I want to expand on the 124%. The question that keeps coming back to me when we are talking about established levels of need is whether the evaluation of the starting point of this or the formulas that determine need started in the right place. Was it based on the things that are needed, and the differences within the Northern Ireland population to establish the point of need?



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The Fiscal Council has been incredibly clear about this, and the answer was somewhere between 121% and 127%. Even with that, it is within the bounds of probability that it might be beyond, so the Fiscal Council built into that the position of multiple credible sources of information, which would change the assessed levels. Have the Government, or the Northern Ireland Office, received any of what would be termed multiple credible sources of information, as explained by the Fiscal Council?

Fleur Anderson: The UK Government will agree this detailed methodology again as well, so what the Fiscal Council will be looking at, as well as the multiple credible sources. We are receiving multiple credible sources all the time for different factors. It is up to the Fiscal Council to say whether, in its judgment, it considers them enough multiple credible sources. That is the point of it being an independent council. We receive a lot of information all the time and I am not going to give you a judgment here, because that is for the independent council to give the judgment on.

Q99 **Katrina Murray:** Following on from that, overall Northern Ireland funding is not projected to reach 124% of relative need for another 10 years. Have you made an assessment of the potential benefits of providing more funding in the interim to bring that forward?

Ciarán Hayes: This gets back to Mr Robinson's previous question around what the baseline level is. As I say, under the funding agreement that was done as part of the fiscal package to help the return of the Executive, that mimics the levels of funding that would have been done under 124%, if that had been done as the baseline from the start of the previous CSR period. The question of whether that is carried forward in the baseline is a matter for phase 2 of the spending review. Those discussions are under way between the Department of Finance and the Treasury. We are also supporting some of that work.

If the baseline is included, that means that the Executive are at 124% based on that previous assessment. That idea that it would only get up to that level over 10 years is if you do not include that funding, so that is the comparison that is being made, but that is an issue that needs to be resolved through phase 2 of the spending review. That is something that the Treasury and the Department of Finance are actively engaging on.

Fleur Anderson: To be clear, the Northern Ireland Executive are receiving 124%, according to their level of need, for the next two years. We are now into negotiations for the future. They are not going to only reach it in 10 years' time. They are receiving it.

Q100 **Leigh Ingham:** I wanted to speak about the cliff edge and the £559 million of overspends that are due to be written off, so around whether the Executive can balance their budget this year, essentially. We have heard that Northern Ireland at the moment cannot move to multi-year budgets without the UK doing so. As a previous councillor, I can very much appreciate the value in a multi-year budget. We had to exist for a



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long time on single-year budgets ourselves. What plans do the Government have to enable multi-year block grant settlements in future?

Fleur Anderson: I hope that there will be multi-year budgets. I agree with you. I know from my own council and from also speaking to so many community groups across Northern Ireland that multi-year funding is needed. It is needed for certainty and the ability to plan departmental budgets into the future. It is also needed to be able to have transformation. To have transformation, we need to unlock a separate amount of the budget for transformation while delivering on day-to-day services. This is the absolute conundrum that the Executive face. I absolutely know that they understand this and are working on this very much. I am sure that you will hear this from the Finance Minister coming up. We will aim to move to multi-year budgets in the future.

Q101 **Leigh Ingham:** With regard to the cliff edge, what steps have the Government taken with the Executive to make sure that there is no cliff edge in funding from 2026-27?

Ciarán Hayes: That is, again, a matter for phase 2 of the spending review. As the Minister has set out, phase 2 of the spending review is looking at a multi-year settlement. There are obviously some issues that will need to be resolved from the current settlement into the next spending review period. Having that multi-year settlement will give the Executive certainty on what the block grant is going forward, and they will be able to plan on that basis. Going back to the Budget in the autumn, the settlement for the financial year 2025-26 will be £18.2 billion. That is £1.5 billion more than previously.

Leigh Ingham: Just to go back slightly, the writing off of the £559 million is based on the savings that have to be made. Actually, the next question is going to focus on that, is it not? I will let it crack on.

Q102 **Gavin Robinson:** Do you mind if I focus on this? It almost appears as if there is a blasé attitude that, because there was a windfall in the Budget due to spending allocations from the Chancellor, the Northern Ireland fiscal position is in a good or comfortable place. Is it right to say, Minister, that national insurance contributions were not factored into the budget that is before the Northern Ireland Executive?

Fleur Anderson: There are always going to be changes within the year. I do not want to give any impression that we are blasé. I know the enormous mountain that the Northern Ireland Executive have to climb. I know the challenges within each departmental budget and across the budget that there are. I am in no way blasé about that.

Q103 **Gavin Robinson:** You would accept, Minister, that one reason why we have a need of 124%, as assessed, is the size of our public sector. An issue that was live in political discourse two years ago was public sector pay. You have mentioned the need to retain parity. Your party, the Labour Party, was critical of the British Government of the time, the Conservatives, which allocated £1.125 billion for sustainability measures



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and then said, "We will deal with pay pressure this year, but you can just use that money that was meant to be for sustainability for pay in years 2 and 3". That has not changed, has it? Now there is additional pressure put in on national insurance.

Do you understand? I am fearful that the evidence being given is that we are now in some sort of comfortable position. It does not matter about the largest sum. As inflation goes, moneys continue to grow too, but the pressure is there. Is there a recognition of that pressure in these fiscal negotiations? Have the Chief Secretary to the Treasury or the Secretary of State, who are involved in these negotiations, indicated to you that there is a recognition of that pressure?

Fleur Anderson: There is absolutely recognition of that pressure and an understanding of the challenges we face. Our main message is not, "You have lots of money. Get on with it". The main message is, "There are tough decisions to be made. It is a difficult climate, but do not let that stop transformation". That is the clear message. There is enough money to think about transformation now. There has been the additional top-up of £1.5 billion.

This opportunity should be used. It is an opportunity not to sit back and say, "Everything is great"—not at all—but to say, "Let us not use this as a reason not to look at transformation". That is transformation fiscally, to look into those budgets about how money can be saved, and transformation in the model of delivery, so that there are better outcomes of public services and those savings can be made by early intervention. That is the caution I would have as well, but I am in no way blasé. You know that across the UK we are facing these same problems as well.

Q104 **Chair:** I want to pick up on something, Minister. Do you accept that the 124% level of funding that we are talking about is only for the Barnett consequential at the moment? It is not for the overall block grant that Northern Ireland receives.

Ciarán Hayes: The way the block grant is calculated now has the needs-based factor included into it. That is how the block grant for 2025-26 has been calculated. That is one reason why the block grant will now be up at £18.2 billion in 2025-26. It is why there is that £1.5 billion more in there.

To echo the Minister's point, we completely understand that there are incredibly difficult trade-offs that have to be made. There is always going to be a demand for more money to do more things. We believe that the current funding package puts in place the ability for the Executive to make some of those trade-offs in a similar manner to devolved Governments in Scotland and Wales, as well as the difficult decisions that the UK Government are having to make.

Q105 **Dr Pinkerton:** This is not my question, but I am just picking you up on that point. The impression might be given by your answer that the block



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grant that Northern Ireland receives leads to 124% spending per person more than the rest of the UK. Is that in fact what you are saying? We have been given the very clear impression from the organisations that we have met with so far that, because of the 124% being placed on Barnett consequential, it will take, as my colleague said, nearly a decade for us to in fact reach the 124% spending in Northern Ireland that is correlative with the demonstrable need.

Ciarán Hayes: This goes back to the issue of what baseline you are using. The needs-based factor is included. That was a key part of the interim fiscal framework that was signed, I think, last May. All Barnett consequential that are done have that 124% included. There is the question, which, again, needs to be resolved in phase 2 of the spending review, of what you are using as the baseline figure and therefore in what way you apply the 124% to that. That is a matter that has been negotiated as part of phase 2 of the spending review and is between, primarily, the Treasury, on behalf of the UK Government, and the Department of Finance, on behalf of the Executive.

Q106 **Dr Pinkerton:** I understand that. There is just perhaps a slippage in the way that number is being narrated, but we are grateful for that response. It is on record.

Ciarán Hayes: To follow up on Mr Robinson's question earlier, we are happy to write to set out some of this in a bit more detail and show how all the calculations work, if that would be helpful for the Committee.

Q107 **Dr Pinkerton:** That would be very helpful for the Committee. That was not the core question that I wanted to ask. I want to talk about revenue raising. Clearly, the Executive have this expectation placed upon them to try to find £113 million in either new revenues or savings. The Treasury has been very clear that it thinks that the Northern Ireland Executive should do more on revenue raising. Indeed, it has been made clear by the Treasury that Northern Ireland has the highest public spending per person in the UK, but also the lowest level of revenue raising in the UK. The pressure is on. What conversations have taken place with the Executive about revenue-raising measures that are viable in Northern Ireland?

Fleur Anderson: These are being held by the Treasury directly with the Northern Ireland Executive. I am glad that you are speaking to the Minister of Finance after this. It is very much a devolved matter. This is a political decision for the Executive to make. I know the potential options that there are.

The discussions we are having are about the need to raise that revenue and having a budget sustainability plan. The Minister of Finance has made great progress on that and we really welcome the Executive's budget sustainability plan. It is a necessary step towards delivering public finances. It is welcome to see the Executive progressing on their commitments agreed through the fiscal framework that go alongside



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those, and they are raising the £113 million in locally generated revenue by 2025-26 to ensure that write-off, so there are really positive steps.

I am not going to sit here and say what I think should be used, because that is the point of devolution. They should be looking at the budget, but this must be part of the conversation. If you see the difficult situation that public services are in and there are possible ways to raise revenue, that is part of the difficult job of being a politician.

Q108 Dr Pinkerton: I understand the difficulties that you may face in answering that question because of the devolved nature of those decisions. On that subject of devolution, this is perhaps something that you can answer. Are there active conversations happening between you and the Northern Ireland Executive about deepening that fiscal devolution and giving more powers to the Northern Ireland Executive, in the same way that Scotland and Wales might have greater fiscal autonomy?

Fleur Anderson: In short, they have the powers they need. These are decisions that they need to make. There is devolution of the full fiscal framework, so it is up to them to make those decisions. A negotiation of that would be to change the means of devolution. The devolved settlement is there, giving them all the powers and levers. That is why, when we talk about transformation, we say, "Is there the political will in place?" "Yes, I think there is". "Is there the finance in place?" "Yes, there is". "Are there the levers that are needed to make those changes?" "Yes, there are".

Dr Pinkerton: That is noted. Thank you very much.

Q109 Gavin Robinson: On that—not to be difficult, Chair—a recurring issue that comes up when we are engaging with organisations on how they raise revenue is that, if they are non-government bodies, non-departmental bodies, arm's-length bodies and so on, they have more flexible ways in which they can borrow off books, but it is not off books because it sits on their departmental balance sheet. There are a number, and it is always ad hoc and piecemeal, coming forward saying, "Can we have a change of definition in ONS guidelines? Can we be considered differently? Can we borrow in a way that assists in the delivery of public service but does not damage the balance sheet consideration of our sponsoring Department?" Is that under active consideration?

Fleur Anderson: It is, yes. I have spoken directly with Northern Ireland Ministers about this for different areas of work, and it is under active consideration. We want to be able to unlock the finance to provide for better outcomes in public services. I cannot guarantee that there will be a great outcome in all of them, but it is under consideration.

Q110 Gavin Robinson: Does that mean that these bodies are all still being considered on a piecemeal basis, rather than having a structured conversation with Treasury about how some of them could borrow in a way that does not damage the sustainability of the Department's budget?



Fleur Anderson: All of these conversations are with the Treasury as well, so it is very much a joined-up conversation.

Ciarán Hayes: The discussion around borrowing powers and all of that is part of the negotiations between the Treasury and the Department of Finance on the full fiscal framework. We have had the interim fiscal framework. Government borrowing is incredibly tight. Borrowing by the Executive counts towards UKG borrowing as well, but there are discussions under way, as part of that full fiscal framework negotiation, on how, for example, borrowing powers for bodies that sit below Northern Ireland Executive Departments would be classified and how it would actually work towards things. If you go back to the fiscal package that was done to support the return of the Executive, the level of borrowing that the Executive could do was increased as part of that as well. That is all part of the negotiations around the full fiscal framework.

Q111 **Dan Aldridge:** Thank you, everybody. We inherited a tragic financial situation and a crisis in public services across the United Kingdom, and really acutely in Northern Ireland, so I understand, and I think we all understand, the operating context within which all of you are having to take these decisions. I do not envy it at all. It feels like last chance saloon when it comes to public service transformation. We have to get it right now. We have to do it now, and difficult decisions need to be taken.

One thing I am really interested in is around what that looks like realistically. What are the deliverables? I am a project manager in a previous life, so I want to know what the Gantt chart looks like. I want to know what deliverables and by when, so that the public can start to see what public sector transformation really means. It sounds great, but what does it mean and what does that look like for you?

Fleur Anderson: It is a great question. I also come from a project management background and I want to see outcomes. We all do as well, do we not? We want to see the outcomes that are best for people in Northern Ireland, so absolutely driving that transformation forward. That is some of the thinking behind two aspects of this. One is the transformation board and one is the work with different Departments and then working in collaboration—what this active partnership actually means—with different Ministers.

To give some examples, I have engaged with Minister Gwynne at the Department of Health and Social Care in the UK Government and with Minister Nesbitt, the Minister of Health in the Northern Ireland Executive. I asked Minister Nesbitt, "In what ways can we collaborate? What would it look like to have an active partnership?" He has outlined some ways in which there can be an exchange of expertise between the UK Department of Health and Northern Ireland. That is what we have to be looking at a lot.

It is about looking at best practice, sharing that best practice that we can see in Northern Ireland with the rest of the UK, and sharing the best



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practice the other way as well and across the four nations. There are meetings, for example, between the four nations and regions on health, education and different areas with the relevant Ministers for each Department. I want to facilitate this as much as possible, but also I do not want to get in the way of any Ministers meeting up with each other and getting solutions. That is what we are seeing already. It is not me asking, "Can you meet together?" There is a lot of that, but there is also a lot of work going on between the Education Ministers meeting up and asking, "How can we share best practice? Is there an expert in one area? Have you seen something that really works here that we can share and build on?"

I believe that innovation is the heart of transformation. You have to spot the places where this happens. I have met with lots of health organisations across Northern Ireland, many of which have said to me, "There are frontline workers, and they have many of the answers". In all of this, I pay absolute tribute to all of our public service workers who are working so hard, whether it is in health, education, housing or justice. Where can we spot that across the whole of the UK, to take that best practice and learn across the whole of the UK? In this new health strategy, for example, that is being developed by Wes Streeting, the Secretary of State for Health, how can we build in what is needed in Northern Ireland to work alongside that?

I am in no way taking away from devolution in this. It is a way of working on active participation that takes the best from each and moves forward more quickly. There is a lot of synergy between the two, from hospitals to communities, prevention and using tech. In each one of those there are deliverables. Those are the deliverables you and I are both looking for to ask, "What are the actual crunchy things that we can work on?" I want to be able to keep looking back and saying, "Because we met together and worked together, this happened better". I want to be able to see that. That is the only way that we will see delivery in Northern Ireland.

There have been a lot of strategies. When I talk to people they say, "We have a lot of strategies". I really welcome the new strategies that are coming up. Minister Givan for education has a special educational needs strategy. Minister Nesbitt has the health strategy. They have to work in tandem with the strategies being delivered across the UK. There is a bit about policy making, a bit about actual delivery and a bit about actual expertise. As a result of Mike Nesbitt coming to me and asking for support, there have been health experts working on that alongside trusts in Northern Ireland. We should all work together and strive for the best outcomes and change, wherever we find that. You might be asking me more questions about the transformation board, but that is the other area of work that I see this happening in.

Q112 Dan Aldridge: I will ask about the Public Sector Transformation Board, but you spoke earlier about the potential for a—you used the word—tragic divergence, where the rest of the UK, or at least England, follows a



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route of digital transformation, partnered with the public sector transformation. What steps are you taking to make sure that the Assembly takes the opportunities that the UK Government are pushing for around digital transformation of public services?

Fleur Anderson: Digital transformation is really fundamental to changing the model and that whole part of transformation. This is actually linked to the transformation board, because one aspect of the transformation board is the digital landscape review, by which we mean looking at how we can use digital to transform the different areas of public services. A specific area of the Public Sector Transformation Board's work is to look at that across different sectors. In the development of the Public Sector Transformation Board, there were many projects put in for different areas of public services. Quite a few digital projects were put in and they have been put together in saying, "Let us look at digital across the piece".

Health stands out in one area, for example looking at use of medicines. I visited a health-related logistics company last week in Northern Ireland. According to them, £18 million-worth of medicines are wasted each year in Northern Ireland because they expire before they are given to the people who need them. By just transforming that—the model will be a bit of tech, a bit of logistics, a bit of trusts working together and the political will to do this and insist on delivery—we potentially could change that figure. It is drilling down to that level of working out where tech or AI can deliver on this. I am really heartened that that is a specific part of the Public Sector Transformation Board's work too.

Q113 **Dan Aldridge:** I think it should be on record that I was not the first person to raise AI. There is a hell of a lot of pressure on the whole UK regarding public sector transformation, but really the pressure is on Northern Ireland to deliver. I suppose that this is to the three of you. Do you think that the money allocated to transformation—the £47 million a year—is sufficient to achieve tangible change and, if not, how do we support that? If it is not about more money, how do we facilitate that?

Fleur Anderson: On the £47 million a year, you can also ask the Minister of Finance about this, but I think that there have been conversations about actually not having that, but dividing the total pot by five and allocating it by year. We need to frontload some of that money, so I hope that we will see that. More of it needs to be spent sooner in order to get the transformation. What was the other part of your question?

Q114 **Dan Aldridge:** What else could we do if it is not really enough money? I get that there are fiscal challenges everywhere. What else can we do, and can this Committee contribute to that?

Fleur Anderson: It is a really helpful amount and I hope that it will be helpful not only for the money that is provided, but also for the conversation that is going to be had when the full board is set up. I hope



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that that will be by the end of this financial year. The full board of experts will be talking about public sector transformation across the board. It is not just about allocating a pot of money. It is not a funding body. It is going to be a body of experts who will be able to look at the whole piece of transformation and give another layer of support to the Executive for doing that.

On its own, it is not enough, but is it some money towards kick-starting that additional funding that is needed and saying, "That is specifically not for day-to-day funding; it is for changing your model of delivery while you do the everyday"? It is helpful, but it is not going to be sufficient in its own terms. There needs to be a much wider conversation in each Department. It was never going to be, "What is your total bill for transformation? This is going to meet it". It is going to be, "Let us have a conversation in a bit of a different way".

Because the Executive has not been up and running for so much of its existence—40% of its existence—there are inevitably some problems with delivery, so there need to be different ways of working. Let us try everything. The transformation board is one example of, "Let us try this. Let us add this additional support to the Executive", but there will need to be much more transformational funding support within each Department as well.

Q115 Simon Hoare: That is music to my ears as a keen devolutionist, but I have always had a concern that the devolveds are often inclined to trade in splendid isolation of operation and never think to reach out and ask questions of each other and back to Westminster. It is good to hear that you are driving forward this sharing of best practice, but, as we all know, success has many fathers and failure is an illegitimate orphan.

On the other side of that coin, will you also try to encourage debate and discussion between the devolveds, and indeed Whitehall, on where transformation initiatives have been undertaken and have not quite landed where people had hoped, so the key learnings from failure? That is as important to share to make sure that mistakes are not repeated and duplicated.

Fleur Anderson: It is a really good point. It is certainly something I have done in the different roles that I have had. It is important to do that. It is much harder in politics than it has been in previous roles that I have had in life, for sure, but it is really important. We need to have some honest discussions. The helpful way of talking about that is when we talk about innovation. If you have truly innovative projects, there needs to be a failure rate built in, learning from those failures and then building on that in new iterations.

Transformation is quite a well-worn word, so I am really glad that you, as a Committee, are coming back to it, but what do we really mean by it? Part of it can be truly innovative. You are saying to those on the frontline—say, consultants or brilliant teachers who are struggling with



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special educational needs provision in their school—"You know best. You try it out, but tell us when it does not work and let us build that in". That is important, but you will know how challenging that is. Yes, it is important to raise.

Q116 Simon Hoare: In an earlier answer to a question, you told the Committee that you were convinced that the local political will was there to deliver transformation. You are absolutely right to point to the unhealthily long time that the Executive has not been sitting, and the backlog of transformation is artificially distorted, is it not, just because of that?

Political will is one thing, but from the conversations you are having, what is your assessment of, and how do you see your role—and indeed that of the Secretary of State—in, building mutual political trust between the political parties? Each can have will but, if they do not trust each other to arrive at the right sort of position, the transformation bandwagon is likely to have a rather stop-start journey, if it moves at all.

In the perpetual trade-off between underpinning and buttressing the Executive and Stormont functioning, it is quite important to continually, through the NIO, build those conversations of trust. We are all in it together in driving forth the transformation that most people in Northern Ireland—certainly in conversations I have had—all too readily grasp, and they just cannot understand why politicians are a bit slow on the uptake.

Fleur Anderson: I absolutely agree that trust is an essential part of this. This goes two ways. The UK Government working with the Executive, and the Prime Minister leading from the front and having a conversation with the First Minister and Deputy First Minister in his first couple of days of office, not only started off the way we work, but has been followed through by lots of different Ministers. For example, along the way, I met very early on with the First Minister and Deputy First Minister as well as with the Deputy Prime Minister. At all levels of the UK Government, working together is being built in. I seek to strengthen that in my role with the Northern Ireland Office. That is part of our role.

Then it is establishing trust between the parties and different Departments. We seek only to support that collaborative approach wherever we see it. The First Minister and Deputy First Minister leading as the Executive but also enabling co-operation between the Departments is really important. The Minister of Finance has a role, because she has the budget, in enabling Departments to work together.

An example of that is in the child poverty taskforce that I am on. That is an absolutely key policy. We have to deliver on tackling child poverty if we are really going to stand up as politicians and say that we are worth our salt, but it means working with across different Departments. Work on that strategy is being led by the Department for Communities, but working together in the Northern Ireland Executive's anti-poverty strategy. I really hope that that will be a way of showcasing how we can



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deliver between UK Government Departments, but also between the Executive Departments.

Ultimately, delivery will be the way of showing this, will it not? If we can all enable those conditions for success, through each of our different roles, that will be more stabilising for the Executive, but it will also enable the Departments and parties to work together even more effectively.

Q117 Sorcha Eastwood: Minister, you spoke about health very briefly earlier in response to an earlier question. We have a very unique situation in Northern Ireland where we need to do transformation. As Simon has said, the public understand that. They are now grasping that. We already have a situation where children in the north use the cardiac centre in Dublin. We have a cancer centre in Derry that is used by people on a cross-border basis.

Do you think there is more scope for things being done on an all-island basis, in a way that further continues the north-south co-operation that we have always had? If we are trying to reconfigure services and make sure that people get the best services with what we have, is there not an argument for saying that for those in border counties, it would be better to do more on an all-island basis? That is not a departure. It is not new. We have the cancer centre. We have the children's cardiac centre. Do you think that there is a conversation there?

Fleur Anderson: We need to look at every way in which we can improve outcomes for people. If anyone is on that long waiting list, however we can solve it, that is what we should work as politicians to achieve. Those examples of all-island health strategies should absolutely be built on.

We recently had the British-Irish Intergovernmental Conference, when the Secretary of State and I met in Dublin. We talked about public service transformation in that conference deliberately to bring this to the forefront. Wherever we can have that, it is beneficial to all. I was in Fermanagh talking about this as well, for them geographically to look at where healthcare provision should be—when it should be a specialised service further away, and when provision needs to be nearer so that people do not have to drive long distances. Those options should all be on the table. Everything that can improve outcomes should be on the table. All-island strategies are important. The one that has been raised most with me is an all-island cancer strategy, so that is what I have been raising as well.

Q118 Claire Hanna: Thank you very much, Minister. I wanted to ask you about the voluntary sector. Everywhere, it plugs some of the gaps between government services, but, particularly with those years of stop-start government, it has really had to step up in Northern Ireland. There is a bit of a sense of abandonment by the political class. There were a few fairly dicey moments for voluntary sector bodies where there was nobody in control of local budgets and things were not aligning. Funds such as shared prosperity and levelling up were really good for some



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organisations, and there were some success stories. Because the same governance arrangements did not exist for Northern Ireland and there was no Executive, there was a sense of really quite some distance between decision-making and communities.

Effectively, under the last Government, Ministers in London were picking winners and losers. As just one example, Foyle is by many measurements the poorest constituency in Northern Ireland, but it only got 3.5%, or less in fact, of the funding. How are you working with the voluntary sector to try to make sure that there is a little bit more prioritisation and maybe place-based engagement, so that those funds, where they come directly to organisations and maybe bypass some of the budgetary black holes, are aligned with local priorities as well?

Fleur Anderson: As you may know, Claire, I come from the voluntary sector, so my absolute passion is seeing this. I see this as part of public service delivery, so I am glad that you are raising this. As you say, the sector is often picking up the pieces. When we talk about cliff edges of the devolved Government's budget, it is often even worse if it is a cliff edge for a voluntary sector organisation, because that can mean the project starting and closing. While the devolved Government will know that there will be a budget in the future, for voluntary sectors that can be even more alarming.

Also, it is not good value for money to be supporting a really good project, building up the trust, working with people and getting great people in to work with them, and then for them not to know whether that is going to continue when you have a gap in funding, and then it starts again. That really damages the project.

It is another area in which the Northern Ireland Office has a convening role because a lot of this money comes from other UK Government Departments. I have absolutely been working with the other Ministers, for example with Minister Norris from MHCLG, who has come over to Northern Ireland. We have done a visit and met with voluntary sector providers. When the Secretary of State for Education came to Northern Ireland very recently, we went to the Atlas Women's Centre, in a voluntary community centre, to meet with women there and talk about budgeting and child poverty.

Taking the opportunity to introduce those and make those connections is one way I am working on it, but I am also looking at the future of those funding and pots. Could some of them be consolidated? Are they confusing? Are there lots of different pots? How much is the onus on those voluntary sector organisations to deal with the red tape? If applying for things and doing the monitoring is too much red tape for a small organisation, it can be a disproportionate amount of burden, so that is important. I know that multi-year budgeting is a preoccupation of this Committee and I welcome that. That is really important for community funding as well.



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We have the community ownership fund, which has just given out some money for different projects. I went with Sorcha to one of those last week. We have the PEACEPLUS funding. We have the UK SPF and the future of those. There is a new fund for support for community organisations. I am playing my part by looking across all those bits of funding. Do they join up? Do they incorporate the fair funding principles that have been developed by the Northern Ireland voluntary sector, which are very good principles? Also, can we look at how they are delivering alongside this transformation of public services?

Q119 Simon Hoare: It is encouraging to hear that. Can I press upon you the importance of delivering that strategy and stability of funding, particularly for those organisations in the community working with young people? Very often, they are stopping people getting into criminality, antisocial behaviour and so on. When they finally build the element of trust and engagement with those young people, to see that fractured as a result of uncertainty of budgeting really sets that process back. There are a lot of calls on the money, I know, but can I just make a particular plea for those focusing on young people, often in deprived and disadvantaged areas, who are too often tempted to go down the wrong road?

Fleur Anderson: I absolutely agree with that. It has been my absolute privilege to visit some of the organisations that you are mentioning there and to talk with young people. I have made a point of asking to speak to young people at every opportunity. I used to be a youth worker and I know how difficult it is sometimes. It takes a bit of extra effort to talk to young people. They are sometimes in school when I am visiting, but I am determined to do that and have done so far. Later this week, I will be talking to the Northern Ireland Youth Assembly. Their voices really need to be built into all of these conversations as well.

Your funding point is very well made, understood and agreed, but there is also the point about bringing young people's voices into all of this conversation. They are a lot of the service users that we are talking about. They are the ones talking about the real dire need for mental health provision where they are. They are the ones who are at the sharp end, often, of caring responsibilities for people who are long-term sick. They are the ones in education and needing this reform, but often their voices are missed out of this conversation. I am doing my best to ensure that they are not, and I know that other Ministers are. For example, talking to Education Ministers, they are building this in as well. It is important to listen, and not listen tokenistically, but listen, really understand and build that into our work. Thank you for raising that.

Chair: As a former teacher, I completely agree with what you are saying.

Q120 Gavin Robinson: Just so that it is not tokenistic, you will be aware that the spring Budget allocated £2 million to an education and skills centre on the Shore Road in north Belfast, a deprived area of the city. It was paused by MHCLG. The Deputy Prime Minister is now minded to end that funding and not allocate £2 million to a much-needed skills centre for



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education on the shore road. She is consulting.

Having indicated that you have picked up the mantle for many groups and aspirations, will you pick up the mantle for the skills centre on the Shore Road and make sure that it gets the money that was allocated to it in the spring Budget?

Fleur Anderson: Thank you for raising that here. I will take it up. We have been talking about difficult decisions, and I do not know what the outcome will be, but I will certainly take that up. Thank you for raising it.

Chair: Thank you, Minister, and thank you to our panel of witnesses today.

Examination of witnesses

Witnesses: Dr Caoimhe Archibald, Neil Gibson and Joanne McBurney.

Q121 **Chair:** This is the second panel of our session on funding and delivery of public services in Northern Ireland. I welcome the Minister for Finance, Dr Caoimhe Archibald; Neil Gibson, the Permanent Secretary; and Joanne McBurney, the budget director. Could you please say who you are and introduce yourselves? We will start with the Minister.

Dr Archibald: Hi, everybody. I am Caoimhe Archibald, and I am the Minister for Finance.

Neil Gibson: Good morning, everyone. I am Neil Gibson, the Permanent Secretary at the Department of Finance.

Joanne McBurney: Good morning. I am Joanne McBurney, the budget director in the Department of Finance.

Q122 **Chair:** Thank you for your time today. My question to you, Minister, is this: what is the Executive's view of the state of public services in Northern Ireland?

Dr Archibald: Good morning, everybody, and thanks for the opportunity to update you on our public finances. The financial challenges that face the Executive are very well documented. It is clear also from the significant funding that was provided in the Chancellor's autumn Budget that the Executive are not alone in facing those challenges, increasing demand and rising delivery costs for public services.

Harm has been done to our public services by years of austerity and that was never going to be reversed by one Budget. In my view, public services in England have also been underfunded for some time and this, therefore, has reduced the funding that is provided to the Executive and to the devolved Administrations in Scotland and Wales. There is a real need to properly fund public services across the board.



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The Executive fully recognise the need to deliver public services as efficiently and effectively as possible, and we are all in agreement that transformation is essential if the Executive are to put their finances on a sustainable footing. To be able to do that, we need to have fair and stable funding. In May last year, I signed the interim fiscal framework on behalf of the Executive. It was a first step in that direction and has, so far, delivered an additional £431 million for public services across 2024-25 and 2025-26.

More is needed to ensure that the Executive do not fall below the assessed level of need. When Sir Robert Chote of the Fiscal Council gave evidence to the Committee, he referenced the potential cliff edge in 2026-27. That needs to be avoided. The interim fiscal framework that we signed recognised that concern about the cliff edge and agreed to review and discuss the Executive's funding approach, including our concerns about 2026-27, at the relevant spending review.

My Department has been working to develop the evidence base to demonstrate the need for a higher level of funding to inform the upcoming spending review for 2026-27 and I am very pleased to tell the Committee that Professor Gerry Holtham, who is very well respected and led the Holtham commission in Wales, has agreed to conduct an independent review of the north's level of need.

It is important that, as representatives in Westminster, you understand the implications of decisions that are taken by the British Government for people here in the north. In terms of the impact on public service delivery, there were a number of adverse decisions taken in the autumn Budget, for example in relation to agricultural property relief and the reduction in shared prosperity funding. The particular concern is the increase in employer national insurance contributions, which will prove incredibly challenging for local businesses, for our community and voluntary sector which I heard being discussed in the previous panel, as well as for us as public sector employers, including our local councils.

I am sure we will get on to talk about that in more detail, but the estimated additional cost to Departments and their agencies is around £200 million for 2025-26. That does not include costs facing healthcare providers and our local councils. The Executive, like the devolved Governments in Scotland and Wales, do not have the financial capacity to compensate for decisions made on reserved taxation matters.

While the Chancellor has said that there will be support provided for public sector employers, it is likely to fall far short of what is needed for us in the Executive, by possibly in the region of £100 million. I have been engaging with the Chief Secretary to the Treasury in relation to that particular point, to ask for urgent clarity on the quantum of funding, to ask for those costs to be met in full, and to appeal for consideration to be given to support for those who are outside central Government, but who support us to deliver vital public services.



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There is no doubt that the financial outlook for our public services remains incredibly difficult but, as an Executive, we would say it is also important that we give people hope and that we build on the progress that has been made since the Executive came back. The message that I would give to the Committee is that the Executive are very committed to working together to address the challenges we face and to deliver for all of the people we collectively represent.

Q123 Chair: Minister, I was interested to hear you say that Gerry Holtham is going to do a review for Northern Ireland. When will that be happening? What is the timescale?

Dr Archibald: That piece of work is part of the ongoing negotiations in relation to our fiscal framework. In preparation for the upcoming spending review and the concerns that I mentioned in relation to the cliff edge being addressed at the relevant spending review, which is the one coming up in June, that work is very timely.

Departments have been working, along with my officials, to provide additional evidence to support the case that we would make that our level of need should be higher than 124%. The interim fiscal framework said that if independent, credible sources supported that, the Treasury would engage again in relation to that particular point, so we are working on providing that evidence base.

The significant point that I would also make in relation to the interim fiscal framework and that cliff edge that we are potentially facing is that it was written into the interim fiscal framework that we, as an Executive, would continue to plan on the assumption that we will be funded at or above the 124% level of need going forward. It is important that we make some progress, particularly on the methodology in relation to the level of need, but also on providing that evidence base that our level of need is higher than 124%.

Neil might want to come in and say something in relation to the timeframes, because I know officials continue to engage with Professor Holtham in relation to that piece of work.

Neil Gibson: Yes, indeed. It is breaking news that we have been able to secure his services. As the Minister has said, it will be in time for the spending review considerations. We cannot be too precise on exact delivery dates. It will depend a little bit on exactly what work we as officials will be supporting him on, providing the evidence and data that might be needed. We will tie down the precise delivery dates, but it will be in time to be considered as part of the spending review process coming up in June.

Q124 Gavin Robinson: Good morning, Minister. Good morning, Neil and Joanne. If you do not mind, Minister, I will follow up on that. Neil, when you say that it will be ready in time for the spending review considerations, how does that tie in with the conclusion to the



negotiations on the fiscal framework?

Neil Gibson: It is going to be quite a tight timeframe and we are going to have to work very much in collaboration with our UK colleagues. There is still some clarity to be sought on what is in and what is out, and more detailed methodological questions that will be required.

It is going to be somewhat of a sprint, but what we do know from Professor Holtham's work previously, and, indeed, our engagement with Treasury on a number of matters, is that we want a formula that is easily understandable. The level of complexity of econometric work and the like would not be within the scope of this piece of work. I have confidence that it is doable, but I would not want to be under any illusions of just how significant the sprint will be for both Professor Holtham and, indeed, for our officials.

I am delighted that it is indeed someone such as Professor Holtham, who has both reputation and experience in this area, meaning that there will be very little lead-in time in terms of familiarity with any of the data or concepts that we would be providing. I am confident it will be done to meaningfully inform, but I am not under any illusions about just how hard that body of work will be for the team here.

Dr Archibald: If I could just add to that, officials in the Department have been engaging with other Departments to gather that evidence and to support that case over the past number of months. They have been engaging in ongoing discussions with Treasury officials, both in relation to the relative funding per head methodology and in relation to that mechanism around the needs-based funding. It is something that we are very focused on and there is a tight timeframe, but it is important that that piece of work is delivered.

Q125 **Gavin Robinson:** Minister, forgive me. I was asking Neil because he was answering that lastly. Feel free to answer this if that is more appropriate. Is this work that Gerry Holtham is going to conduct separate and distinct from the needs assessment conducted by the Fiscal Council? Is it going to sit alongside that work and how will you deal with an alternative analysis, if what he provides is different and distinct from that which already exists from the Fiscal Council?

Dr Archibald: Neil might want to come in and add to this, but my understanding was that the Fiscal Council used the methodology that Holtham used to support its work and provide the range that it did in relation to our level of need. We have tried to add to that evidence base and provide some additional data that will support making the case for our level of need to be higher.

Neil Gibson: One of the important pieces of work here will be absolute transparency on the calculations and work involved, respecting the independence of the Fiscal Council and, indeed, Professor Holtham, who will also act independently. We will be making sure that there is clarity in



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terms of the spreadsheets and the data that are used, clearing that information, making sure that Treasury colleagues, the Fiscal Council and Professor Holtham are working from the same evidence base, the same data, and making sure that that is easily understood.

Sir Robert Chote mentioned in the previous session that there are often ranges or variances. Indeed, the Fiscal Council itself talked about the potential band. It is likely that we will have a range of evidence to deploy here, but we will be working from a common base that we will be sharing, making sure that our Fiscal Council and Treasury colleagues and Professor Holtham are all working from the same evidence base, so that we are all clear on exactly what is being considered and what is not.

Q126 Gavin Robinson: Thanks, Neil. I want to come back to you on a spreadsheet question in a moment. Minister, what is your current involvement in and understanding of the progress being made in your negotiations on the fiscal framework and when do you believe those negotiations will conclude?

Dr Archibald: There are a number of pieces of work under that heading of fiscal framework. The most urgent is in relation to that level of need and getting the methodology and the mechanism in place. Officials have been engaged with Treasury officials and I have been engaged with the CST over the course of that but, given the fact that there is a deadline in relation to that particular piece of work—to have it concluded in advance of the spending review—that is where the bulk of the focus has been.

As you will know, there are other elements to the fiscal framework as well, around things like budget management tools and even the principles of fiscal devolution, which we see as the next iteration and piece of work that we would undertake as part of those fiscal framework negotiations. We have very clearly put the emphasis on getting the level of need worked on, because that is going to be the bit that is really important for the upcoming spending review, which will, of course, set our budget for the next couple of years.

Q127 Gavin Robinson: Thank you very much, Minister, and can I thank you for coming to the Committee? The Chief Secretary to the Treasury has yet to accept and has, at this stage, declined. We value the fact that you are willing to talk to us about this issue at this time and, as a Committee, we want to be helpful in that process. Neil, did you see the session just immediately before this one?

Neil Gibson: Parts of it, yes.

Gavin Robinson: Did you see Ciarán Hayes talk about his understanding of the overspend that was accumulated when need was not matched?

Neil Gibson: No, I did not hear that particular item. Apologies.

Gavin Robinson: The suggestion was that, whenever a deal was reached back in December 2023, which then culminated in the interim



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fiscal framework, the Executive was in the same position as it would have been had need been backdated to the start of the CSR period. My understanding is that that is incorrect. While he is looking at and talking to the figures of overspend, they are different from the figures that should have been accrued, had need been paid from the start of the CSR period.

I was going to ask you—if not immediately available, then please write to us—for your view as to whether that is an accurate assessment or whether that was a misleading indication to this Committee.

Neil Gibson: I am happy to provide a little bit more detail but, in essence, you had that particular year in which there was not a financial package in place. In terms of our estimates at that time—I caveat this by saying there is not absolute transparency as to what would be in an official calculation, what is counted within a need or a baseline figure. That is what we are working on at the moment with Treasury. I do caveat it with that but, certainly, our evidence was that, for that particular year, we would have been below, if we consider 124% to be the need, and there are question marks around that.

Then you have to ask the question about what you consider in scope when you measure against the need for the years that then follow. For example, is the package that was provided a one-off top-up of cash? Does that materially take you above a level of need? Yes, if we measure it to 124%, but that is a very different thing, in terms of baseline funding, as to what decisions you can make if you do not have the surety of that going forward.

It is relatively complex, but it certainly would have been our assessment that there was that one year in which there was no fiscal package in place and other fiscal packages had run out and, therefore, on our calculations, we would have slipped below that particular level. As I say, I caveat that by the fact that it does slightly depend. We are partly making that estimate on the same basis as the Fiscal Council, with absolute full transparency of what would be in and out, from a Treasury perspective.

Gavin Robinson: Thank you. With no notice, that was helpful and, for the purposes of this inquiry, it would be useful if you could write to us, as I asked Mr Hayes to write to us as well.

Chair: That would be really useful.

Q128 **Claire Hanna:** Thank you very much, Minister and others. I know colleagues are going to come back on the issues around fiscal framework and negotiations with Treasury, but I just wanted to look at some of the items in the draft PFG and budget. Everybody has sympathy for the challenges in those but, for example, the programme for government says that childcare and housing are priorities. Are they being funded at the same level as is being allocated in the UK Budget?

Dr Archibald: Joanne might want to come in and speak to the Barnett consequential that came across in relation to particular items. It is



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important to put that in the context of the challenge that faces us as an Executive in setting the budget. In relation to the funding that we had to allocate in the 2025-26 budget, I had three times as many bids for the resource and two times as many bids for the capital. What we have to allocate falls well short of what Departments would like to achieve.

With the draft budget, we have to fund and try to stabilise the delivery of public services, but we have also tried to apply a PFG lens to that and to allocate funding according to the priority areas within the programme for government. There is a significant allocation to childcare as one of the priorities. We are proposing to allocate £50 million towards that, which doubles the allocation that was made for this financial year.

In relation to housing, new build is another of the items that you mentioned. We have taken an approach whereby, with the capital funding available to us, what we have to allocate just about covers the inescapable pressures facing Departments. We are using our RRI strategically to go towards our priority areas of new build housing and investing in our water infrastructure.

That is an approach that we have tried to apply across the board in relation to the draft budget. Departments will similarly apply that lens to how they utilise their general allocation that is being made in the draft budget as well.

Q129 Claire Hanna: I will come back in on how we break the cycle but, in the interests of trust in the Executive and how we buy people into the journey that we are going on, there is a real worry about a mismatch in words and actions. We all understand those financial pressures, and you have selected in the narrative and in the public-facing messages you put out issues like childcare and housing as priorities, but they are funded less than the Barnett consequential. We are doing less in these areas than in other regions.

Do you worry that that creates a mismatch and expectations? Are you really being honest with the public about how you are going to be allocating the funds?

Dr Archibald: It is important also to be honest about the challenge that does face us in relation to setting the budget and the ability to deliver on public services to the level that people expect. It is fair to say that we are falling below expectations in public service delivery. There are particularly acute areas where that can be very clearly seen, in relation to, for example, the pressures that there have been recently in health or the pressures that we understand are there in relation to waste water infrastructure.

As much as possible, we have to get on with the work of trying to stabilise our public services and that is what we have tried to do over the course of this year with the budget. Again, it is important that we, as an Executive, do have a set of priorities and that we try to ensure that they



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are funded, so that we can deliver against those. I will be very straight on the fact that that is a significant challenge, given the budgetary pressures that we do face, but there is an expectation as well to deliver. We have to try to achieve that.

Joanne, you might want to say something in relation to Barnett consequential. I do not have the table in front of me in relation to those that came across this year.

Joanne McBurney: The Barnett consequential we get in a spending review come across at departmental level and are broken down by those individual programmes. At this stage, it would be very hard for us to say what is being spent on specific things, but it is an issue of competing pressures. There are also things that the Executive fund, which we do not get Barnett for, and that has to be taken into account too. One example is victims' pensions.

When you take that in the round, there is no direct read-across. For example, look at the Barnett consequential we got for 2025-26 in the autumn Budget. We do not have a breakdown by programme but, if we look at the consequential from the Ministry of Housing, Communities and Local Government, we actually got a reduction in both our resource and capital DEL for the funding provided to that Department. It was a £22.5 million reduction in resource DEL and £5 million reduction in capital DEL. There is really a wider picture that needs to be taken into account.

Q130 **Claire Hanna:** As I said, we have sympathy with that, and I believe in devolution and not just cutting and pasting. My concern is that it is priorities in words, but not necessarily in allocation. I am not convinced that that stabilisation, which we all understand, is adequately happening.

The draft budget says that it is being viewed through the lens of the PFG and that the need to maintain existing services until transformation efforts deliver means the level of funding that can be allocated purely on priority is limited. That is what we have just been discussing. I read it as saying, "Public services are so badly run at the moment that any additional funding goes to that and not to the priorities".

How are we breaking that cycle? We heard in the previous session that less than a third of a percent of the budget is being allocated to transformation. Your top budget official said last week the Department has an unprecedented amount of funding this financial year. Are we going to break the cycle if more of that is not allocated to transformation? I do not see how we are adequately using the additional cash that we have in this moment.

Dr Archibald: The top budget official, Joanne, is next to me.

Claire Hanna: I did not want to name names, but I am attributing a direct quote.



Dr Archibald: The funding that Joanne was referring to was the in-year funding that we received in Barnett consequentials this year, which was just over £900 million. That is unprecedented outside of covid. When you hear what British Ministers, the Chancellor and other spokespeople have said about the reset in public services, the scale of the in-year funding that we received, particularly in October, was indicative of the challenge and the underfunding of public services that we have seen over the past decade and a half.

We do not anticipate receiving similar amounts of money in the next financial year. When it came to the October monitoring round, we received about £630 million in Barnett consequentials in terms of day-to-day spending. We, at that point, had overspends being projected by Departments at £780 million. The ability to utilise that for anything other than public service delivery was not there, and it has been allocated to try to help Departments address their pressures.

Within those pressures, of course, is public sector pay, and that is something that we all want to see resolved and progress made on. Progress is being made in relation to that and we have just completed January monitoring. At that point, Departments indicated to us that they still had about £79.3 million of projected overcommitment. We only had about £15 million resource DEL to allocate at that point, and that still leaves Departments a little bit short, but my Executive colleagues are all committed to living within their budget.

I am quite confident that that is the position that we are going to be in by the end of the financial year. I am very hopeful that the Executive will be in a position to deliver a balanced budget in this financial year.

Q131 **Claire Hanna:** I have just a quick one to finish. The BMA told us last week that the health sector needs better targeted funding and not necessarily more. Do you agree with that assessment?

Dr Archibald: There are particular pressure areas in the health service, and I am sure we are all familiar with them through our own constituency offices, as well as all of the representations that we receive from health representatives. Clearly, there is a need for transformation within our health service.

It is a challenge to be able to deliver that alongside running the health service in itself. Transformation requires investment, but we do need to see those plans coming forward. We are all very committed to supporting the Health Minister in doing that, and I am more than happy to have conversations with him in relation to how we can better target that funding, to ensure that we are delivering in relation to that.

We have seen acute pressures over the course of the past month or so in our health service, both on the workforce and on those who are sitting in A&Es and elsewhere waiting. It is important that we all pay gratitude to those workers as well, because they are under significant pressure.



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In trying to address the pressures and the shortfalls on service delivery, it is about delivering for the people who are dependent on the health service, but also about trying to help and support those who have to work in the health service who are doing a very good job under significant pressure.

Q132 David Smith: Good morning and thank you, Minister, Neil and Joanne, for joining us and for your answers so far. There has been a lot of talk of the level of need in Northern Ireland and the 124%. There seems to be common agreement that the level of need in Northern Ireland per head is higher, compared to the average in England.

However, the Northern Ireland Fiscal Council's independent analysis has suggested that Northern Ireland is actually receiving more like 125% to 127% per head. What is the Executive's view on Northern Ireland's level of need?

Dr Archibald: The figures that you are quoting in relation to the 125% to 127% would, I assume, include the financial package that was agreed with the Executive upon restoration. That does just about bring us to need and maybe just slightly above for this financial year and next financial year, but we were being funded below need in advance of that. That had an impact on public service delivery.

As has been well documented, there were overspends accrued in the period when the Executive was not functioning. That has also had an impact on our ability to deliver public services. The Fiscal Council has provided very helpful analysis in relation to what our level of need potentially is. The Executive's view is that there are other factors that should be taken into account in relation to that as well and that would push our level of need above the 124% level.

As I said in my earlier answers, we are working at the minute to provide that evidence base. We are working with Departments to have appropriate data to support that evidence base. I very much welcome the fact that Professor Holtham is going to do an independent analysis to help us make that case. Neil, do you want to add anything in relation to that?

Neil Gibson: Yes, if I may. It is important to say—it links back a little to the previous question on the programme for government—that it is all about the stable platform from which you would do a journey of transformation. If I use a rather crude analogy, what we, as officials, would spend our energy and time doing is very different if what you are preparing for is to go off a cliff, as opposed to what you would do to prepare if you were about to climb a steep mountain.

We have to think about that analysis. With the financial package, we are above need, but there is no surety of that in the future. To turn it into practical terms, would you be hiring today AI data scientists—people to help you think about ways to transform—or would you be saying, "Do not recruit anyone, because we are going to go off a cliff in 2026-27"?



It comes back to this very important fundamental point about having surety of funding and a reliance on the fact that you will not have to try to operate in a system below any level of objective need. The harm that that does is not only immediate, but long-lasting and generational in some cases. We have had to try to rely on pots of money or top-up money, which will maybe avoid that catastrophe happening.

That is not really a very stable platform for us to look at the programme for government and put the energy of the officials I have working for me into bringing forward to the Executive, to Ministers, a set of transformation ideas or prospects, maybe around those priorities that we have discussed. That is very different to when you are spending most of your time and energy trying to argue and debate whether you just have enough money today.

The important point here is about surety and forward sight. That is absolutely imperative to deliver on a programme for government and, indeed, to maximise the benefits from multi-year budgets, which I am sure we will talk about. It is the surety as well as the actual in-year level. Going back to one of the very first questions, you can say from one perspective we spent at our need, because we had an overspend in a previous year. That is no platform for making any strategic decisions about transformation and change, when all your energy is put into trying to negotiate in-year.

It is very important that we get the funding mechanism and its operation right and correct, at the correct level of need, to ensure that we are not doing lasting harm.

Q133 David Smith: I take from both of your answers, Minister and Neil, that the Executive will submit an argument to the UK Government that the level of need should be different from 124%. I hear the point about multi-year funding, and it seems to me that the Government's plan to move forward, across their fiscal approach, is multi-year funding.

As you know, in managing any budget, income is important, but so is expenditure. I just want to ask whether you think the Executive are delivering fiscally efficient departmental budgetary oversight. If they are, how do the overspends keep happening?

Dr Archibald: You perhaps will be aware that the Executive recently published a budget sustainability plan. That was a condition of the financial package, but it was actually a piece of work that we were very happy to do and that we are very keen to build upon. That set out how we will deliver a balanced budget within this financial year and how we will deliver a balanced budget within the next financial year.

We made a number of commitments as an Executive as part of the budget sustainability plan, which include, for example, the regular strategic consideration of income generation. They include, as we have already talked about, implementation of multi-year budgets where



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possible. That is imperative to give Departments and others who access public funding the ability to plan. There is other technical stuff in there that we have committed to doing, which will improve the budgetary oversight and promote transparency and accountability.

Also, to one of your points about overspends, the most important thing is that we are properly funded and that we are funded according to our need. The point that I always make in relation to that is that there needs to be proper investment in public services at a British Government level. Otherwise, being funded to relative need is only useful if there is enough money going into public services in the first place. In my opinion, that has not been the case over the past decade or so.

The Executive have agreed to look at a workplan in the future to help secure and maintain sustainable finances. That is a piece of work that we are currently focusing on. Each Department will develop its own five-year plan about how it will deliver on a sustainable budget. It is a piece of work that, as an Executive, we see as necessary and that will very much tie in with the much needed work in terms of transformation.

Neil, you might want to add to that as well with what you are doing around budget improvement work and the budget improvement plan, to try to do things like tie together our budget and the PFG better.

Q134 David Smith: If I may, Minister, I will just come in on that question. Sorry, Neil. I am mindful of time and there is one question that I really want to ask. It links to the last point that you just made there, Dr Archibald. I know this is a big question, so try to give a brief answer if you can, but I am aware of what I am asking.

In a challenging fiscal context for Northern Ireland, but also in the context of, as you said, unprecedented grants outside of covid from central Government, there is a lot of money going into Northern Ireland at the moment. Does the very way that the Executive is structured help or hinder fiscal efficiency? Just to be absolutely blunt, I am thinking of the risk of silos in Departments. Is that a contributing factor to the issues we are seeing about overspends and the fiscal sustainability of the Executive?

Dr Archibald: On one of your points, as a point of clarity, just in the first instance, when we talked about the unprecedented funding in-year, we were referring to the Barnett consequential that came across. That was funding that went to other parts as well, to England, to Scotland and to Wales.

In relation to our constitutional set-up, as part of the Good Friday agreement, every Department and every Minister is autonomous. That is the nature of our institutions. Of course, that brings with it challenges but, as an Executive, we try to achieve a collective vision and programme for government that has a set of collective objectives. When we develop



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things like the draft budget, we do that on a collaborative and collegiate level.

Of course, every single one of my Executive colleagues will make the case, as I am sure every Minister in a Department in England will do, as to why their Department needs more money and how they need to deliver on their objectives and manifesto commitments. It is just the nature of any coalition government.

There are going to be challenges in terms of priorities across the board, but there is a real focus on us working together to deliver. That has been a feature of this Executive since we have returned and there is a need to have that sense of collaborative working. That challenge is ongoing and I am quite sure will remain.

Q135 Simon Hoare: Good morning, witnesses. Minister, could I ask you this? I am becoming increasingly encouraged, I have to say, that there seems to be a step change in the MO of the Executive, which is building on mutual trust and collaborative working to face into those difficult and challenging political decisions that need to be taken to transform public service and other elements of administration.

To pick your brains on this particular point, is that a fair assessment as to where things are? Can we relax a little bit about the possibility that difficult and challenging decisions will be put off, because somebody somewhere might threaten to destabilise or pull down the Executive, and then the Treasury and Whitehall will—to use that Nye Bevan phrase—stuff people's mouths with gold in order to get the thing back up and running, but the fundamental transformation will have been dodged, because of political instability and lack of trust?

I sense that, in recent months, there has been a sea change in the thinking. I would really value your demolition of that proposal or augmentation of it.

Dr Archibald: I would agree with your assessment. The Executive are very committed. There is an expectation on us to deliver, and that is something that we all feel. We all know the challenges that faced society when there was no Executive, the budgetary challenges and decisions that stacked up, and the inability to move forward in the way that people would expect.

There is a very clear expectation from the public and, as an Executive, we are very committed to working together to deliver for people. The programme for government had a set of collective objectives. Those were things that were quite easily put together, because parties were coming from a very similar place in relation to a lot of those issues. They are issues that are raised with us on a regular basis.

From a budgetary perspective, we are very committed to that stabilisation and transformation. The Executive agreed the budget sustainability plan that I referred to in a previous answer. The Executive



are collectively committed on that need for transformation and we have the Public Sector Transformation Board in place. I hope to have proposals discussed in relation to that at the Executive tomorrow.

We are making good progress on a number of areas and, as I say, there is a very collegiate and collaborative environment within the Executive, as well as a willingness and desire to work together and to be able to deliver for the people we all collectively represent.

Q136 Simon Hoare: I have a final follow-up. I readily accept your analysis that the public were calling for this transformation, saying, "For heaven's sake, get on and do it. We have had too much hiatus over the years". To pick up on David Smith's latter question, is that appetite now spilling over into ideas on which the parties can agree about how and when to reform some of the structures and constraints in and around the Executive, such as Executive formation and how policy is arrived at? That would underpin Executive and wider Stormont stability.

Dr Archibald: To understand the question that you are asking, is it in relation more to reform of the institutions? Is that what you mean by that?

Simon Hoare: Yes. In essence, if the wider public sector and public services are undergoing a long-overdue process of analysis for transformation opportunities in order to deliver more bang for the buck, better service, and so on, is there a concomitant workstream under way about how the Executive itself can transform and be reformed? Yes, change to the institution—in the old language—if you will, was the driver of my question.

Dr Archibald: We are all very cognisant of why we have the constitutional set up that we do and the need for those protections that are built in, but there is a conversation in relation to reform. It is a discussion that certainly I am up for. There is, of course, a mechanism to have that conversation: the Assembly and Executive Review Committee. There is an intention to look via that at the type of reforms that could be taken forward.

It is very important that we have institutions that are fit for purpose and that those institutions work in the best interests of the people we serve. The committee should be afforded the space to do the work it needs to do and to present any proposals but, as I say, there are protections built into the Good Friday agreement and they are there for a reason. Of course, things evolve over time, but we just have to strike that balance and ensure that those are maintained.

Q137 Dan Aldridge: We have covered quite a lot of this question. I would like to ask about what steps the Executive are taking with UK Government to ensure there is no cliff edge in funding from 2026 to 2027.

Dr Archibald: That is something that I am very exercised about. Neil has spoken about this in the session as well. We developed the budget



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sustainability plan, and it was about balancing our budget and looking forward. The budget sustainability plan you would put in place if you were going off a cliff, so to speak, would be very different from the one that we developed based on the assurances that we had, in the interim fiscal framework, that we could plan on the assumption that we would be funded at or above the 124% level of need.

To recognise that we have a level of need and then not to fund us at that level of need would be unconscionable. It would be unacceptable, from my perspective, that we would go off a cliff in 2026-27. It is something that will have my clear focus in the weeks ahead, as we come towards the spending review, in order to ensure that we are being funded going forward from the next spending review at the appropriate level of need. As we have already discussed, we are doing that work to determine the actual level of need and ensure that we have the evidence base to support that.

Q138 Dan Aldridge: Just for my clarity, I think I am aware of the work the Executive have done. It is more about the link between what the Executive have done and the UK Government. What steps are there? Is there anything we can help with?

Dr Archibald: There has been ongoing engagement between my Department officials and Treasury officials, and between me and the CST. There is an awareness that there is a next step to the interim fiscal framework in terms of that level of need conversation.

There is a commitment written into the interim fiscal framework that those concerns about the level of need in 2026-27 and beyond would be addressed at the appropriate spending review, which is the one coming up now in June. A very clear path of work is being undertaken in relation to that between both the Executive and the British Government.

Q139 Dan Aldridge: Is there anywhere we can look at what that looks like? Is there a document that explains a bit more about what that course of work looks like, so we can get a sense of what magnitude that is? I am really interested in what that looks like, from a transparency perspective, rather than anything else.

Dr Archibald: We have the interim fiscal framework, which I am sure you will have. That sets out what has been agreed and the next steps in terms of a final fiscal framework. That would be one thing to refer to. There are ongoing negotiations between the Department of Finance and Treasury, so it would be difficult to provide anything in that space until we are closer to a conclusion in relation to some of that work.

You talked about support. There is some clarity required in the course of that negotiation. For example, you will be aware about how agriculture funding was un-ringfenced for the devolved Administrations in the Budget for next year. How that is treated in our level of need calculation is something that needs to be worked out. Sir Robert Chote referred to that



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as well, in his evidence session. There is work ongoing and there is a pace to that work, because there is a very clear and tight deadline in relation to it.

Neil Gibson: Minister, if I may add to that, it would be useful to give the Committee some reassurance that it relies on a fairly small team, both in Treasury and, indeed, here in terms of that engagement. I will just put on record that those are tremendously strong relationships, built up over a very long period of time, between Joanne and my side and many colleagues in the Treasury. I have no concerns about either the competency of officials on both sides working on this or their dedication to work together.

I certainly have no complaints about the level of engagement at that. Looking at the analysis and data now, it is going to ramp up a bit, but we have tremendous working relationships with our Treasury colleagues. It is quite a niche area, so it is not a huge team of people on either side, but there are very strong working relationships between the two groups of officials.

Dan Aldridge: That is very helpful. Thank you.

Q140 **Dr Pinkerton:** My questions are going to be about revenue raising, and I recognise that this is a sensitive and challenging issue. Clearly, the Executive's fiscal framework includes a target of generating £113 million in additional revenue by April 2026. The Secretary of State has made it very clear to this Committee that raising that money or money close to it was one of the conditions of the Executive's restoration funding package.

What plans do the Executive have to introduce further local revenue raising measures?

Dr Archibald: First, on the condition point, it was a condition to write off the overspend. As an Executive, we would have said there should have been no conditions attached to that, because the overspend was accrued while we were being funded below need. However, Treasury took a different view. We were able to get flexibility.

Initially, it had wanted that £113 million raised in this financial year. Given the limited fiscal levers available to us, the only option would have been to put up domestic and non-domestic rates by 15%, which would have been counterproductive, in my view, and I was not prepared to do it. We were able to negotiate that with Treasury. We have made very good progress in relation to that. We have raised over £80 million additional this financial year, and we will be projected to hit £129.4 million collectively over those two years. We will hit that target. I would be quite confident in relation to that.

On the broader issue of revenue raising, the Executive have very limited fiscal levers at our disposal. That does present a challenge and, for me, it is very important that, where we do try to generate income—and we have committed, as part of the budget sustainability plan, to do those strategic



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reviews of income generation—we look at doing that in a progressive way and that we try to do it as fairly and as equitably as possible. It cannot just be about putting charges on people for services that they already receive.

That presents a challenge to us as the Executive but, given the demands in terms of our budget and the desire for us to deliver high-quality public services, it is something that we need to look at. The willingness to do that is there. It is about how we do it, so that we do not put more pain and pressure on people who are not in a position to afford to pay, and we do not take decisions that are counterproductive or that would damage our tax base and do damage to businesses.

The make-up of our economy is very different to that of England. That is something that we are very conscious of in terms of the decisions that we are taking.

Neil Gibson: All I would add to that is to echo the Minister's point about the very different structural nature of the economy, both in the sectors that this particular part of the UK specialises in and in its tax base itself. That crude instrument that is rates has a very particular sectoral mix within it as well, meaning that decisions in that area have particular impacts on sectors such as retail and tourism.

As the Minister said, it needs very careful consideration, but it is also worth drawing attention to why it matters to make those small changes or tweaks, which may seem very limited in overall fiscal terms. We, as officials, need to bring lots of ideas and suggestions forwards. Even minor changes or tweaks can also play an important part in maintaining the progressive nature that the Minister has spoken of.

They also help that journey of change and transformation within civic society, where there is recognition that reliefs need to be reviewed or that any measure should be considered fully, even if it is a small amount. It is a good reflection on the Executive thus far that there is a suite of smaller measures, and it has not simply been around that one crude instrument, because, as the Minister said, there are very limited tools for significant revenue raising.

There is structural difference, but also a need to consider every measure, however small. That is an important part of the workstream.

Q141 **Dr Pinkerton:** Thank you, Mr Gibson and Dr Archibald, for those answers. Both of you have alluded to the fact that the Northern Ireland Executive have, as you have characterised it, limited levers or options for revenue raising. That does raise, for me, the question of whether you would advocate for access to more levers, in the same way that Scotland and Wales might have.

Two examples might be varying levels of income tax or varying stamp duty. Are those things that would be helpful to you? What impact do you



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think they could have in closing this fiscal gap that you have? Do the institutions of Northern Ireland have the capacity to take on those additional functions and, indeed, what else would the institutions need in order to deliver those?

Dr Archibald: That is a piece of work that we are keen to progress as well. It is written into the interim fiscal framework that we will look at the principles of fiscal devolution. My predecessor, Conor Murphy, when he was Finance Minister, set up a fiscal commission, which reported in May 2022. It made recommendations about fiscal powers that would be potential candidates for devolution.

Officials in my Department are taking forward that piece of work as well. As Neil referred to earlier, we do have quite a small fiscal team and their immediate focus has been in relation to the level of need work, but this is also an important piece of work. As you referred to, there are some tools and principles that would be required to be negotiated out to support the devolution of any additional powers, including, for example, budgetary management tools. That is going to be the next iteration of the work in relation to the fiscal framework.

It is incumbent on me to say that there will be different political views in relation to the devolution of fiscal powers. I would be very much in the camp of advocating for them. Others might not be quite in that place. We, as an Executive, will have to take a position in relation to that, but it is an area of work that I am certainly keen to progress. I do see it as giving us the ability to generate income, but also to direct and to achieve policy objectives, which is just as important.

Neil Gibson: If I may add to that, any devolution and policy decisions are inherently political, but what is important, reflecting on some earlier comments, is taking a long-term view in the programme for government, looking towards multi-year planning and budget cycles, and, indeed, the work we are doing on the sustainability plan under that programme of work for the Minister.

Once you have a strategic direction and you know exactly what you are aiming at, what type of services you aspire to deliver and what quantum of funding you might get under a more stable funding formula, you can look at what that differential is and ask a strategic question about the level of transformation and change that you can do to drive the closing of that gap and, potentially, what revenue raising is possible.

In other words, revenue raising is not in itself the goal. The goal is to try to deliver the kind of quality services that citizens demand and expect. That is much better done with the type of long-term, strategic thinking that the Minister has been talking about and her drive towards multi-year budgets and long-term, five-year sustainability plans around different Departments' spending trajectories. It should be considered in the context of delivering services, rather than to meet a commitment of



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closing a gap. That is much more likely to get civic engagement and support for such a change.

Dr Pinkerton: That is really helpful. Thank you, all.

Chair: Thank you very much. I know that the Committee will be very keen to follow up on a few issues by writing to you, but can I thank you very much for your time? I will call the meeting to a close.