

Northern Ireland Affairs Committee

Funding and delivery of public services: follow up: Government Response

Second Special Report of Session 2024–25

HC 1096

Northern Ireland Affairs Committee

The Northern Ireland Affairs Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Northern Ireland Office; administration and expenditure of the Crown Solicitor's Office (but excluding individual cases and advice given by the Crown Solicitor); and other matters within the responsibilities of the Secretary of State for Northern Ireland (but excluding the expenditure, administration and policy of the Office of the Director of Public Prosecutions, Northern Ireland and the drafting of legislation by the Office of the Legislative Counsel) and its associated public bodies.

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Second Special Report

The Northern Ireland Affairs Committee published its First Report of Session 2024–25, [Funding and delivery of public services: follow up](#) (HC 477), on 7 April 2025. A letter from Secretary of State for Northern Ireland and the Government response were received on 17 June 2025, and are appended below.

Appendix 1: Letter from the Secretary of State for Northern Ireland, dated 17 June 2025

Dear Tonia,

I am grateful for the work of the Northern Ireland Affairs Committee in producing its follow-up report on “The Funding and Delivery of Public Services in Northern Ireland”. We recognise that, despite substantial UK Government support and increased political stability since the previous Committee’s initial report, the challenges facing public services in Northern Ireland remain significant.

We all want public services in Northern Ireland to be sustainable and affordable and at least equal in accessibility and quality to those available in the rest of the UK. That is why we are continuing to work with the Executive to transform public services outcomes, through record levels of funding, offering bespoke support as an active partner, and sharing best practice across the entire UK.

We welcome your assessment on the state of public services, one year on from the previous Committee’s initial report, and recognise that improving public services will not be quick or easy. There are very real pressures facing

public services in Northern Ireland, and in many areas those services are falling behind the rest of the UK. Your follow-up report rightly highlights the challenges on health and special educational needs services.

However, renewed political stability since the restoration of the Executive alongside the biggest ever real-terms devolved budget settlement delivered at the recent Spending Review, means I am optimistic the Executive has the means to invest in transformation to improve services in the long-run. The Northern Ireland Executive will receive £19.3 billion per year on average between 2026–27 and 2028–29, and it will continue to receive over 24% more per person than equivalent UK Government spending in the rest of the UK.

The UK Government has also committed £235 million through the Transformation Fund which is ringfenced to transform public services. This funding is being administered via the Public Sector Transformation Board (PSTB) which was established as a condition of the £3.3bn restoration package for the Northern Ireland Executive. Since then, the Government has been working closely with the Executive Office through the PSTB and in March we successfully allocated £129m to six innovative transformation projects including; £61 million to the Department of Health's Primary Care Multidisciplinary Team to stabilise primary care; and £27.5m to the Department of Education to support children with special needs. More details of all six projects are available at Annex C. In addition, progress is now well underway to monitor and evaluate the use of these funds and we will continue to work to ensure the remainder of the funding is allocated to more transformation projects in the coming months.

We remain committed to working with the Executive on our shared goal of improving public services. Earlier this year the Executive agreed to a Programme for Government, the first time this has been achieved in over a decade, which has set the scene for the Executive to invest strategically and improve outcomes in the long-run in a sustainable way. I very much hope they will take the opportunity to do so.

We note the recommendations made in this follow-up report, notably pertaining to needs-based funding, multi-year budgeting and tax devolution, and you will find attached the Government's response to these recommendations in turn.

I would be grateful if you could share this letter with members of the Northern Ireland Affairs Committee and I look forward to appearing before the committee later this month.

Yours sincerely,

THE RT HON HILARY BENN MP
SECRETARY OF STATE FOR NORTHERN IRELAND

Appendix 2: Government Response

Recommendations on challenges facing public services in Northern Ireland

Recommendation 1 (*Paragraph 41*)

1. “The Government must engage constructively with the conclusions of Prof. Gerald Holtham’s independent review of Northern Ireland’s level of need in deciding future levels of, and mechanisms for, needs-based funding. In negotiations with the Executive on the final Fiscal Framework, we urge the Government to backdate assessed need to the start of the 2021 Spending Review period, in order to include it in the Block Grant baseline figure for the next Spending Review period—or, alternatively, having acknowledged the shortfall during that Spending Review period, compensate Northern Ireland in future years.”

UK Government response:

2. The independent Northern Ireland Fiscal Council acknowledges that the Executive has received the funding it needs in recent years through a combination of the block grant, additional UK Government funding packages, and locally generated revenue. The Executive is also funded above its relative level of need for the current financial year due to the commitments of the Executive restoration package.
3. The SR provides £19.3 billion per year on average for the Northern Ireland Executive between 2026–27 and 2028–29. This is the largest settlement in real terms since devolution in 1998.
4. The Northern Ireland Executive will continue to receive over 24% more per person than equivalent UK Government spending in the rest of the UK, which is above their independently assessed level of need. The agriculture funding un-ringfenced and baselined for the Northern Ireland Executive at Phase 1 of Spending Review 2025 is not included in the relative funding calculation. The Northern Ireland Executive block grant is increasing in real terms.

5. Alongside the SR, the UK Government has published the methodology for calculating Northern Ireland Executive relative funding. This has been jointly agreed with the Northern Ireland Executive. The UK Government and Northern Ireland Executive have also agreed to immediately begin negotiations on a full Northern Ireland Executive Fiscal Framework. The scope of negotiations will include Northern Ireland Housing Executive borrowing and the Holtham Review of Northern Ireland's relative need also published at the SR.
6. We often hear the Executive say that more funding is required from the UK Government, but there have been missed opportunities for reform, whether because of the collapse of the institutions or lack of agreement in the Executive on decisions on the allocation of resources. At the same time, the Executive has chosen to raise less revenue, whilst benefiting from the third highest expenditure per head (19% above the UK average).
7. Whilst we all recognise that some progress has been made to improve public service outcomes, more important and difficult decisions for the Executive lie ahead. Our priority has always been to support the delivery of sustainable public finances and services in Northern Ireland. We are committed to being an active partner in supporting the Executive achieve its goals for the people of Northern Ireland. More time is needed to ensure that any further agreement on the long-term fiscal framework for Northern Ireland is robust and will serve the purpose of supporting the fiscal sustainability of Northern Ireland's public finances.

Recommendation 2 (Paragraph 62)

8. "The Government must provide stable, sustainable, multi-year funding as part of future budget settlements, to enable the Northern Ireland Executive and service providers to plan for long-term public services transformation."

UK Government response:

9. The Chancellor of the Exchequer has confirmed multi-year funding for the Spending Review period until at least 2028–29. As per the New Decade New Approach commitment, we would expect the NIE to also return to multi-year budgets.

Recommendation 3 (Paragraph 74)

10. "As a matter of urgency, the Government and Executive should agree to a final Fiscal Framework which includes a route map to potential further fiscal devolution—to improve Northern Ireland's public services and the daily lives of all the people of Northern Ireland."

UK Government response:

11. The previous UK Government agreed an interim Fiscal Framework with the Northern Ireland Executive to ensure the long-term sustainability and health of Northern Ireland's public finances.
12. Alongside the Spending Review, the UK Government has published the methodology for calculating Northern Ireland Executive relative funding. This has been jointly agreed with the Northern Ireland Executive.
13. The UK Government and Northern Ireland Executive have also agreed to immediately begin negotiations on a full Northern Ireland Executive Fiscal Framework. The scope of negotiations will include Northern Ireland Housing Executive borrowing and the Holtham Review of Northern Ireland's relative need, also published at the Spending Review.

Annex C: Public Sector Transformation Board Projects

Following the allocation of £235 million Transformation Funding to the Executive as part of the restoration package, on the 4th March 2025, the Northern Ireland Finance Minister announced £129 million of funding for the first six projects. The proposals being funded are:

- £61m for the Department of Health's Primary Care Multidisciplinary Team (MDT) proposal to help stabilise Primary Care, focus on prevention and management of conditions away from hospital settings and better utilise the skills of the community and voluntary sector. This funding will enable completion of the model in the seven existing MDT areas and expansion into five new GP Federation areas.
- £27.5m for the Department of Education's proposal to support children with special educational needs to reform services to ensure better outcomes for children. This proposal will support a suite of pilot programmes focused on early intervention and building an appropriately skilled education workforce.
- £20.45m for the Department of Justice and Public Prosecution Service's proposal on Speeding Up and Transforming the Criminal Justice system to reduce delay, maximise efficiencies and free up capacity in the courts for more serious cases.
- £2.19m for the Department of Justice's Electronic Tagging proposal, to transform the way in which they monitor individuals released into the community.

- £15m for the Department for Infrastructure's Urban Drainage proposal to fund a pilot project for transforming the way in which rainwater is managed in our towns and cities.
- £3m for the Department for Infrastructure, for its Transforming Planning proposal to help the Planning Appeals Commission address its resource issues through making improvements in the planning system.

In addition to the £129m allocated, a further £0.3m will be allocated to the Executive Office to undertake a Digital Maturity Assessment of 18 proposals focused on digital transformation.

The Government will continue to work with the PSTB monitor and evaluate allocated funding, and seek to identify more projects designed to transform public services across Northern Ireland.