

**WRITTEN MINISTERIAL STATEMENT TO THE NORTHERN IRELAND
ASSEMBLY**

UPDATE ON THE EXECUTIVES BUDGET SUSTAINABILITY PLAN

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BY

DR CAOIMHE ARCHIBALD MLA

MINISTER OF FINANCE

I would like to provide members with an update on the Budget Sustainability Plan.

My written statement to the House on 15 May 2024 regarding the Interim Fiscal Framework set out that the framework contained a requirement that the Executive publishes a Budget Sustainability Plan as part of the actions required to avoid the repayment of the £559 million Reserve Claim.

However the agreement of the Plan is not simply about meeting a Treasury target.

We are all aware of the ever-increasing pressures on our budget not least because of the years of Tory austerity and the underfunding of public services, coupled with changing demographics, geopolitical and economic challenges and the need to protect our environment. All of these place ever increasing demands on our public services. Our citizens deserve good public services.

It is only with long term planning, transformation and adaptation that we will be able to provide those services.

We need budgeting and financial management that looks at tomorrow as well as today and is not constantly focussed on the short term.

When it comes to public finances, our aim is to secure and maintain sustainable finances and integrate sustainability into the Executive's processes, developing comprehensive longer term sustainability plans, and improving budget practices.

The publication of the Executive's Budget Sustainability Plan today will be the impetus required to drive further improvements in our fiscal system.

CONTENTS OF PLAN

The Budget Sustainability Plan covers the following elements:

- The process to deliver a balanced budget in 2024-25
- The process to deliver a balanced budget following completion of the next Spending Review.
- An assessment of the existing in-year monitoring process, with consideration given to the Fiscal Councils 'Improving Transparency of In-Year Monitoring' publication.
- An assessment on the sustainability of funding of Executive policies, including looking at options for delivery of efficiencies, income generation, self-financed expenditure, enhanced borrowing powers etc.
- An assessment of how the executive will meet the condition in the financial package to raise at least £113 million in additional income from 2025-26.
- How budget management tools could be used to ensure the delivery of a balanced budget.

It sets out what is required to sustainably manage public expenditure including the existing checks and balances for monitoring the 2024-25 Budget.

It also covers the key components required when developing and implementing a balanced budget going forward and a review of the in-year

monitoring process and a discussion on the sustainability of funding Executive policies.

Income Generation

The Plan also sets out how the Executive will generate the £113 million of additional income with departments having identified and quantified additional income for the financial years 2024-25 and 2025-26.

The options put forward to meet this £113 million target are not exhaustive, but rather represent the most realistic options for shorter term income generation.

As the 2024-25 Budget has been set, the decisions on the associated income generation in this financial year have already been taken by Ministers and the position is generally clearly quantified. We are currently projecting that approximately £80 million of additional income will be raised this financial year. The Plan provides a detailed breakdown of the source of income generation with approximately half of it coming from the Regional Rate increase.

Decisions on this additional income have been taken by myself, other Ministers and the Executive, with the aim of progressing public services in a sustainable and progressive way. Consideration of the financial context of those who pay, with a particular emphasis on protecting those who are most vulnerable in our society, is a key part of our decision-making.

As the budget envelope for next year will not be known until the Spending Review later in October the figures for 2025-26 are projections based on either a department's best estimate at this stage or on an increase similar to that applied last year. Ministers will take final decisions on 2025-26 income generation as part of their budget setting processes.

I believe this is a pragmatic approach until a fuller understanding of the overall 2025-26 financial picture is known.

Lastly, the plan also contains a synopsis of the Budget management tools that currently exist and could be implemented to assist the Executive in providing sustainable finances.

The plan will help the Executive consider and bring forward fully informed policy choices that provide the vital stable conditions for economic development that allow our local businesses to not just survive but to thrive, while also allowing us to deliver public services as effectively and efficiently as possible.

Today's publication of the plan includes five key commitments agreed by the Executive:

- The implementation of multi-year budgets where possible.
- The routine publication of supplementary financial tables for in-year monitoring to promote transparency and accountability.
- The regular, strategic consideration of income generation measures.

- Engagement with Treasury on flexible use of existing tools and longer-term solutions including those that will form part of any Fiscal Framework.
- Agreement to a future workplan to help secure and maintain sustainable finances.

As part of this future workplan, the Executive has agreed to the following key actions:

- Development of departmental Financial Sustainability Plans - comprehensive five-year financial sustainability plans for each department, looking at what a department plans to deliver and how it can do so within its budget.
- A Budget Improvement Plan - focusing on key strategic improvements to the Budget process.

This workplan is envisioned to be the platform that will allow us to begin integrating important sustainability discussions into the heart of our processes and decision making while allowing the development of longer-term plans and improvements to the budgeting process.

I have established a small budget sustainability unit within my department to lead on this future work programme and my officials have already begun the work of engaging with groups and organisations who are keen to meet and provide views on how the delivery of public services can be improved.

CONCLUSION

The Budget Sustainability Plan provides a strategic framework for financial planning, highlighting the important work already done and the significant work still to be undertaken and a focus on the difficult policy choices we face.

However, the development of the Budget Sustainability Plan is not sufficient on its own to avoid the repayment of the £559 million overspend. The Executive must deliver a balanced budget for 2024-25.

Members will be aware of the budgetary pressures facing us after my speech to the House on 10 September 2024, outlining that departments have reported some £767 million of pressures above their budgets.

Therefore, alongside today's publication of the Budget Sustainability Plan all Ministers will have to play their part and take necessary action to live within their budget.

Collectively we all must work together to ensure a balanced Budget is delivered. Not doing so would have grave consequences for future funding and our public services.

Copy of Budget Sustainability Plan Attached Separately