

Pivotal written evidence for Northern Ireland Assembly Finance Committee

Proposed draft multi-year budget for 2026-29/30

Pivotal offers the following initial comments ahead of giving oral evidence to the Committee on Wednesday 18 February. Our comments are made briefly here, and I will be happy to expand on them at the Committee.

Pivotal is the independent think tank for Northern Ireland. Our recent briefing paper [Northern Ireland's multi-year budget - challenges and opportunities](#) (December 2025) discusses many relevant issues about public finances here.

Our headline comments on the proposed multi-year budget are:

1. The Finance Minister should be commended for publishing a proposed multi-year budget for consultation. While a draft budget agreed by the whole Executive would obviously have been preferable, it is helpful to have a published draft for discussion. This is an important opportunity for the Executive to set its strategic direction, albeit in an extremely challenging situation given the funding available.
2. The very small uplifts for departments in the draft multi-year budget are alarming in the context of rising costs (especially pay costs) and increasing demand for services. Total non-earmarked resource DEL is rising by only 0.8% in cash terms in 2026-27, with only four departments (Health, Education, Justice, Infrastructure) receiving any increase. (This is largely due to the end of the 'stabilisation funding' from the 2024 restoration package meaning that NI's Barnett additions for 2026-27 are cancelled out.) After the deduction of £80 million (or more) for this year's overspend, the total available in 2026-27 will be lower in cash terms than the spending outturn in 2025-26. This is unprecedented territory; it is far worse than recent years. As a comparator, Pivotal estimates that NI's resource DEL spending has risen by 5-6% annually in cash terms in the last few years. At present it is completely unclear how living with a lower cash-terms allocation will be managed.
3. It is very concerning that NI has overspent its budget in each of the last four years, and that it seems to have become reliant on one-off injections of funding (or loans) from the Treasury to resolve these overspends. Unless there are serious changes in decision-

making, further overspends can be expected. Pivotal estimates that continuing with current spending patterns would result in an overspend of over £1 billion in 2026-27.

4. We agree strongly that public sector pay settlements should be factored into budgets at the start of the year, to avoid in-year crises with funding pay awards that have been a recurring feature recently. However, it is not at all clear how public sector pay awards will be managed in a context where departments' funding is falling in cash terms. This is likely to become very problematic given the expectation of maintaining pay parity with England in some sectors.
5. Both efficiency savings and cuts to spending will be needed to manage within future budgets. The decisions needed are likely to be significant and unpopular, and go far beyond anything we have seen in recent years. There seems to be little public conversation or understanding yet about the extent of the challenges and the changes that are needed.
6. Transformation of public services is essential and long overdue. Public services in their current configuration are unaffordable, as proven by poor outcome indicators and annual budget crises. Fundamental changes are needed across the board, including for example: looking at how, where and when public services are delivered; whether current service delivery systems remain appropriate; how greater early intervention and prevention can be used; and increased use of technology and AI.
7. Some policy choices in Northern Ireland are making budgetary management very difficult, particularly maintaining public sector pay parity in some sectors, reluctance to raise any more revenue locally, and super parity measures where NI is more generous than England, Scotland and Wales.
8. It is good to see the Programme for Government (PfG) priorities reflected in the proposed budget allocations, and that these amounts will be ringfenced. However, it is very disappointing that the multi-year budget is being set in the continued absence of the longer term Investment Strategy. Moreover, we note that the allocations for PfG priorities only make up a very small proportion of the total funding. We would also caution about the possibility of these ringfenced amounts being breached to meet other pressures in-year (as happened with some health waiting lists funding in 2025-26).
9. While welcoming the proposed multi-year budget, we think it needs to include more ambition and innovation. Apart from the earmarked amounts for Programme for

pivotal

Government priorities, it is largely a roll forward of previous allocations. A multi-year budget should be an chance to do things differently and we are at risk of missing this opportunity. In particular, it would be good to see a more convincing vision for growing NI's economy in the final budget allocations.

10. We are surprised that the budget setting process has simply rolled forward baseline budgets for departments, particularly given how tight the funding allocation is. We would recommend that a more 'zero-based' approach should be taken to existing spending. We assume this will happen in the coming months as departments consider how to spend the funding allocated to them. In addition, one of the aims of the 'open book exercise' to be undertaken with the Treasury in each department will presumably be to produce suggestions about baseline spending.
11. There is very little information in the public domain about more detailed implications of the budget for specific spending plans. While it is good that there is a public consultation, it is very difficult for organisations outside government to give properly informed comments at this stage. Although the Department of Finance has provided lengthy documents, some of the content is not directly relevant to the budget allocations or is so generalized that it is not particularly useful (e.g. the departmental chapters in the main Budget document). Perhaps the most useful detailed information available at present about possible impacts is the final section of the Equality Assessment where departments set out the potential impacts on Section 75 groups of budget cuts, although the information provided is limited and inconsistent. Pivotal would encourage all Departments to publish their five-year budget strategies for consultation, to enable greater scrutiny and discussion.
12. There is no information in the public domain or public conversation about how the Executive will get from its (not agreed) proposed draft Budget to an agreed final Budget by the start of April. It is very surprising that there has not been more discussion in the Assembly or Committees given the importance of this topic and the implications for public services in the next three years. Perhaps this will happen when departments receive their final budget allocations.