



Pivotal response to proposed draft multi-year budget 2026-29/30 consultation

Pivotal is an independent think tank that aims to contribute to improved policy-making in Northern Ireland. We offer this response to the proposed draft multi-year budget consultation on that basis. Our recent briefing report [Northern Ireland's multi-year budget: challenges and opportunities](#) discusses many of the issues raised in this response.

Transparency, scrutiny and public consultation about budgetary decisions are important. We therefore commend the Finance Minister for publishing the proposed draft budget, despite the difficulties.

Pivotal's assessment

The amount of funding available to departments next year is alarming. After the recent reserve claim is taken into account, there is less funding in 2026-27 in cash terms than was spent in 2025-26, meaning many departments will have lower cash-terms budgets next year compared to this year. There is little public understanding of this and the drastic implications for public services and public sector pay next year. Surprisingly little political debate has engaged with the decisions that will be needed. At present it is completely unclear how managing with a lower cash-terms budget will be achieved.

Because of the very limited funding, there is a significant risk that a multi-year budget will not be agreed and/or it will not be delivered in practice, with the tightest budget being in 2026-27. There is slightly more funding available in the following two years.

This is a very challenging situation, which we would say is without precedent in NI's public finances. It needs to be approached with common purpose across the Executive, and to that end it is encouraging to hear about the constructive series of bilaterals between the Finance Minister and Executive colleagues in recent weeks. The amount of funding available is very limited, and we urge all ministers to put aside political divisions in order to find the best solutions.

Forecast overspends in recent years have only been resolved by in-year injections of funding from the UK Government in various forms. It was concerning to see that this trend has again continued into this year, reducing the imperative to make efficiencies and transform public services. Without significant changes to previous patterns of



spending, Pivotal estimates that there could be an overspend next year of £1 billion or more. There is a need for a ‘reset’ in Northern Ireland’s public finances, but at present there is no indication that decisions are going to be made that will bring about the changes needed.

Unfortunately a series of short-term budgetary crises in recent years mean that longer term issues are not properly considered in the proposed budget, for example demographic changes (namely proportionately far more older people and also fewer children), rising demand for some public services (for example Special Educational Needs support), along with the deterioration of our natural environment and the potential impacts of climate change. All of these deserve higher profile in budget setting and service delivery planning.

We are concerned that a multi-year budget is being agreed in the absence of the overdue Investment Strategy. We would urge the Executive to agree and publish this as soon as possible.

Pivotal’s suggestions

The Executive needs to make the best of this challenging situation, trying not to lose sight of the opportunity that setting a multi-year budget provides. We would encourage the Executive to articulate a clear vision for what it is seeking to achieve over the next three years, given it now has the stability of a longer budgetary period. It is good to see the specific funding earmarked for Programme for Government and other priorities (although we would warn that these ringfences are likely to be threatened by day-to-day pressures during the year). Beyond these earmarked amounts, funding seems to have been allocated largely along previous lines. It would be good to see clearer ambition, innovation and ideas for change in the proposed allocations, as well as a much greater connection to the Programme for Government.

Different choices need to be made - spending next year cannot just be ‘more of the same’. Radical and potentially unpopular decisions will be needed if an overspend in 2026-27 is going to be avoided. There is a finite set of options, namely making efficiency savings, cutting services, reconsidering the approach to public sector pay, reviewing ‘super parity’ policies, accelerating longer term transformation, securing longer term savings through reforms to services, and/or raising more revenue locally. In reality a combination of these will be needed. Below are some suggestions:

1. **Reconsider the approach to public sector pay** - we agree strongly that funding public sector pay awards should be factored into departments' spending plans from the start of the year, rather than relying on in-year additions. As set out clearly in the [NI Fiscal Council's recent budget assessment](#), maintaining pay parity with England is one of the main drivers of recurring overspends, because of the relatively larger size of the public sector in NI. Continuing with pay parity will only be affordable by reducing spending elsewhere and/or raising more revenue. While this may be unpopular, consideration could be given to maintaining pay parity for lower earners only, rather than all staff. Alternatively, the size and structure of the public sector workforce could be reviewed.
2. **Put transformation at the centre of all public services** - repeated budget crises alongside poor outcomes suggest that public services here are not affordable in their current configuration. Change is needed to improve services now, and ensure they are affordable in the future as demand increases. Progress needs to be scaled up and accelerated, so that transformation is a central aim right across the public sector rather than just through individual projects. We suggest the appointment of a senior leader with a track record of delivery to head up this work.
3. **Encourage and promote innovation** - public sector staff often have good ideas about how to improve service delivery, for example through service re-design, prioritisation of early intervention and prevention, breaking down silos between services, or greater use of technology. Innovative ideas and practice should be encouraged and rewarded.
4. **Review decisions about local revenue raising** - the difference between local household charges in NI compared to England, Scotland and Wales remains stark (£700-£1,000 per household less in NI annually). In real terms, regional rates revenue raised annually over the next three years will be lower than in 2019-20. Not taking the opportunity to raise more revenue locally is a strange decision given the tightness of the funding available. One option would be to use the rates system to raise funding from higher value properties only, to avoid burdening lower income households any further.
5. **Prioritise growing Northern Ireland's economy** - it is disappointing not to see more of an economic focus in the proposed budget allocations. Greater



investment in infrastructure, skills and innovation would help drive growth in output and incomes.

There are a number of specific current issues that require particular focus in this budget. We would highlight: the need for a full programme of investment in waste-water infrastructure in order to unlock housing supply and economic development; the urgent need to find a solution to the upcoming drop-off in funding for VCS groups from the switch to Local Growth Fund; and the publication of the long overdue Investment Strategy ahead of making decisions on capital allocations in the budget.

Budget documents

We were once again disappointed by the information published in the budget documents. While all the headline numbers are provided, there is not enough detail for consultation respondents to give proper comments about the likely impacts, since there is no information available about how departments will spend their headline allocations, beyond the earmarked amounts. Our main criticism is of the second half of the main budget document, which provides descriptions of what each department does, but without any connection to the budget allocations. The only document which begins to discuss possible impacts on different spending programmes and groups was the second half of the Equality Assessment document, but even this was limited and inconsistent. We would encourage Department of Finance to reconsider the format and content of the budget documents for future years to ensure they are best meeting their purpose.

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