



Draft Budget 2021-22 – evidence for Northern Ireland Assembly Committee for Finance

Pivotal is an independent public policy think tank for Northern Ireland. Launched in September 2019, Pivotal aims to help improve public policy by promoting a greater use of evidence and involving more people in discussing the policy issues that matter to them. Pivotal wants to encourage and enable greater policy debate in Northern Ireland about day to day issues like health, education, the economy and climate change. Pivotal is independent of government and has no political alignment. Further information about Pivotal can be found on our [website](#) .

So far Pivotal has published seven reports including: [Moving Forward - putting Northern Ireland on track for the future](#) (November 2019); [Good Government in Northern Ireland](#) (March 2020), [Covid-19 in Northern Ireland - a new economic vision](#) (June 2020); [Education, skills and training for young people aged 14-19](#) (December 2020) and [New Decade, New Approach - one year on](#) (January 2021) . You can find all our reports [here](#) .

Pivotal welcomes the opportunity to provide evidence to the Committee for Finance on the draft Budget. Our evidence is in two sections:

- A. Comments on the draft Budget 2021-22
- B. The case for change – looking ahead to future Budgets

I am happy to expand on any of these points at the Finance Committee on 10 February.

A. Comments on the draft Budget 2021-22

1. Draft Budget consultation

The time allowed for consultation and scrutiny of this draft Budget is obviously far too short, although this is largely outside the control of the Department of Finance since the overall funding envelope was not confirmed by the Treasury until end November. The result of this extremely compressed timetable will be decisions that are less informed by scrutiny and less honed by challenge. This applies to decisions about how funding should be split across departments, and also to how departments split their allocations across their different areas of spend.

It would seem that one consequence of the lack of time to prepare this draft Budget is an absence of detail in the Finance Minister’s statement and the draft Budget document. Proposed total allocations for departments are given but there is hardly any detail about what these will be used to fund. With the exception of some headline announcements, very little is said about what new spending will be funded, how existing spending might change, or what spending might stop. This

PIVOTAL

makes any scrutiny of the draft Budget extremely difficult, beyond headline comments about the percentage increases for each department and the overall split of the total allocation between departments.

2. Budget envelope and allocations to departments

The overall resource envelope presented in the Budget document is roughly flat cash, which is obviously a tough settlement that will require difficult choices to be made. The overall amount available to departments is expected to increase when the funding is confirmed for the 'Finance Packages' (NDNA, Confidence and Supply, City Deals), plus whatever carry forward from 2020-21 is agreed by the Treasury. Detailed scrutiny is very limited by the lack of information in the Budget document. Nevertheless, below are three headline observations on the allocations to departments:

Health – health makes up 50% of total resource DEL. Health spending is predicted to grow by 6.5% annually, so its share of the total budget will increase year by year, putting growing pressure on other departments' allocations. The need for reform in how health and social care services are delivered is well established, but there has been little progress. Meanwhile, waiting lists continue to grow, and have been made worse by Covid. Without reform, the health and social care system is unsustainable. This reform must be an urgent priority for the Executive.

Education – the below-average percentage increase for education stands out from other departments given the well-known pressures on schools budgets, together with the new need for focussed investment to enable children and young people to recover from the impacts of school closures. Recent research suggests the impacts of lost learning on children and young people are very significant, and risk being long-lasting if rapid support is not provided. The Budget allocation for education does not seem adequate to prioritise the additional learning and wellbeing support needed when children return to school.

Capital – there is a small increase in the capital budget for 2021-22, some of which will be used to fund flagship projects listed in the Budget document. There is a further significant capital allocation anticipated when the Secretary of State confirms the funding for NDNA, Confidence and Supply, and City Deals. There remains an outstanding question here about the status of the NDNA commitment to "turbocharging infrastructure" and how that is reflected in this draft Budget and the Executive's plans.

3. New Decade, New Approach commitments

The Executive returned in January 2020 with an ambitious set of commitments in the New Decade, New Approach deal. Subsequently there was much discussion about the inadequacy of the funding provided by the UK Government given the scale of these commitments. There was less discussion about how or when the commitments in NDNA will be prioritised or delivered. There was progress on some NDNA commitment during 2020, for example settling the nurses' and teachers' pay disputes, independent reviews established in education, progress on key infrastructure projects, and a discussion document published on climate change legislation. There is however no clarity about

PIVOTAL

the current status of many commitments in New Decade, New Approach, for example action on health waiting lists, developing a regionally balanced economy, and driving the delivery of essential infrastructure through a multi-year programme of investment. It is important that the Executive provides further information about whether the NDNA measures are actual commitments that the public can expect to be delivered. If so, what is the process for getting agreement on when and how they will be taken forward, and how they will be funded?

B. The case for change – looking ahead to future Budgets

The remainder of this document reflects on this year's process and suggests ways in which future Budgets could be improved. It makes the case for a longer term strategic approach to budget setting, which prioritises Northern Ireland's long-standing economic and social challenges, and recognises the likely future fiscal environment.

1. Connecting the Budget to the Programme for Government

It is helpful that a draft Programme for Government Outcomes Framework has now been published for consultation. This is long overdue and provides a route to an agreed set of overall objectives for the Executive. There is however no connection made between the Executive's priorities in the Programme for Government and the funding allocations in this draft Budget. Obviously the two should be closely linked, with funding allocations reflecting the Executive's priorities. Similarly, there are numerous strategies under development at present within the Executive, for example an economic strategy, an investment strategy and an anti-poverty strategy. There is a lack of linkage between the priorities that will be set out in these strategies and the funding allocations in the draft Budget. Making a clear connection between the Executive's agreed priorities and the Budget allocations should be an area of focus in next year's Budget process.

2. Multi-year budgets

The Finance Minister noted the importance of moving to multi-year budgets in his statement. This draft Budget is constrained by the Treasury only providing a one year funding allocation this year, but it follows on from a series of one year budgets from the Executive. The last multi-year budget in Northern Ireland was set in 2011. Multi-year budgets are essential to enable longer term planning, particularly investment in capital programmes and public service reform. One year budgets make it very difficult for departments to plan strategically to improve what they deliver. They encourage the rolling forward of existing allocations, rather than considering more fundamental questions about what is being funded and why. Setting multi-year budgets from next year onwards and using them to enable longer term planning should be a priority for the Executive.

PIVOTAL

3. Strategic decision-making

Linked to the need for multi-year budgets is the need for more long-term decision-making. While this year's circumstances are clearly difficult, there is no obvious underlying strategy in this draft Budget. It is largely a roll forward of previous allocations, with some small additions to particular departments for specific spending. The need for a clearer overall strategy is obvious given the immediate implications of Covid and Brexit on health, wellbeing and the economy.

Beyond the immediate, Northern Ireland has an urgent need for longer term strategic decision-making across all areas of spending, with timescales of three, five and ten years ahead. There are long-standing social and economic challenges for example in skills, competitiveness, persistent poverty, health and social care and climate change. These longer term structural challenges are mentioned in para 2.2 of the Budget document, but this does not seem to be followed through into commitments to spend any differently. Without a focus on addressing long-term issues, with multi-year budgets to sit alongside, the reforms that are so overdue in many public services will not even begin.

4. Public service reform

There is little evidence of a commitment to public service reform in this draft Budget, despite the clear emphasis on transformation in New Decade, New Approach. The Budget is largely a rollover of the previous year's allocations, rather than taking any longer term view about how spending and services need to change. The only significant mention of public service reform is in the Department of Health section, where the commitment to service transformation as set out in the Bengoa report is repeated. There is also £49m expected for 'NDNA – transformation' (Table 3.5) but no indication of what this will be used for.

As an urgent priority, the Executive needs to focus on the long overdue reform of public services, not least because continuing to fund services in their existing form will become unsustainable in some cases. There were significant and welcome commitments to public service reform in New Decade, New Approach, but it is not clear whether and how the Executive plans to deliver these. The risk is that the tightness of this Budget allocation combined with the ongoing impacts of Covid will mean that public service reform is once again put off until another year.

5. Getting the best from Northern Ireland's funding

Given the fiscal outlook over the coming years, it would be wise for the Executive to prioritise finding ways to deliver more from the current funding Northern Ireland receives. It is inevitable that the UK is heading into a very tight fiscal period, given the spending to counter Covid and its impacts during 2020-21. This year's block grant allocation is tight, and this is likely to be repeated in coming years. There should not be an expectation that future years will deliver more generous settlements to enable more spending to be funded from the block grant. In this context, the Executive needs to ask more fundamental questions about how it can get the very best from existing funding, including through investment in reform of public services.

PIVOTAL

The Executive should also give serious consideration to other sources of finance than funding provided through the block grant. As one example, the Finance Minister has ruled out increasing the regional rate in 2021-22, but this removes one possible source of increased revenue which could have been used for important spending priorities. The Executive should consider whether this is the best approach given the reduced spending that results. This and other sources of locally-raised revenue should be put back on the table for discussion.

6. Challenge and scrutiny

As noted above, there is limited detail in the draft Budget document to allow scrutiny or challenge. This is partly due to the restricted timescales this year. As well as making sure that better information is provided for future Budget consultation processes, the Executive should prioritise the establishment of an Independent Fiscal Council, as promised in the Fresh Start Agreement in 2015 and reiterated in NDNA in 2020. Such an independent, external body would provide important assessments of the Executive's revenue and spending plans, including looking at sustainability beyond the immediate period.

Ann Watt
Director
4 February 2021