

For immediate release:

A short-term, sticking plaster budget - and the scale of local challenges will only increase

Comment and analysis on the Secretary of State's budget announcement from Ann Watt, Director of Pivotal – the independent think tank focused on Northern Ireland.

Without any increase for inflation, today's budget means huge cuts to valued public services this year – and also risks increasing future challenges. The Secretary of State's announcement is another short-term budget which does little to address the urgent local need for long-term strategic planning, investment and reform.

The budget announced today will have a devastating impact on Northern Ireland's public services, especially for those who are most vulnerable.

While the announcement that the £297 million loan can be repaid in a different way is welcome, this budget still means cuts across all departments – particularly education, communities and justice where funding actually falls in cash terms. While health gets the same cash amount as last year, continuing high inflation means they face significant real-terms cuts, while demand is likely to rise year-on-year, further increasing pressure on services.

However, the problems this budget creates will not stop at the end of this financial year. Cutting schemes that provide early intervention and prevention, or involve spend-now-to-save-later investments, will mean that the issues facing Northern Ireland's society and economy will be tougher to tackle in future.

Having an Executive in place for the past year could have mitigated the levels of cuts required by allowing last year's budget to be balanced better, although this would certainly not have eliminated the current financial pressures.

If an Executive were restored now, it would still face immensely tough spending decisions. However, it would be able to choose what services to support and which ones to stop, pause or significantly reduce. Importantly, the return of an Executive would mean these decisions were being made by locally elected politicians.

Ann Watt, Director of Pivotal, said:

“Northern Ireland's departments now have clarity about their budgets for 2023-24. The scale of the challenge is enormous. Overall, Northern Ireland Departments are dealing

with a budget that is the same as last year but, with inflation at 10%, this will mean serious funding shortfalls in real terms. Severe cuts to services are inevitable.

“Department of Health has been prioritised in the allocations between Departments, but even its settlement is not more than flat in cash terms. Department of Education, Department of Justice and Department for Communities all see their budgets falling by more than 1.5% in cash terms.

“For every department, the impacts will be profound as they have less to spend than last year, in real terms. This will impact on budgets for health, schools, police, prisons, housing, voluntary and community organisations, further education, higher education and many others.

“It is welcome that the £297 million ‘loan’ in 2022-23 is not being taken out of this year’s funding allocation immediately. But it still has to be repaid, and as a result, Northern Ireland will lose out on any in-year additional funding awarded in the rest of the UK this year.

“The extent of these reductions is unprecedented, in real terms. It is hard to see how the impact will not be unprecedented as well. There is little room for greater efficiencies in the short term. Some existing services will either be greatly diminished or will disappear entirely, as we have already seen in education with the Engage Programme, holiday hunger schemes, and the Healthy Happy Minds initiative.

“Ultimately, the consequences of these cuts is likely to fall most heavily on children and young people, and on vulnerable adults. The impact will be felt for years to come because important services will be reduced or removed entirely – meaning the impact of the good work they do will disappear, risking that more challenges will arise in future. In many cases, cutting services now will mean increased costs in the future.

“The budget will be particularly damaging for community and voluntary organisations. That sector faces an extremely tough financial landscape, at a time when more and more people will need their support.

“This is yet another one-year, sticking-plaster budget, following on from a series of other one-year budgets. Once again it is about short-term survival rather than longer term planning. What Northern Ireland desperately needs is a multi-year budget and a proper programme for government, setting out plans for investment and reform across our struggling public services.

“If there is no more financial support available for Northern Ireland’s public sector, then now is the time for some realistic – and very difficult – conversations. If there is no funding for vital public services – and the scope for efficiencies has been exhausted - then we need an open and honest debate about whether we should be raising more revenue locally.”

Several factors led to this budget. The block grant settlement from the UK Government is broadly flat in cash terms. Pay, energy and other costs are rising rapidly. Had an Executive been in place for the past year, it could have managed last year's budgets more effectively – and so avoided losing almost £300m from future funding allocations.

Moreover, many past decisions that have been taken – or not taken – in Northern Ireland are also relevant. When Stormont was up and running, action could have been taken to reform services to make them more affordable now and in the future.

Ann Watt continued:

“The current budgetary problems have multiple causes. The block grant settlement from the UK Government was broadly flat in cash terms, immediately creating big pressures as pay and other costs soared. There was no Executive and no Budget set until very late in 2022-23, and as a result, collectively Departments committed to spend more than the funding available. By the end of October, there was a projected overspend of £660 million.

“That overspend in 2022-23 was partly addressed by borrowing £297 million from 2023-24. While the immediate requirement to repay this has been eased, it will still come out of future funding that should have gone to support services in Northern Ireland.

“While having an Executive would not have removed the budgetary pressures, since the overall amount of funding available would have been the same, it should have meant better budgetary management and at least avoided the £297 million overspend in 2022-23.

“Failures to make good decisions going back years have also contributed to the current problems. There has been no Executive for four of the past six years. That represents chronic instability. The lack of strategic planning and consistent decision-making that resulted is unsurprising.

“Reforms to public service delivery could have yielded savings and enabled more services to be delivered to the public within existing budgets. Although politically unpopular, more could have been done to consider how more revenue for public services could have been raised locally.

“This is all happening without ministers in post to take ownership of decisions. While the Secretary of State has set the funding allocation for each department, it has been left to unelected civil servants to decide which funding programmes will be cut. This is undemocratic and requires civil servants to take decisions which are not their role.”

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Notes to Editors

INTERVIEWS WITH ANN WATT ARE AVAILABLE ON REQUEST

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1. Pivotal is an independent think tank launched in September 2019. Pivotal aims to help improve public policy in Northern Ireland
2. Pivotal's earlier reports are available [here](#)
3. Pivotal's Board of Trustees provides oversight of its work. They are Peter Sheridan (Chair), Chief Executive of Cooperation Ireland; Richard Good, public policy consultant; Sarah Creighton; Jarlath Kearney; Rosalind Skillen; Andrew McCormick; Seamus McAleavey, Chief Executive, NICVA; and Alan Whysall, Honorary Senior Research Associate, Constitution Unit, University College London
4. Pivotal's Director Ann Watt is a former senior civil servant with 20 years' experience in public policy development and delivery. Most recently Ann was Head of the Electoral Commission in Northern Ireland (2014-2019)
5. Pivotal has received funding and in-kind support from Belfast Harbour Commissioners, The Community Foundation Northern Ireland, the Department of Foreign Affairs and Trade, The Joseph Rowntree Charitable Trust, NICVA, Queen's University Belfast, Ulster University
6. For further information about Pivotal see pivotalppf.org or contact Pivotal's Director Ann Watt on 07932 043835
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