

Budget 2020

Ann Watt

06 April 2020

Finance Minister Conor Murphy's Budget statement last Tuesday would have been headline news in most normal political weeks. Certainly the content would have warranted it, with huge increases in departments' budgets and big cuts to regional rates. But of course we're far from a normal situation, so like the UK Chancellor Rishi Sunak's Budget on 10 March, the Northern Ireland version got comparatively little attention.

Covid-19

Much of the Finance Minister's speech was about funding the response to Covid-19, and rightly so. A total of £912 million of new funding has come to Northern Ireland for measures to tackle the pandemic and its fallout. Putting that in context, this additional money is equivalent to 7.5% of the total annual budget for Northern Ireland departments (resource DEL). The big headline new announcement from the Finance Minister on tackling Covid-19 was a three month holiday for non-domestic rates for all businesses, costing £100m, on top of a 18% cut in the rate compared to last year. While welcomed by business leaders, most are pressing for a one year holiday (as in England) for the most affected firms in retail and hospitality. Along with this, around £370m is going to local firms in grants in support grants, meaning around half of the total new funding for Covid-19 has gone to businesses so far.

Other spending on Covid-19 (of which £639 million has already been allocated) includes PPE supplies, free public transport for health staff, and payments to families entitled to free school meals. There will be a separate statement later on how the remaining Covid-19 funding will be spent.

Funding for departments

The big increases in departments' funding allocations announced in the Budget would have grabbed the headlines in any other circumstances. Total resource DEL (day to day spending by departments) will be £12.2 billion in 2020-21, up 8.1% from last year. This scale of year-on-year increase is unprecedented, and will be welcomed by cash-strapped departments facing well-known funding shortfalls. Looking at which departments get what, predictably the big winner is Health, followed by Education and Justice. In terms of percentage increases for the main departments, DAERA, Education and Infrastructure gets the biggest increases. On capital spend, the biggest additional spend will be on Infrastructure, followed by Health and Communities (see tables below for detailed figures).

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The scale of the increases for departments comes from a combination of the Barnett consequential of big recent funding increases announced by the UK Government, plus the additional funding from the New Decade, New Approach (NDNA) deal. The Finance Minister said again in his speech that he does not think the funding provided by the UK Government for the January deal is sufficient to deliver the commitments in it. Certainly NDNA is hugely ambitious across a whole range of public services, and there are serious questions not just about whether funding is sufficient, but also about the capacity of the Executive to deliver such a broad agenda (and that is before beginning to think about the implications of tackling Covid-19).

In an unusual arrangement, but understandable in the circumstances, no Budget document was published. It will follow in May, after departments have considered their allocations and done further planning and prioritisation. This makes sense given the fast-changing current situation. So we just have the information in the [Finance Minister's speech](#) for now. This gives the headline numbers for each department, but leaves lots of questions about the detail, and about what these big increases will mean in terms of spending on what. And much more importantly, what will all this spending produce by way of improvements to the public services that people experience in their day to day lives?

Pivotal reflections

Five immediate thoughts on last week's Budget:

- The Budget contains significant new funding for public services – an 8.1% increase for departments overall, including 6.9% more for health and 11.1% more for education. We haven't seen increases on this scale for a long time and they should help address immediate funding shortfalls. But in many areas of public services what is really needed is not just more money, but reform. On the other side of Covid-19, the Executive needs a new emphasis on improving systems and structures, to make sure we are getting the best outcomes we can from the funding available.
- This is yet another one-year budget, although that is understandable in the current crisis. But Northern Ireland desperately needs more longer term budget and policy planning, which looks not just to getting through the next 12 months but to planning for where we want to be in three, five or ten years. The Finance Minister made a commitment in his speech to multi-year budgets in future. After the UK Government announces its three year spending allocations in the Spending Review this July, it is essential that the Executive delivers on this commitment.

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- We need a Programme for Government which sets out the Executive's agreed joint goals and how each department will contribute to them. The Budget statement lacks this detail – we have headline numbers, but little idea what this money will pay for or when. New Decade, New Approach set out an extremely ambitious agenda for improvements across health, education, infrastructure and the environment. Public expectations have certainly be raised - but prioritisation of these commitment is needed, with detail of what will be delivered when.
- Public finances here were extremely stretched before Covid-19 struck. The UK Government and the Northern Ireland Executive have stepped in with a massive funding package to support the economy and those most affected. This was essential to support livelihoods through this crisis. On the other side, it will mean tough decisions about how it will all be paid for, a question that will be faced by governments right across the world. Increases in funding to departments on the scale seen last week would seem very unlikely to happen again anytime soon. Once more this shows the need for public service reforms that make sure we are getting the best we can from existing spending, together with the start of a grown-up discussion about how we might raise more revenue locally.
- Two big imbalances spring out when looking at Northern Ireland's public spending figures. The first is the legacy of past under-investment in capital projects, which has left us with outdated infrastructure that in many areas is struggling to cope. The commitments in New Decade, New Approach and the capital allocations in this Budget are a welcome step in the right direction, and must be followed through. The second imbalance is the ever increasing share of spend going to health, which now makes up more than half of total spending (resource DEL). Again this shows the urgency of significant reform in health and social care, as even apart from Covid-19, we know demand for these services will only continue to rise over time.

Budget 2020-21 allocations

Resource DEL

£million	Baseline	Budget 2020-21 outcome	% change
Agriculture, Environment & Rural Affairs	202.5	226.1	11.7%
Communities	776.5	823.8	6.1%
Economy	774.1	817.7	5.6%
Education	2,049.5	2,276.1	11.1%
Finance	154.8	168.6	8.9%
Health	5,758.8	6,158.4	6.9%
Infrastructure	384.9	417.9	8.6%
Justice	1,045.1	1,111.2	6.3%
The Executive Office	56.8	98.0	72.4%
Food Standards Agency	8.7	11.7	34.4%
NI Assembly Commission	33.0	41.1	24.7%
NI Audit Office	7.0	8.2	15.9%
NI Authority for Utility Regulation	0.2	0.2	0.0%
NI Public Services Ombudsman	2.8	3.3	18.7%
Public Prosecution Service	33.1	34.7	4.8%
Total Departmental Allocations	11,287.8	12,196.9	8.1%

Capital DEL

£million	Budget 2020-21 outcome
Agriculture, Environment & Rural Affairs	98.5
Communities	214.1
Economy	86.1
Education	157.3
Finance	31.9
Health	295.0
Infrastructure	558.2
Justice	88.1
The Executive Office	18.1
Food Standards Agency	0.1
NI Assembly Commission	1.1
NI Audit Office	0.3
NI Authority for Utility Regulation	0.0
NI Public Services Ombudsman	0.1
Public Prosecution Service	0.6
Total Departmental Allocations	1,549.5