

Press release: Written Ministerial Statement: Northern Ireland Finances

During the course of the past 13 months, in the absence of an Executive and Assembly in Northern Ireland, the UK Government has worked tirelessly to facilitate the restoration of devolved government. It had been my firm hope that a new Executive would be in place to set a budget. That will now not be possible in time for plans to be put in place for the forthcoming financial year.

Yet there are acute pressures across public services to be addressed in 2018/19. And clarity is required now to enable planning to proceed for the year ahead. It is now imperative, therefore, that the UK Government provides clarity and certainty around Northern Ireland finances for 2018/19.

2018/19 Budget allocations

I set out below the resource and capital allocations which I consider to be the most balanced and appropriate settlement for Northern Ireland departments. It would be open to a restored Executive, of course, to consider and revise the position I have set out.

In deciding on these allocations I have engaged intensively with the Northern Ireland Civil Service (NICS) to understand the needs of departments as they continue to work to deliver the draft Programme for Government. I have reflected too on the response to the budget briefing published by the NICS before Christmas, and discussed the budget situation with the main parties in Northern Ireland.

In the absence of local Ministers, and given the proximity of the next financial year, it would not be appropriate for the UK Government to seek to take fundamental decisions about service delivery and transformation at this time. Yet we must act to secure public services and enable NI departments to meet urgent pressures in health and education. That is what this budget settlement will do, by protecting and preserving public services within challenging fiscal constraints.

On the resource side, it delivers real-terms increases for health and education from their 2017/18 opening baseline. It also delivers cash terms increases for the Departments of Justice; Infrastructure; and Agriculture, Environment and Rural Affairs. Elsewhere departments would either be cash-flat or see small decreases, with notable reductions only for the two central departments (Finance and the Executive Office). For capital, it provides a strong basis for investment and enables key flagship projects to progress.

Confidence and Supply funding

This settlement also delivers £410m in financial support arising from the financial annex to the Confidence and Supply Agreement between the Conservative Party and the Democratic Unionist Party.

This includes £80m in support for immediate health and education pressures; £30m to support programmes to address issues of mental health and severe deprivation; £100m for ongoing work to transform the health service in line with the broad-based consensus fostered by the Bengoa report; and a £200m boost in capital spending for key infrastructure projects. Furthermore, in recognition of the lack of opportunity for more fundamental service reconfiguration over the last 12 months, this Budget position allows for £100m in flexibility to enable existing capital funding to be used to address public services resource pressures in 2018/19. This additional funding will be transferred in due course only with Parliament's full authorisation, in line with the long-established Estimates process.

Transformation

But, as the NICS budget briefing made clear, transformation is needed in a number of areas to make services sustainable in the long term. The urgent work to prepare for this must proceed. To that end, the Budget includes a £4m fund to prepare the ground for transformation, alongside the £100m set out for health transformation above. I also recognise that this budget only allocates resources for 2018/19 and the NI departments will need urgently to plan for future years. In that context, it is right that the NICS should continue to take forward preparatory work which could assist with balancing the budget in 2019/20. This will ensure that options are kept open for a restored Executive to consider as part of future budget processes.

Regional rate

As part of setting a budget, it is essential that the UK Government provides clarity on the regional rate. This budget position has been constructed on the basis of an increase in the domestic regional rate of 4.5%. I consider that this is a necessary and important step to continue to support public services, particularly in health and education. The non-domestic rates would rise only at 1.5%, in line with inflation. Conscious of the interest of many stakeholders in the scheme, I can also confirm that this budget settlement would provide the basis for the Small Business Rate Relief to continue.

Implementing decisions within the overall allocations

This statement outlines overall allocations, based on my assessment of the options currently available to the NI departments. To the extent possible, the consequent prioritisation of resources within NI departments will need to be undertaken by Permanent Secretaries, as has been the case during the past year. The position will be monitored throughout the year and, where possible, resources reallocated to the highest priority areas in the normal way.

Permanent Secretaries cannot, of course, take the full range of decisions that would be available to Ministers. In that context, the UK Government shall continue to support the Northern Ireland administration, and to do whatever is necessary to meet our responsibilities to the people of Northern Ireland.