

Summary: Financial Settlement between the UK Government and the Northern Ireland Executive

The UK Government has committed to provide over **£3.3 billion of funding** which will allow the Northern Ireland Executive to stabilise public services, better manage public finances, increase opportunities for improved infrastructure and investment, pave the way for long promised and much needed transformation of public services, and enable the delivery of a pay award to public sector workers. The UK Government stands ready to support the Executive to deliver these priorities as swiftly and strategically as possible to ensure the full benefits of this funding can be realised.

Fiscal Framework for Northern Ireland

The UK Government has committed to providing a needs-based factor in the Barnett formula for Northern Ireland to be set at 24% from 2024-25. Based on forecasts, this is projected to generate **£785 million over the next five years**. The UK Government will also open discussions with the Executive on a **new Fiscal Framework for Northern Ireland**.

Public sector pay

In recognition of the vital role that those in the public sector play, the UK Government has committed **£584 million** to provide public sector pay awards for 2023-24. It will be up to the Executive to decide on the levels of pay awards and to balance these costs against other priorities.

General pressures

To stabilise the Executive's financial position, the UK Government has also agreed to pause repayments from 2022-23 and 2023-24 of **up to £559 million** to allow time for the Executive to stabilise services and begin implementing its plan to deliver sustainable finances. The UK Government will no longer require these funds to be repaid subject to the Executive publishing and implementing a plan to deliver sustainable public finances and services. The Executive must deliver a balanced budget for 2024-25 at the outset of the financial year by raising a minimum of £113 million through locally generated income.

The Government also recognises that urgent action is needed to tackle the significant hospital waiting list issues faced in Northern Ireland and will make **£34 million** available in 2024-25 for this purpose.

Stabilisation

The UK Government recognises the impact the lack of functioning devolved government has had on public services and the subsequent funding pressures this has created. Therefore, the UK Government will provide the Executive with spending power of over **£1 billion for stabilisation** over two years. **A total of £520 million per year in 2024-25 and 2025-26** will be made available to the Executive to spend on immediate priorities and pressures in line with its new Programme for Government.

Increased spending power and transformation of public services

The UK Government acknowledges the scale of the challenge facing the Executive in transforming public services given the significant performance gap of those services between Northern Ireland and the rest of the UK. The UK Government will therefore **increase the NI Executive's spending power by up to £708 million over five years** (£623 million of existing UK Government funding reallocated and £85 million of new funding). **£235 million of this funding is ring-fenced for the sole purpose of transformation** and its release is subject to the establishment of a **Public Service Transformation Board**. This Board, which

will serve as the advisory body to the Executive on long-term transformation of Northern Ireland's public services, can support strategic decision-making on maximising the impact of this, and other locally generated funding. This Board must also comprise Northern Ireland Civil Service and UK Government experts and may also comprise independent domestic and international experts.

Economic growth and infrastructure

The UK Government recognises the valuable contribution that the Northern Ireland economy has to offer the whole of the UK and to support the Executive to deliver economic growth and invest in the vital infrastructure that is needed to achieve this, the UK Government will:

- **create an Enhanced Investment Zone in Northern Ireland worth approximately £150m.** This Investment Zone will harness local sector strengths to drive productivity and leverage the energy of local talent, knowledge and networks.
- **increase Northern Ireland's annual capital borrowing limit** over the next five years with an initial 10% uplift followed by annual increases by inflation. This is forecast to cumulatively provide **up to £135 million** by 2028-29.

The Executive will also be expected to publish a **comprehensive and costed long-term strategic infrastructure plan** that sets out the priority areas for action and how it will support prosperity and growth.