



NI's funding and spending

18 September 2023

NI Fiscal Council
Annual Conference

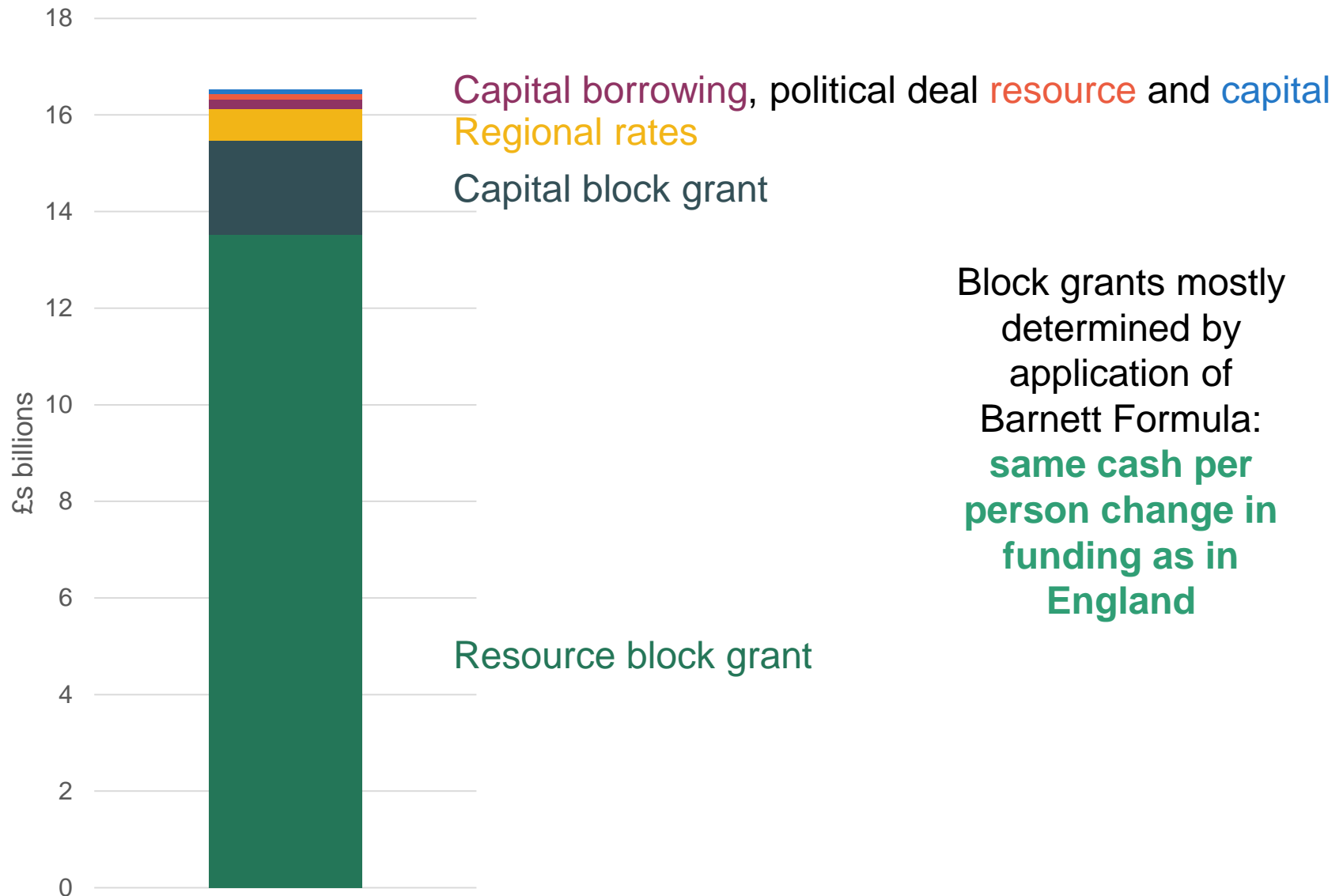
David Phillips

@TheIFS



Economic
and Social
Research Council

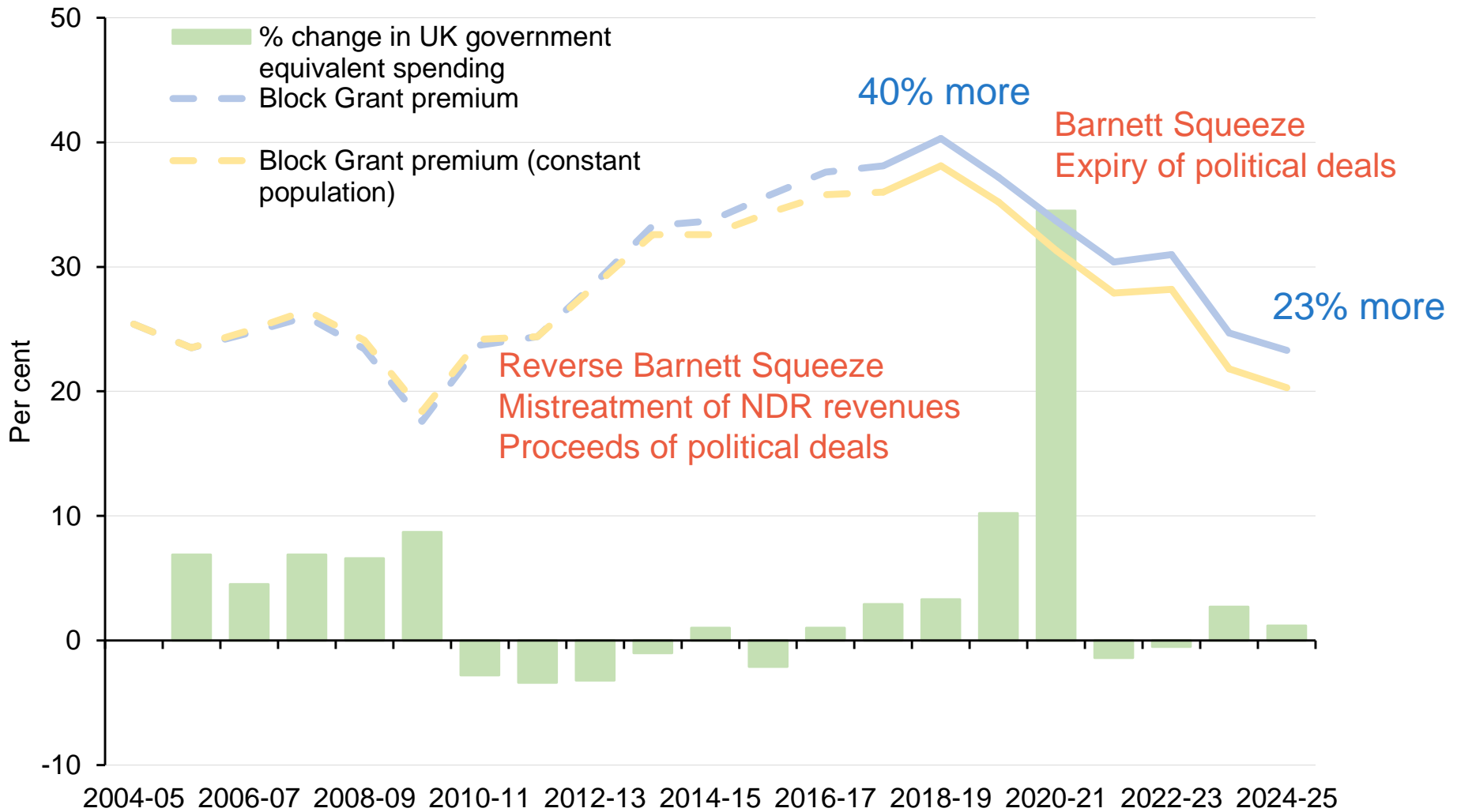
NI Executive Funding in 2023-24



How much should NI receive?

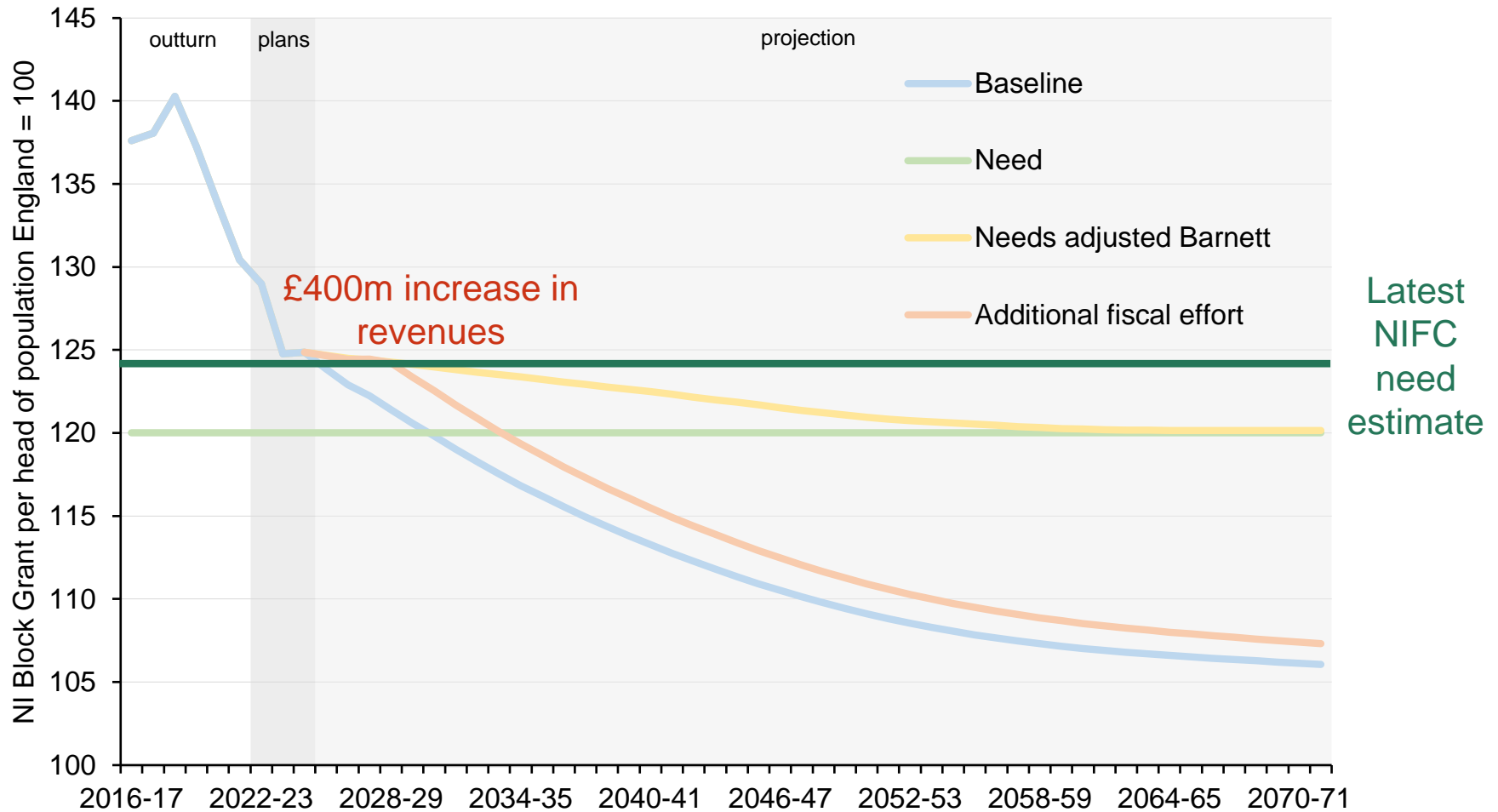
- I don't know – and nobody does for sure!
- A number of factors would suggest lower funding needs per person:
 - NI's smaller 65+ population share
 - NI's lower labour and property costs
- But outweighed by a range of other factors:
 - Higher levels of poor health and disability
 - Higher levels of worklessness (but not poverty!)
 - Higher share of population living in rural areas
 - Legacy of conflict and ongoing societal divisions
- Based on Holtham methodology, NI Fiscal Council estimate that NI Executive requires 24% more person than England
 - I think this is more likely to be over- rather than under-estimate

Historic funding trends



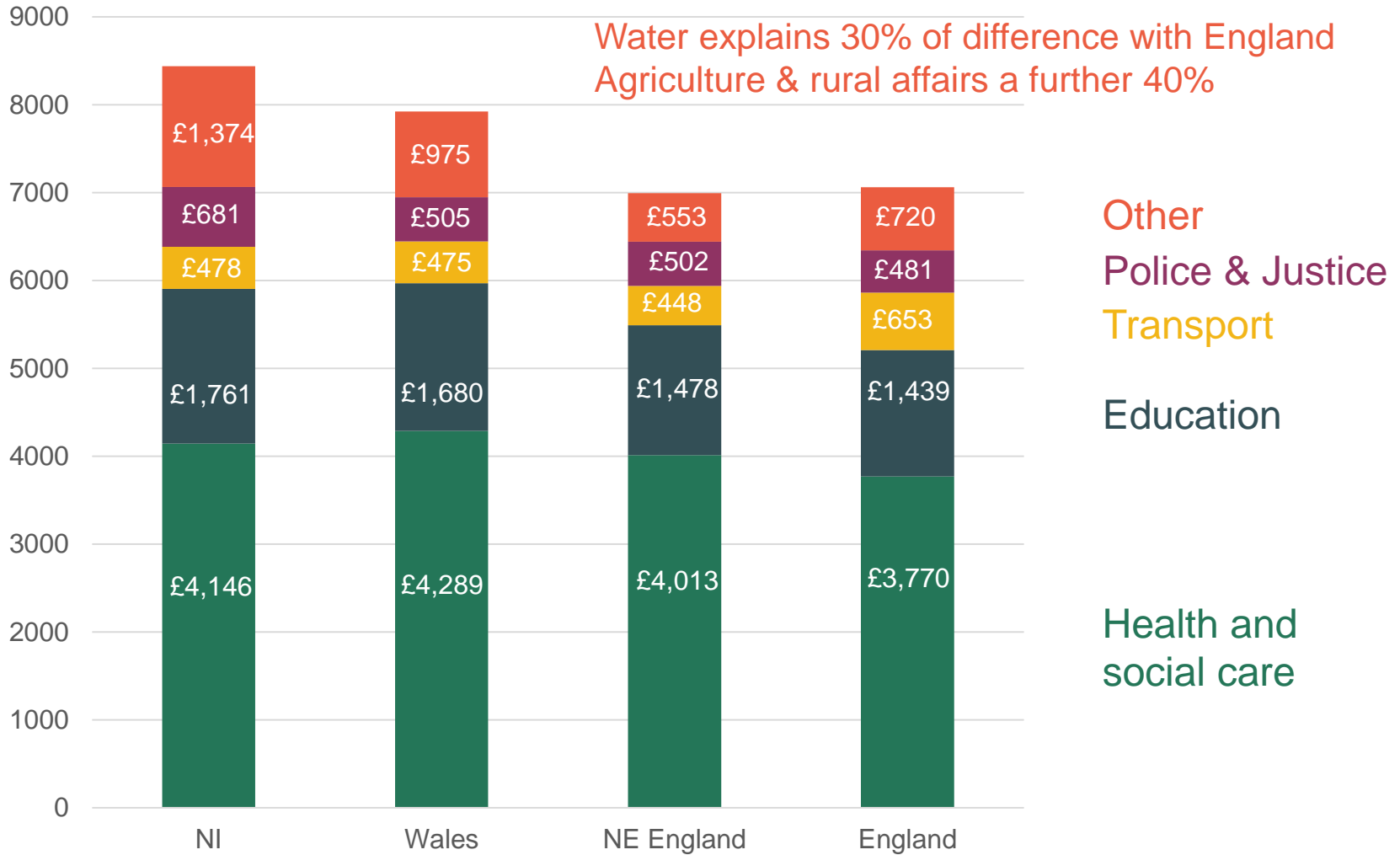
Source: HM Treasury PESA, NIFC calculations

Long-term funding projections



Source: HM Treasury PESA 2021, Northern Ireland Fiscal Council calculations

Govt spending in NI in 2021-22



Source: PESA (2023).

Note: Excludes core regional and devolved governance costs.

'Super parity'

- NI provides more generous benefits and services, estimated to cost around £600 million as of 2021(ish)
 - Free water: £345 million
 - Lower HE tuition fees: £90 million
 - Enhanced benefits: £61 million
 - Free domiciliary care & free prescriptions: £38-53 million
 - More generous bus passes: £29 million
- Lower residential property taxes
 - Average bill £400-500 lower than in England and Wales
- Different package of business rates reliefs probably costs a bit more
 - More support for industry, logistics, charities and churches
 - Less support for small business

- NI Fiscal Commission recommended devolving income tax, SDLT, landfill tax, APD and apprenticeship levy to NI
 - To provide NI Exec with stronger financial incentives and greater financial and economic accountability
 - To provide additional fiscal flexibilities
- Income tax is the only one suitable for significant revenue-raising
 - 1p on each tax rate would raise about £175 million, with over $\frac{3}{4}$ of this coming from the basic rate
- Scotland and Wales illustrate new fiscal risks involved & importance of 'fiscal framework'
 - Scotland, slower growth in tax base offset most of tax rises
 - Wales, tax base grown slightly slower overall, but composition-adjusted has grown faster, so Welsh Govt has gained

Summary

- NI has in recent years been relatively well funded but this is set to change in future as Barnett squeeze bites
- Reform/replacement of Barnett is needed to properly address this
- NI Exec has scope to re-prioritise and raise not insubstantial sums
 - Water charges and domestic rates
 - HE tuition fees
- Fiscal devolution, especially income tax devolution, would provide further flexibility to determine tax and spend levels

The Institute for Fiscal Studies
7 Ridgmount Street
London
WC1E 7AE

www.ifs.org.uk

