Ulster University | Strategic Policy Unit

A Focus on Public Sector Transformation in NI

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Contents

Ulster University Strategic Policy Unit (SPU)

The Ulster University Strategic Policy Unit undertakes strategic policy analysis and engages with academia and policymakers, to inform policy and drive outcomes for the betterment of Northern Ireland and beyond.

Disclaimer

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Executive Summary

This paper highlights the need for an enhanced focus on public sector transformation (transformation) in Northern Ireland (NI). The current trajectory in public finances is not favourable and it is vital that we review how we fund, deliver and organise public services in NI.

Whilst the Executive received a more substantial UK Budget outcome in October than was widely anticipated, the majority of the consequential funding for NI is being utilised to absorb previously accrued departmental overspends and fund ongoing public sector pay pressures. This financial legacy means that the additional funding from the UK Government is likely to have minimal positive impact on public services in NI and, in the absence of other interventions, the deterioration in these services will continue.

Furthermore, the pressures facing the NI Executive are becoming increasingly inter-related and self-perpetuating; inefficiencies and the absence of productive investment in one area has knock-on effects in other areas, creating a spiral of financial dysfunction.

Whilst financial constraints are, quite understandably, impeding the space for and incentive to focus on reform, it is nevertheless particularly vital to seek to invest-to-save in such a difficult financial environment.

The dominant local narrative around addressing the crisis in our public finances is almost exclusively based on the level of the current fiscal floor, a revised fiscal framework and enhanced revenue raising. Whilst important, these factors alone will be insufficient to sustain services at their current level and meet current inescapable pressures, not least improve efficiency and deliver better outcomes.

This paper thus outlines the need for a multi-faceted policy approach to public sector transformation, to enable sustainable finances and safeguard future public services and outcomes in Northern Ireland.

Specifically, transformation should:

- include measures that promote prevention and early intervention, increase the sustainability of public services, deploy greater use of technology, replace outmoded systems and advance the reconfiguration of public services.
- range from redressing deficiencies in planning and wastewater infrastructure to alleviate housing shortages while delivering renewed economic opportunity, to investment in children's services, SEN, social care, primary healthcare, sports and nutrition. Any expenditure which delivers future efficiencies, benefits or safeguards future outcomes should be considered transformative.
- reflect future-orientated consideration of the avoidance of greater costs in the medium to longer-term if preventative or mitigating actions are not taken sooner, i.e. it should capture the costs of inaction.

It is acknowledged that some transformation work is already being undertaken within departments and agencies; however, this is not the overarching narrative from the Executive.

SPU Observation 1: Significant additional resources should be allocated to transformation. Furthermore, transformation should not be restricted to a delineated Transformation Fund - it should be an underlying ethos and mainstreamed across all aspects of government.

SPU is cognisant of how challenging such reform is, particularly in the current financial environment. It is within this context that we have highlighted some potentially transformative strategic interventions that could be considered for implementation to drive change. These will be examined in greater detail in subsequent papers.

Specific strategic transformative interventions might include the following:

- **Preventative and early interventive** measures can avoid much more expensive reactive interventions, manage demand for public services and achieve better outcomes.
- At times of enhanced financial pressure, such spending can be sacrificed to the immediacy of keeping services functioning and fulfilling statutory obligations. There is therefore a case to be made for embedding this spending within budgets.
- The think-tank Demos has proposed that to ringfence such spending within budgets, a new category of spending — Preventative Departmental Expenditure Limits (PDEL) — should sit alongside the current Resource DEL and Capital DEL categories[1].

SPU Observation 2: Consideration should be given to piloting the creation of a Preventative DEL allocation for some Departments as a proportion of Resource DEL, to ensure investment in the future and capture costs of inaction.

- **Green budgeting** involves using budgets to drive climate and environmental goals. This could be another mechanism for enabling transformation, driving cohesive investment in the future and enabling more sustainable outcomes.
- There is an inherent tendency to afford priority to policy issues which are most imminent, or of direct relevance over the course of the incumbent political mandate. As such, it is arguable that environmental expenditure — the benefits from which are inherently future orientated — should be disaggregated from other spending commitments in budgets.
- There is also an opportunity to incorporate green budgeting factors when setting capital expenditure, since this is particularly pertinent in relation to environmental outcomes.

SPU Observation 3: The Executive should consider the introduction of green budgeting, informed by the comparative work of the OECD.

[1] Andrew O'Brien, Polly Curtis, Anita Charlesworth, "Revenue, capital, prevention: A new public spending framework for the future", Demos, October 2023 https://demos.co.uk/research/revenue-capital-prevention-a-new-public-spending-framework-for-the-future/ [Accessed 3 January 2025]

SPU Observation 4: The Executive's Investment Strategy should prioritise projects based on consistency with net zero objectives and/or adaption to anticipated challenges from climate change realities and seek to capture costs of inaction.

- **Zero-based budgeting** implies that within each budget process, the expenditure allocation for an organisation, department or business area is reset to zero and determined in line with needs and assessed against competing priorities and changing circumstances. Essentially, all expenditure must be justified from a zero-base.
- NI budgets are currently based on incremental modifications from the previously allocated amounts with any amendments being largely marginal.
- Arguably, zero-based budgeting would provide for more efficient and effective allocations and drive better outcomes. Zero-based budgeting would also better facilitate the alignment of NI budgets with the corresponding Programme for Government.

SPU Observation 5: Zero-based budgeting could be piloted within one or more Executive Departments, to drive renewed financial scrutiny, better alignment with PfG priorities and more efficient outcomes.

- **The Strategic Deployment of Science & Technology, including Artificial Intelligence (AI),** should be actively undertaken to unlock efficiencies and improved outcomes.
- There is an imperative for governments to have up-to-date digital strategies and integrate AI within those strategies or have a standalone AI strategy.
- The OECD highlights the potential use of trusted AI in freeing up the time of public servants, increasing efficiency and effectiveness. Technology might also unlock renewed scope to address health waiting lists or planning backlogs, for example.
- An overall strategy should seek to address how government and the public sector can maximise technology to deliver improved efficiency and outcomes, whilst ensuring that society benefits and wider economic opportunities are fully captured.

SPU Observation 6: Science and technology should be recognised as central to driving efficiencies and improved outcomes. This should include the development of an ethical and responsible AI Strategy for NI.

Some of these interventions, if implemented, may be impactful over different timescales and to varying degrees. Nonetheless, Northern Ireland cannot afford to delay investing in improved outcomes, and to enable this we must start to do things differently.

With the Executive having recently agreed a single-year budget for 2025–26, this paper is intended to inform discourse and strategic policy development in advance of the 2026–27 budget. This will likely mark a return to multi-year budgeting and thus set the direction for Northern Ireland for the remainder of this decade.

Therefore, there is a particular timebound opportunity over the course of the next 12 months, to reassess how public finances are allocated in NI and ensure that current budget practices enable strategic and effective deployment of funds.

SPU Observation 7: Transformation should be a collective and outward looking undertaking, involving a range of stakeholders. The NI Executive should actively engage with industry and academia to identify challenges and develop solutions that could drive improved outcomes and/or wider efficiencies.

Policy Context

The publication of the NI Executive's draft budget for 2025–26 is welcome. Whilst this budget only covers a single-year period — a feature of recent NI budgets that is inherently problematic — multi-year budgets will likely be restored thereafter. There are a number of interventions that could be considered within future budget exercises to enable a more strategic and sustainable approach to the future funding of public services in NI.

The scale of the financial challenges currently facing the Executive is significant by historical standards. Problematically, these difficulties are occurring alongside a struggling health service with the longest waiting lists across these islands. Concurrently, there are ever growing pressures in education, especially in special educational needs provision, planning, underinvestment in skills and other key drivers of the economy. These exist alongside a relative deficit investment in core infrastructure, such as the electricity grid and wastewater.

Northern Ireland continues to lag across a range of measurements, including health outcomes, levels of educational achievement, economic inactivity and productivity. Expenditure incurred in the past has not delivered meaningful progress, and the quality and outcomes of some key public services in NI are deteriorating. This is compounded by the ongoing effects of an unstable geopolitical outlook, with potential implications for energy prices and wider costs.

These financial pressures are becoming increasingly inter-related and self-perpetuating; inefficiencies and the absence of productive investment in one area has knock-on effects in other areas, creating a spiral of financial dysfunction. SPU raised this in our response to the PfG consultation; the absence of focus therein on poverty, for example, has the capacity to undermine progress in other educational and health metrics, both of which in turn impact other economic and societal outcomes.

In financial terms, the Executive received a more substantial UK Budget outcome in October than was widely anticipated for the remainder of this financial year and the 2025–26 period. However, the majority of the £918m in Barnett consequentials for NI during this current financial year is being utilised to absorb previously accrued departmental overspends and fund ongoing public sector pay pressures.

Essentially, the unfortunate legacy of financial overspends in NI means that this additional funding from the UK Government is likely to have minimal positive impact on public services in NI, and, in the absence of other interventions, the deterioration in both quality and availability of these services will continue.

Like many other societies, NI also faces a changing risk landscape associated with altered demographics, including an ageing population, and the need to invest in mitigating against growing risks around climate change. The considerable costs of inaction will otherwise contribute to even greater pressures in the future.

Deficiencies in outcomes in areas such as housing, education and health are already embedded in Northern Ireland society[2], and inequalities in the latter were acknowledged by the Department of Health within their latest three-year plan[3]. Inefficient and ineffective services, reflecting a

[2] Gormley-Heenan, C. (Ed.), Lackermeier, E. (Ed.), Heenan, D., Birrell, D., Johnston, R., Horgan, G., Leavey, G., O'Neill, S., Ennis, E., McLafferty, M., Gstrein, V., Murphy, M. H., McNulty, H., Gray, A., Ryan, A., McLaughlin, J., Bjourson, AJ., Dubras, L., & Gormley-Heenan, C. (Ed.) (2020). Health, Equality and the Economy. https://pure.ulster.ac.uk/ws/portalfiles/portal/88282386/UU_Pivotal_Report_.pdf [Accessed 3 January 2025]

[3] Department of Health, "Health and Social Care NI, A three-year plan to: stabilise reform deliver 10 December 2024", https://www.health-ni.gov.uk/sites/default/files/2024-12/doh-hsc-3-year-plan.pdf [Accessed 3 January 2025]

failure to transform sufficiently, thus entail an impact on outcomes, leading to behaviour change and individuals seeking other solutions.

There is thus a related risk that inefficient and ineffective public services will exacerbate inequalities within society, as growing numbers of citizens with access to private resources opt out of public services and those for whom this is unaffordable continue to depend on sub-optimal provision.

Failure to transform risks widening inequalities and leaves more vulnerable sections of society dependent on ineffective or deteriorating public services. Low-income households have a greater dependency on public services, face disproportionate challenges and suffer particularly from longer waiting lists and issues with housing availability. By contrast, those with higher incomes have greater scope to opt out and seek alternative solutions and/or pay for services. The scale of these tendencies and the resultant impacts need to be analysed in greater detail.

SPU is cognisant of the considerable financial pressures facing the Executive, and the difficulties that this creates in terms of funding relatively future-orientated pressures and/or objectives. **However, there is a risk that a particular focus on current pressures will, in fact, embed short-termism and inefficient spending.**

This runs contrary to the notion of preventative spending, early intervention and wider transformation — spending that is essentially an investment in improved future outcomes.

SPU perceives a key role for academia and industry in working with policymakers to identify potential areas of opportunity and innovation to unlock efficiencies and enable better outcomes for NI residents. In our recent response to the draft Executive's Programme for Government, SPU identified a range of areas where there is ongoing academic research at Ulster University that could be of direct relevance to improved policymaking in NI.

This paper sets out a range of potentially transformative interventions that might be considered to enable a more favourable financial and socio-economic trajectory. It is intended to contribute to policy discourse and incentivise wider engagement, with further development.

Financial Context

In absolute terms, the NI Executive recently received the largest financial settlement in its history for the 2025–26 financial year, arising from the outworkings of UK Budget allocations and the 2023 financial package. This was due to considerably enhanced spending in England, as the incoming UK Government opted to expand funding across a range of core areas.

The resultant Barnett consequentials for 2025–26 amount to £1.5bn, reflecting the additional spending from 2024–25 carried forward, alongside new spending for the incoming year.

Combined with funding from the UK Government's financial package, this provides the Executive with £16.2bn in resource funding (RDEL — Resource Departmental Expenditure Limit) and £2.1bn in capital funding (CDEL — Capital Departmental Expenditure Limit) for 2025–26.

This additional funding has been received quite favourably in terms of prevailing local discourse. **However, this scale of additional funding remains considerably insufficient due to the very challenging underlying financial situation**. The Executive continues to face a precarious outlook due to inescapable pressures for both Resource DEL and Capital DEL to maintain current levels of service provision and deliver expectations in relation to public sector pay, not least invest in improvements to drive better outcomes.

In terms of the current 2024–25 financial year, the Executive had been forecast to run a significant overspend. Much of that has now been addressed as a result of the £918m additional in-year funding received from the Chancellor's Budget. However, a £160m shortfall remains[4].

This remains problematic for the Executive, in that if there is an overspend — even at this much reduced level of 'just' £160m — NI may face a substantial retrospective financial penalty. This is due to the conditionality of the financial package provided by the UK Government to incentivise the restoration of Stormont in 2023. At the time of restoration, NI had an overspend of £559m relating to the 2022–23 and 2023–24 financial years and it was agreed, subject to the restored Executive delivering a balanced Budget thereafter, that this would be written off by Treasury. A failure to fulfil agreed objectives for financial sustainability risks a renewed exposure to this £559m debt write-off[5].

Even if the Executive manages to address the current estimated overspend before the end of this financial year, its existence reflects an underlying structural problem. It is notable that the Barnett consequentials for NI have arisen from additional investment in services in England. The new UK Government has implemented a very significant increase in public spending, which, with appropriate policy application, should drive improved public services and better outcomes.

Whilst this additional spending in England brings significant additional resources for NI, given the scale of local pressures and inefficiencies, a considerable proportion of those Barnett consequentials have been used to address structural overspends. Without significant reform, the impact of additional spending in NI will therefore be less beneficial in terms of front-line services. This is compounded by NI starting from a base where many local public services are already less accessible, and outcomes are poorer.

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[4] Committee for Finance, Official Report (Hansard) Budget Update: Department of Finance, 6 November 2024 https://data.niassembly.gov.uk/HansardXml/committee-34190.pdf [Accessed 3 January 2025]

[5] UK Government, "The agreement between the Northern Ireland Executive and the United Kingdom Government on the Northern Ireland Executive's Interim Fiscal Framework, May 2004. www.gov.uk/government/publications/northern-ireland-executives-interim-fiscal-framework [Accessed 3 January 2025]

The financial situation will become even more challenging with the scheduled cessation of the £520m annual stabilisation funding, agreed as part of the UK Government's restoration funding package, at the end of the 2025–26 Financial Year. However, the impact of this may be alleviated to some extent, as the Interim Fiscal Framework offers the potential for the cliff-edge to be managed as the effect of the fiscal floor increases.

These pressures would be further compounded in the immediate short-term if any of the written-off underspends are put back on the table by the UK Treasury.

Considering the financial outlook and the implications for public services, it is imperative that an urgent, cohesive and cross-departmental approach towards transformation is taken.

Current Components of Financial Sustainability

Within the current powers of the Executive, there are two frequently cited components to addressing the crisis in our public finances, namely a revised fiscal framework (including the fiscal floor) and enhanced revenue raising. It is, of course, vital that these should be implemented concurrently to restore financial sustainability. Indeed, the longer that these interventions are deferred, the deeper the likely financial scarring.

However, these will not be sufficient to address the underlying structural challenges in public finances in Northern Ireland. These components are considered in turn below to demonstrate how, in isolation, they will not suffice to enable NI to traverse onto a more sustainable financial trajectory.

The remainder of the paper therefore focuses on transformation and how this should be central to cross-departmental policymaking, as opposed to largely confined to the work of the Transformation Unit.

It is accepted that transformative interventions will have different lead-in times for full implementation and won't bring immediate solutions. However, changes in approach are required to break this cycle of budget crisis.

Revised Fiscal Framework

The case for an improved fiscal framework for Northern Ireland has been articulated by many of the main political parties and other stakeholders. A core component of this framework is an adequate fiscal floor, whereby funding levels are set to ensure a level which is reflective of relative need in NI versus that in England.

The work of the Fiscal Council was fundamental in informing Treasury negotiations, making the case for and ultimately enabling a fiscal floor for NI. However, as the Fiscal Council has itself noted, the metric is sensitive to methodological judgements, including the choice of time period over which it was assessed[6].

There is a case that the recently established fiscal floor of 124 for NI — whereby we receive £1.24 for every £1 received in England — does not fully capture comparative underlying need. Specifically, if the analysis had utilised the period immediately post-devolution of policing and justice powers (2010–2015) and considered those budgetary allocations to be more accurately reflective of policing and justice need in NI than the actual period used (2017–2022)[7], the resultant relative need factor could have been 127. Another alternative may have been the utilisation of a long-run average over the period from 2010–2021 — subsequent sensitivity analysis by the Fiscal Council showed this would have indicated a relative need factor of 125[8].

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[6] Northern Ireland Fiscal Council, "Updated estimate on the relative need for public spending in Northern Ireland", May 2023 https://www.nifiscalcouncil.org/files/nifiscalcouncil/documents/2023-05/NIFC%20Updated%20estimate%20of%20the%20relative%20need%20for%20public%20spending%20in%20NI%20-%2002.05.23%20v2.pdf [Accessed 3 January 2025]

[7] Since this reflected Treasury's assessment of policing and justice need in NI - or 'revealed preference' - when these powers were first devolved and were not subjected to other subsequent influences such as austerity or displaced expenditure due to other pressures during Covid.

[8] Northern Ireland Fiscal Council, "Technical Paper 02/24: Updated estimate of the relative need for public spending in NI: further sensitivity analysis", March 2024 https://www.nifiscalcouncil.org/publications/technical-paper-0224-updated-estimate-relative-need-public-spending-ni-further [Accessed 3 January 2025]

A higher needs-based determinant would, of course, deliver increased resources. The precise value of such Barnett consequentials would be determined by the overall levels of spending announced for England. **However, as it stands, the fiscal floor only applies to uplifts in spending for NI arising from Barnett consequentials, rather than to baseline funding. This means that the deficit in needs-based funding might not be addressed until approximately 2035**[9].

The position of the NI Executive, as set out in the Budget Sustainability Plan, is that they continue to seek the backdating of the fiscal floor to the start of the Spending Review. This implies backdating to the start of the 2021 Spending Review. However, this has subsequently been superseded by the first Budget from the new Labour Government covering the 2025–26 Financial Year.

It has historically proven very challenging to persuade Treasury to backdate changes in approach, due to the risk of precedent and consequential impacts for other regions. This will likely prove even more challenging given the change in Government, a further one-year Budget and the expenditure plan having been put in place by the new Chancellor of the Exchequer.

Furthermore, the UK Government may suggest that the provision of the £1.04bn Stabilisation Fund over two years, as part of the restoration financial package, was an implicit recognition of previous underfunding on the basis of need, thus impeding the case for 'backdated' funding.

Similarly, it would be very challenging to persuade the Treasury to fully baseline a new needs-based formula against the entirety of the Block Grant, rather than Barnett consequentials, not least given the wider UK public expenditure constraints and potential repercussive implications.

The NI Finance Minister has demonstrated a commitment to seeking a fair funding formula in agreeing the interim Fiscal Framework[10]. This development was helpful in a range of respects, including the delivery of additional funding[11], enhancing the Executive's borrowing capacity and establishing areas requiring further clarification[12].

The Interim Fiscal Framework included a commitment to reviewing the level of the floor, subject to supportive evidence from "multiple independent and credible sources" and an agreement to review the 2026–27 cliff-edge in NI funding[13]. This approach, as set out in the interim Fiscal Framework, was further reinforced by the Secretary of State for Northern Ireland, Hilary Benn, at the Northern Ireland Affairs Committee meeting on 19 November 2024[14]. To date, the application of the interim financial framework at 24% has produced an additional £184m in 2024–25 and £248m in 2025–26[15].

[9] Dr Lisa Wilson, "Northern Ireland's public finances: Fiscal floors and funding adequacy", Nevin Economic Research Institute, February 2024 https://www.nerinstitute.net/blog/northern-irelands-public-finances-fiscal-floors-and-funding-adequacy [Accessed 3 January 2025]

[10] Department for Finance, "Archibald welcomes Treasury commitment to review funding", https://www.finance-ni.gov.uk/news/archibald-welcomes-treasury-commitment-review-funding [Accessed 3 January 2025]

[11] Committee for Finance, Official Report (Hansard) Budget Update: Department of Finance, 22 May 2024, https://aims.niassembly.gov.uk/officialreport/minutesofevidencereport.aspx?AgendaId=32963&eveID=16767 [Accessed 3 January 2025]

[12] Department of Finance "Interim Fiscal Framework", May 2024, https://www.finance-ni.gov.uk/publications/interim-fiscal-framework [Accessed 3 January 2025]

[13] Department of Finance "Interim Fiscal Framework", May 2024, https://www.finance-ni.gov.uk/publications/interim-fiscal-framework [Accessed 3 January 2025]

[14] Northern Ireland Affairs Committee Oral evidence: Work of the Secretary of State for Northern Ireland, HC 359 Tuesday 19 November 2024 committees.parliament.uk/oralevidence/15016/pdf/. See Q10-11. [Accessed 3 January 2025]

[15] Committee for Finance, Official Report (Hansard) Budget Update: Department of Finance, 6 November 2024, https://data.niassembly.gov.uk/HansardXml/committee-34190.pdf [Accessed 3 January 2025]

Given that the £918m of Barnett consequentials in 2024–25 were not sufficient to address the in-year overspend, **wider reform beyond a higher fiscal floor will be required to enable financial sustainability**. The Budget set by the Executive for 2024–25 itself does not capture fully the pressures being faced by Departments in terms of preserving public services, not to mention how outcomes might be improved. Even a revised fiscal floor set at 127, applied to Barnett consequentials, is not going to provide a radically different quantum of funding.

Sustainable public finances for NI will unquestionably necessitate revenue raising and — most vitally — public sector transformation, as outlined in the subsequent sections below.

Revenue Raising

At present, revenue raising represents a small fraction of the overall resources controlled by the Northern Ireland Executive. Less than £1 in every £20 of tax revenue is currently raised by the Executive[16]. The Executive has a number of means by which it can raise additional revenue. At present, this is exercised through the Regional Rate alongside a range of fees and charges levied by various Departments and agencies. There are further options over which the Executive already has the legal power to implement, but thus far has not sought to deploy or alter.

As part of the UK Government's financial package for the restoration of devolved government, there was a requirement for the Executive to raise an additional £113m in revenue-raising. The Executive addressed this within its Budget Sustainability Plan.

External pressure for revenue-raising is likely to continue, especially considering the relative differences in household levies between Northern Ireland and other parts of the UK. However, given the limited current levers available to the Executive, the legislative and operational lead-in time for some new measures, and the low appetite across political parties, it is unlikely that a significant step-change in revenue-raising will occur in the near future.

The potential total income from addressing all revenue-raising measures under current powers would generate between £599 and £690m[17].

Even in the very unlikely event that the Executive did realise all of these income streams, this level of resourcing would not be sufficient to address the current level of financial pressures facing the Executive, not least facilitate improved outcomes.

Thus far, this analysis has been in the context of the status quo in terms of the Executive's spending, borrowing and revenue-raising powers. In a separate research strand, which we will return to in due course, there should be further consideration given to the extension of tax-varying powers to the Executive. Research undertaken by the Fiscal Commission set out a range of potential options, with a number of recommendations as to what might be conceptually possible and/or advisable for NI[18].

Notably, there is a fundamental issue as it stands, in that there are few incentives to grow the economy and generate/retain additional revenue. **Improved economic and financial outcomes**

[16] Department of Finance, Draft Budget Factsheet, December 2024. https://www.finance-ni.gov.uk/sites/default/files/2024-12/Draft%20Budget%202025-26%20factsheet_0.pdf [Accessed 3 January 2025]
[17] The Independent Fiscal Commission for Northern Ireland, "FCNI Final Report - More fiscal devolution for Northern Ireland?" May 2022, p6
[18] The Independent Fiscal Commission for Northern Ireland, FCNI Final Report - More fiscal devolution for Northern Ireland? May 2022, https://www.fiscalcommissionni.org/evidence/fcni-final-report-more-fiscal-devolution-northern-ireland [Accessed 3 January 2025]

are currently of limited benefit to the Executive, with the bulk of any associated proceeds accruing to HM Treasury.

An Executive that is incentivised by improved economic, environmental and financial prospects — including those that arise in the medium to longer term — has the potential to unlock behaviours that would drive better outcomes for everyone. Further devolution of phased tax-varying powers, safeguarded by bolstered capacity for financial scrutiny, should be considered in the context of incentivisation.

A Focus on Public Sector Transformation

Given the inadequate scale of the preceding interventions in addressing the wider financial challenges to enable sustainability, public sector transformation (transformation) should be recognised as the real game changer for NI. We need to fundamentally revise how we assess need for, fund, and deliver public services.

Critically, transformation needs to be embedded as a culture within the Executive and across all parts of government, to drive meaningful change and safeguard future outcomes.

Transformation should include, for example, measures that promote prevention and early intervention, increase the sustainability of public services, deploy greater use of technology, replace outmoded systems and advance the reconfiguration of public services.

Transformation should span a wide range of potential interventions, from redressing deficiencies in planning and wastewater infrastructure in NI to alleviate housing shortages while delivering renewed economic opportunity, to investment in children's services, SEN, social care, primary healthcare, sports, nutrition or youthwork — to name a few. Any expenditure which delivers future efficiencies, benefits or safeguards future outcomes should be considered transformative.

Transformation should also capture the disconnect between an inherent short-term policy focus and the longer-term benefits of investment. **This should also reflect future-orientated consideration of the avoidance of greater costs in the medium to longer-term if preventative or mitigating actions are not taken sooner, i.e. the Executive should recognise that there are costs of inaction.**

It is acknowledged that transformation work is already being undertaken within departments and agencies; however, this is not the overarching narrative from the Executive. Within the recently published draft Programme for Government, the 'invest-to-save' narrative is currently confined to the Transformation Fund, with the implication that there may be little impetus around shifting expenditure in this direction within individual departments. Transformation should be seen something that permeates all aspects of government.

Therefore, whilst the work of the Transformation Fund and interim Public Service Transformation Board are welcome, there is a danger that transformation becomes siloed.

However, the Executive has set out a path which includes enhanced emphasis on transformation. The Budget Sustainability Plan[19] reflects this:

> *Fostering a culture of innovation and transformation within public sector organisations is essential for ongoing efficiency improvements. Departments should encourage innovation by seeking opportunities for creative solutions to public service delivery and providing training and resources to support new transformation initiatives. By promoting a mindset that values innovation, governments can continually refine their processes and adopt cutting-edge technologies and methodologies, ensuring sustained efficiency gains.*[20]

The scale of the resource allocated to specific transformation projects (£235m) is relatively small in the context of the Executive's overall spending envelope. It amounts to £47m per year over a five-year period, which represents less than 0.33% of overall annual revenue spending.

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[19] Department of Finance, Budget Sustainability Plan, October 2024, https://www.finance-ni.gov.uk/publications/budget-sustainability-plan [Accessed 3 January 2025

[20] Budget Sustainability Plan, p24

Other resources made available to the Executive via the restoration package for potential transformation purposes were not ring-fenced and have not been overtly utilised as such.

In terms of the initial tranche of the Transformation Fund, 47 applications for projects with a combined value of £750m in funding were received, of which 29 are moving forward for further consideration[21]. This is considerably in excess of the funding available. In the absence of wider details, it is difficult to assess transformative impact or determine to what extent the funding pot has attracted new thinking.

The Executive has recognised that the scale of transformation should be increased and set out the type of interventions required:

> *As part of the financial package for the restored Executive, £235million of ring-fenced funding was provided for Public Sector Transformation. On 9 May 2024, the Executive agreed to a proposal from the Finance Minister for making progress on the use of this funding, and since then an interim Public Sector Transformation Board has been established, who have called for transformation proposals from Departments focussed on:*
>
> *i. Increased financial sustainability of public services;*
>
> *ii. Transforming the model of delivery of public services to improve effectiveness and efficiency to meet increased demands and improve outcomes for citizens; and*
>
> *iii. Prevention, Cost Savings, and Early Intervention.*
>
> *It is recognised that the £235million of transformation funding will in no way tackle the magnitude of the issues at hand, however the Executive is committed to using these resources as effectively as possible to develop and implement a model of delivery which will stimulate the wider transformation of public services. Further engagement on how best to fund Public Sector Transformation will be required with stakeholders[22].*

The newly established Reform and Transformation Unit, alongside the full Public Sector Transformation Board, will likely play a role in driving change via allocation and utilisation of the resources within the Transformation Fund for specific projects but also in assisting transformation across all aspect of government.

Consideration should be given to significantly upscaling the resources allocated to transformation either from increased funding from Westminster and/or internal reprioritisation within the Executive. **Furthermore, transformation as an ethos should be mainstreamed across all aspects of the public sector.**

The Executive should also reassess the indicators and measurements to assess transformation. Transformation outputs will be a combination of improved outcomes and increased efficiency. Opportunities for change may not be evenly spread across all Departments and associated agencies. Transformation may not always necessarily entail financial savings, but should allow the Executive to achieve its objectives in a more cost-effective and sustainable manner.

Substantive transformation should be reinforced through government collaboration with academia and business. There are opportunities for innovation and renewed efficiency, but this requires joined-up thinking. In terms of some specific steps that could be implemented to initiate and drive transformation, the interventions set out in the sections below may be worthy of

[21] Committee for Finance, Official Report (Hansard) Interim Public-sector Transformation Board: Executive Office; Department of Finance, 23 October 2024, https://data.niassembly.gov.uk/HansardXml/committee-34190.pdf [Accessed 3 January 2025]
[22] Budget Sustainability Plan, p15

consideration. This is not necessarily considered a comprehensive list, but an attempt to galvanise thinking around policy challenges and fresh approaches.

> **SPU Observation 1: Significant additional resources should be allocated to transformation. Furthermore, transformation should not be restricted to a delineated Transformation Fund - it should be an underlying ethos and mainstreamed across all aspects of government work.**

As outlined above, the opportunities and need for transformative spending is ever growing across various areas and pressures in all NI Executive departments. SPU considers that the following specific high level, strategic interventions might be beneficial, as a starting point, in the NI context.

Prevention and Early Intervention

There is a general policy consensus as to the value and logic of preventive spending. Prevention can cover areas such as public health measures, investment in early years education, steps to avoid offending, anti-poverty interventions, and on a larger scale, climate change mitigations.

Preventative measures can avoid much more expensive reactive interventions, reduce or manage demand for public services and achieve better outcomes. Early intervention can also complement prevention in terms of trying to address challenges before they become both more problematic and expensive. For example, investing in preventative healthcare — such as in areas relating to sports and nutrition, screening, and improved access to primary services — are also likely to generate improved efficiencies and remove pressure from the system.

However, investing in prevention has proven difficult to sustain in practice. Too often prevention spending takes a lesser priority to meeting day to day pressures. **At times of enhanced financial pressure, prevention can be regarded as something for another day and is sacrificed to the immediacy of keeping delivery services functioning, fulfilling statutory obligations or balancing the budget.**

Measuring or capturing the value of preventative spending can also be challenging. Preventative measures can take time to have effect, and this does not readily align with the shelf-life of a particular government or the electoral cycle. Furthermore, they can be difficult to disaggregate from other interventions and are challenging to measure. For example, it is challenging to aggregate preventative interventions that have avoided or delayed diagnoses of medical conditions and ultimately, related deaths.

There is nevertheless evidence of preventative work in action that has been captured in terms of beneficial change and outcomes. The Institute for Government has recently issued a report containing some examples of successful preventative measures[23].

As is the case in many other jurisdictions, the Northern Ireland Executive does acknowledge the importance of prevention but struggles to give it priority. For example, 'prevention' is only

[23] Stuart Hoddinott, Nick Davies, Darwin Kim, "A preventative approach to public services How the government can shift its focus and improve lives", Institute for Government, May 2024 https://www.instituteforgovernment.org.uk/sites/default/files/2024-05/preventative-approach-public-services_0.pdf [Accessed 3 January 2025]

mentioned on three occasions within the draft Programme for Government[24]. Two of these references are specifically in relation to Violence Against Women and Girls and the other is a more general reference in the context of transformation.

Prevention and early intervention are, however, referenced as a key theme for transformation by the Executive within the Budget Sustainability Plan. Prevention is also recognised as central within the Executive's Strategic Framework for Ending Violence against Women and Girls[25], and by the Department for Communities in the Housing Supply Strategy for 2024–2039 in tackling homelessness and thus preventing systemic health and other costs[26].

The Department of Health does reference the importance of prevention within its recent Health and Social Care three-year plan[27]. However, the scope for improvement can be seen from the relative prominence given to prevention on the Public Health Agency website[28] relative to the narrative from comparative agencies in Scotland[29] and Wales[30].

The think-tank Demos has proposed a new category of spending — Preventative Departmental Expenditure Limits (PDEL) — that would sit alongside the current Resource DEL and Capital DEL categories[31]. Prior to the UK Budget, the Chief Executives of the Health Foundation, Demos, the Chartered Institute of Public Finance and Accountancy, and the Institute for Government wrote to the Chancellor of the Exchequer calling for the implementation of Preventative-DEL[32]. Demos and the Health Foundation published a further paper on this issue in December 2024[33].

Whilst the Block Grant is allocated to Northern Ireland via RDEL and CDEL, there would be scope for the NI Executive carving out its own PDEL from the RDEL allocation. This would necessitate a clear understanding and definition of the nature and scope of preventative expenditure and the referenced think tanks have given some consideration to this.

There would be associated dangers of preventative spend becoming siloed through a fixed PDEL allocation. This may not be a concern in the short-term; however, in due course, prevention would need to be a shared and cultural imperative across the entire public sector.

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[24] Northern Ireland Executive, "Our Plan: Doing What Matters Most Draft Programme for Government 2024-2027", September 2024, www.northernireland.gov.uk/sites/default/files/consultations/newnigov/draft-programme-for-government-our-plan-doing-what-matters-most.pdf [Accessed 3 January 2025]
[25] Northern Ireland Executive, "Ending Violence Against Women and Girls, A Strategic Framework, 2024-2031", 2024 https://www.executiveoffice-ni.gov.uk/sites/default/files/publications/execoffice/strategic-framework-evawg.pdf [Accessed 3 January 2025]
[26] Department for Communities, "Housing Supply Strategy A Home for Everyone 2024 – 2039", December 2024. www.communities-ni.gov.uk/sites/default/files/2024-12/dfc-housing-supply-strategy-2024-2039.pdf [Accessed 3 January 2025]
[27] Department of Health, "Health and Social Care NI, A three-year plan to: stabilise reform deliver 10 December 2024", https://www.health-ni.gov.uk/sites/default/files/2024-12/doh-hsc-3-year-plan.pdf [Accessed 3 January 2025]
[28] Public Health Agency, https://www.publichealth.hscni.net/ [Accessed 3 January 2025]
[29] Public Health Scotland, https://publichealthscotland.scot/about-us/what-we-do-and-how-we-work/public-health-approach-to-prevention/what-is-prevention/
[30] Public Health Wales, https://primarycareone.nhs.wales/topics/prevention/ [Accessed 3 January 2025]
[31] Andrew O'Brien, Polly Curtis, Anita Charlesworth, "Revenue, capital, prevention: A new public spending framework for the future", Demos, October 2023 https://demos.co.uk/research/revenue-capital-prevention-a-new-public-spending-framework-for-the-future/ [Accessed 3 January 2025]
[32] Joint letter to the Chancellor to address spending on prevention | Institute for Government [Accessed 3 January 2025]
[33] Andrew O'Brien, Anita Charlesworth, "Counting What Matters: How to Classify, Account and Track Spending for Prevention", Demos, December 2024, https://demos.co.uk/wp-content/uploads/2024/12/Counting-what-matters_2024_Dec_V4.pdf [Accessed 3 January 2025]

SPU Observation 2: Consideration should be given to piloting the creation of a Preventative DEL allocation for some Departments as a proportion of Resource DEL, to ensure investment in the future and capture costs of inaction.

Green Budgeting

Green budgeting involves using the budgetary process to help drive climate and environmental goals[34]. Integrating such tools into the budget process could influence policy development and ultimate budgetary allocations. In embedding climate and environmental objectives within budgeting practices, green budgeting could also address the silo mentality within local structures — effectively mainstreaming the significance of climate risks[35].

Green budgeting could thus be another effective mechanism for enabling public transformation across NI Departments, driving cohesive investment in the future and enabling more sustainable outcomes.

As it stands, there is a specific policy challenge in relation to the public funding of climate and other environmental interventions. There is an inherent tendency within policymaking to afford priority to issues which are most imminent, or at least of relevance over the course of the incumbent political mandate. **Environmental expenditure will always sit outside of this incentive structure due to the future-orientated nature of any associated benefits**.

Environmental considerations are currently largely confined to wider economic appraisal analysis, which of course relate to post-budget spending decisions. As such they are considered at a micro rather than macro level, in terms of spending allocations.

This relative disincentive to prioritise environmental expenditure may have been particularly pronounced in the case of the NI Executive, due to the recent prevalence of single-year budgets, the multi-party nature of our government, and the particularly challenging financial context.

As such, it is arguable that environmental expenditure should be disaggregated from, or somehow weighted against, other financial spending commitments at the initial budgeting process. This would address the asymmetry in incentives and risk timeframes and safeguard future environmental outcomes for NI.

In the absence of reform, it will otherwise be difficult for the Executive to perceive spending on the environment as a priority and there are costs associated with this inaction.

There are some international examples of best practice in green budgeting. The Organisation for Economic Co-operation and Development (OECD) conducted a comprehensive analysis of how different member states approach green budgeting. This indicates that the UK and Ireland fare well relative to other states — both rank above the OECD average in terms of implementation of

[34] Organisation for Economic Co-operation and Development, https://www.oecd.org/en/topics/green-budgeting.html [Accessed 3 January 2025]

[35] In a non-financial context, there have been welcome developments locally in so far as the Assembly recently approved a carbon budget and a new 2040 emissions reduction target, in accordance with the Climate Change Act (NI) 2022. However, these budgets are non-financial in nature; rather, they relate to restrictions on greenhouse gas emissions. Nonetheless, this is a positive development and demonstrates a welcome degree of cross-departmental and political cohesion on the issue.

green budgeting practices[36]. **There is a less advanced incorporation of these measures in NI — this is understandable given how recently the Executive was restored but also implies opportunities for reform.**

France provides an interesting case, in that their green budgeting inter-ministerial working group prepares a 'green tagging' for budget items. This approach has been integrated into the regular budget process since 2023 to enhance the consideration of environmental impacts. In practice, the result of this is that green 'tags' and environmental impacts of planned measures are considered during budget preparation, and before the draft budget bill is presented to the French Parliament[37].

There is also an opportunity to incorporate green budgeting factors when setting capital expenditure plans, since these are particularly pertinent in the context of environmental outcomes. The Executive is due to publish an Investment Strategy and the Budget Sustainability Plan stresses that capital projects would be prioritised based on their potential impact, feasibility and alignment with Programme for Government objectives[38].

The Investment Strategy could explicitly prioritise investments that are related to the Executive's forthcoming Climate Action Plan and climate change mitigation and adaption measures. In particular, it is crucial that projects are scored in terms of consistency with net zero objectives and/or adaption to anticipated challenges from climate change realities.

Finally, whilst outside the direct remit of this paper, there is a relevant higher-level argument pertaining to the costs associated with climate inaction at a UK level. SPU has argued that, for the reasons outlined above, climate expenditure ought to be disaggregated from other more imminently impactful spending, and that the recent revision to the UK's fiscal rules was a missed opportunity to embed risks associated with climate inaction within the fiscal framework[39].

The recent change in the UK's fiscal rules in relation to borrowing to support long-term public investment in the UK has the scope to deliver significant additional capital resources to the Executive and expand the funding envelope for the Investment Strategy. **There should be considerable analysis and debate as to how best to utilise these funds to support transformation of public services and capture future-orientated risks and opportunities, such as those relating to climate.**

SPU Observation 3: The Executive should consider the introduction of green budgeting, informed by the comparative work of the OECD.

SPU Observation 4: The Executive's Investment Strategy should prioritise projects based on consistency with net zero objectives and/or adaption to anticipated challenges from climate change realities.

[36] OECD, "Greening the Budget", June 2023, https://one.oecd.org/document/GOV/SBO(2023)12/en/pdf [Accessed 3 January 2025]
[37] OECD, "Green Budgeting in OECD Countries in 2024", 2024, https://www.oecd.org/en/publications/green-budgeting-in-oecd-countries-2024_9aea61f0-en.html [Accessed 3 January 2025]
[38] Budget Sustainability Plan, p14
[39] Jodie Carson, "UK's fiscal framework should be revised to reflect climate risks, UK in a Changing Europe, December 2024, https://ukandeu.ac.uk/uks-fiscal-framework-should-be-revised-to-reflect-climate-risks/ [Accessed 3 January 2025]

Zero-Based Budgeting & Budgetary Processes

The concept of zero-based budgeting emerged in the early 1970s and is associated with Peter Pyhrr, a business writer in the United States[40]. This practice implies that within the initial budget process, the expenditure allocation for an organisation, department or particular business area is reset to zero and determined in line with needs and assessed against competing priorities and changing circumstances. Essentially, all expenditure must be justified from a zero-base.

By contrast in NI and in many other jurisdictions, budgets are currently based on incremental modifications, increases or decreases, from the previously allocated amounts. This means there is an inherent tendency to fund what has always been funded, with any amendments being largely marginal.

Zero-based budgeting was considered in a report by consultants from PKF in 2007, which was commissioned by the then Department for Finance and Personnel. The pros and cons of the incremental approach versus zero-based budgeting was set out within an Assembly Library report[41]. It has only been trialled on a piecemeal basis in Northern Ireland to date.

Essentially, the incremental approach is quicker and simpler and often reflects a process of political negotiation rather than a full needs-based assessment. **By contrast, zero-based budgeting is more deliberative and analytical, more accurately links inputs with outputs, is more future-orientated and aligned with changing needs.** It is, however, a more time-consuming process.

The Northern Ireland Audit Office set out the potential for a change in approach in its 2021 review of the Northern Ireland Budget process against the OECD Principles of Budget Governance[42]. With reference to Principle 8 “Ensure that performance, evaluation and value for money are integral to the budget process”, the NIAO found that “the budget does not clearly link inputs to outputs”. It went on to elaborate:

> *3.30 While the principle suggests that government should periodically take stock of overall expenditure and re-assess how expenditure and national priorities align, NI adopts an incremental approach to budgeting for its day-to-day expenditure. This method takes the prior year budget as its starting point, adjusting it to allow for items such as salary increments, inflation, projections for new expenditure, or fluctuations in revenue. This is a simple form of budgeting which has advantages, but also disadvantages. Since 2007, a number of reports on budgeting within NI have recommended that the Executive moves away from this approach to one that would provide a transparent link between inputs and outcomes. Nevertheless, the Executive has continued to use incremental budgets for resource expenditure. The DoF has advised that this approach reflects the nature of resource spending, which is largely recurrent in nature e.g. salary budgets. Zero-based budgeting is used, however, for capital expenditure.*

Arguably, zero-based budgeting would provide for more efficient and effective allocations of scarce resources and, as such, drive better outcomes. Zero-based budgeting would also facilitate the alignment of NI budgets with the corresponding Programme for Government.

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40 David Kesmodel, “Meet the Father of Zero-Based Budgeting”, Wall Street Journal, 26 March 2015, https://www.wsj.com/articles/meet-the-father-of-zero-based-budgeting-1427415074 [Accessed 3 January 2025]

41 Colin Pidgeon, “Methods of Budgeting”, Northern Ireland Assembly Research and Library Services, January 2010, https://www.niassembly.gov.uk/globalassets/documents/committees/2007-2011/finance-and-personnel/research-papers/methods-of-budgeting.pdf [Accessed 3 January 2025]

42 The Northern Ireland Audit Office, “The Nothern Ireland Budget Process”, June 2021, www.niauditoffice.gov.uk/publications/northern-ireland-budget-process [Accessed 3 January 2025]

This shift in methodology would, of course, be a considerable undertaking — it might initially be explored within one or more Executive Departments or based on certain areas of expenditure. This could perhaps be incorporated as part of a wider review of budget processes.

It is also noteworthy that the Audit Office highlights that the overall budgetary process in Northern Ireland is at least in compliance with Principle 4, "to ensure that budget documents and data are open, transparent and accessible" and Principle 5 "to provide for an inclusive participative and realistic debate on budgetary choices" from the OECD Principles of Budget Governance. The factsheet published by the Department for Finance alongside the draft Budget for 2025–26 may mark the beginning of a fresh approach[43].

SPU Observation 5: Zero-based budgeting could be piloted within one or more Executive Departments, to drive renewed financial scrutiny, better alignment with PfG priorities and drive more efficient outcomes.

Strategic Deployment of Science & Technology/Artificial Intelligence

The strategic deployment of science and technology, in particular Artificial Intelligence, should be actively undertaken to unlock efficiencies and improved outcomes.

The centrality of technology to transformation is recognised in that 18 of the 29 projects being taken forward for further consideration by the interim Public Service Transformation Board are digital in nature[44].

There is a broader imperative for governments to have up-to-date digital strategies and either integrate artificial intelligence within those strategies or to have a parallel standalone AI strategy. A particular aspect of this is the manner and extent of how governments and the wider supported public sector are deploying technology including AI.

Further considerations could include how to ensure a flourishing private AI sector, support and maximise innovation, develop and sustain the related skills pipeline, consider the resultant ethical issues, and balance the associated risks and concerns. The responsible application of AI in the public sector should foster the trust of citizens and mitigate/alleviate objections to adoption.

For the purposes of this paper, the focus is on a digital and/or standalone AI strategy to aid the transformation and performance of public services. **There is a wider but related imperative to maximise economic opportunities from new technology and establish a strong position in a very competitive and fluid global context.** This wider context could be covered within any AI Strategy.

In Northern Ireland, leadership and vision have been demonstrated by the Department for the Economy and Invest NI via support provided to the Artificial Intelligence Collaboration Centre[45], to build a talent pipeline and work with businesses to maximise innovation and adoption of new technologies and systems.

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[43] The Department of Finance, "Draft Budget Factsheet, December 2024". Draft Budget 2025-26 factsheet_0.pdf [Accessed 3 January 2025]
[44] Committee for Finance, Official Report (Hansard) Interim Public-sector Transformation Board: Executive Office; Department of Finance, 23 October 2024, https://data.niassembly.gov.uk/HansardXml/committee-34190.pdf [Accessed 3 January 2025]
[45] Artificial Intelligence Collaboration Centre, https://www.aicc.co/ [Accessed 3 January 2025]

The OECD highlights the potential use of digital public infrastructure in freeing up the time of public servants, allowing a reorientation of efforts from mundane tasks to high-value-added tasks, increasing efficiency and effectiveness[46]. It also looks more widely at the potential benefits, but also the need to manage risks, from AI[47].

The UK Government has encouraged the deployment of AI for some time. In 2018, it introduced the AI Sector Deal to stimulate its use and in 2021 launched its National AI Strategy. A report by the National Audit Office indicated that skills availability is a key concern for government bodies, in terms of creating barriers to the adoption of AI within their organisation[48].

Germany has embedded AI in the public sector as a core component of its National AI strategy, in areas such as answering 'citizens questions', summarising text for public servants and facilitating traffic management. However, the development of skills is vital - Germany cites a lack of in-house expertise as a key challenge of AI use in the public sector.

In terms of other devolved nations and regions, Scotland has had an AI Strategy since 2021[49] and Wales introduced a Digital Strategy in 2022[50]. The Workforce Partnership Council in Wales recently produced a report on the awareness and understanding of artificial intelligence in the Welsh public sector [51].

At a local level, many Departments and agencies in Northern Ireland already have their own digital strategies. However, the Northern Ireland Executive should seek to develop its own Digital Strategy and, in parallel, a dedicated AI Strategy. The new Chief Scientific and Technology Adviser and the associated Network should also play an important role. It is noteworthy that the Executive is currently conducting a digital landscape review, whilst recognising that capacity to fully exploit opportunities may not be consistent across all Departments[52].

An overall strategy should seek to address how government and the public sector can maximise technology to deliver improved efficiency and outcomes, whilst ensuring that society benefits and wider economic opportunities are fully captured.

An overarching framework for innovation and adoption of AI should be a core transformation project. Within that structure, a broad range of innovative projects could be taken forward. It is welcome that the 18 digital-related transformation bids are being considered collectively as part of the digital landscape review. Ethical checks and balances must be integral to such undertakings. Naturally, in adopting new technology, some failure may be expected along the way, thus reinforcing the need for a multiplicity of small projects, within a framework and culture that recognise and support trial and error.

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[46] OECD, "Digital Public Infrastructure for Digital Governments" https://www.oecd.org/en/publications/enabling-digital-innovation-in-government_a51eb9b2-en.html, October 2024 [Accessed 3 January 2025]
[47] OECD, "Assessing Potential Future Artificial Intelligence Risks, Benefits and Policy Imperatives", November 2024 https://www.oecd.org/content/dam/oecd/en/publications/reports/2024/11/assessing-potential-future-artificial-intelligence-risks-benefits-and-policy-imperatives_8a491447/3f4e3dfb-en.pdf [Accessed 3 January 2025]
[48] National Audit Office, "Use of artificial intelligence in government", March 2024, www.nao.org.uk/wp-content/uploads/2024/03/use-of-artificial-intelligence-in-government.pdf [Accessed 3 January 2025]
[49] Scottish AI Alliance 2023, "Scotland's Artificial Intelligence Strategy", March 2021, https://www.scotlandaistrategy.com/ [Accessed 3 January 2025]
[50] Welsh Government, "Digital Strategy for Wales", March 2021, https://www.gov.wales/digital-strategy-wales-html [Accessed 3 January 2025]
[51] Welsh Partnership Council, "Using artificial intelligence at work", December 2024, www.gov.wales/using-artificial-intelligence-work [Accessed 3 January 2025]
[52] Committee for Finance, Official Report (Hansard) Interim Public-sector Transformation Board: Executive Office; Department of Finance, 23 October 2024, https://data.niassembly.gov.uk/HansardXml/committee-34190.pdf [Accessed 3 January 2025]

SPU Observation 6: Science and technology should be recognised as central to driving efficiencies and improved outcomes. This should include the development of an ethical and responsible AI Strategy for NI.

SPU Observation 7: Transformation should be a collective and outward looking undertaking, involving a range of stakeholders. The NI Executive should actively engage with industry and academia to identify challenges and develop solutions that could drive improved outcomes and/or wider efficiencies.

Key Conclusions

1. **A revised Fiscal Framework for NI is, in isolation, unlikely to resolve the financial difficulties facing the Executive**, particularly as the cessation of stabilisation funding looms in 2025–26. Financial recovery will also necessitate enhanced revenue raising. **However, the real game changer for NI lies in transformation — changing how funding is allocated/spent and how services are delivered.**

2. **Significantly increased resources should therefore be allocated to transformation via the Transformation Fund. Furthermore, transformation should not be restricted to a delineated fund, rather it should be an underlying ethos and mainstreamed across all aspects of government work.** It should also be an outward looking exercise, involving collaboration with other stakeholders to identify policy solutions and drive efficiencies and better outcomes.

3. **Consideration should be given to piloting the creation of a Preventative DEL allocation for some Departments as a proportion of their overall Resource DEL allocation.** This would help embed public transformation as a culture across the Civil Service. For example, this would safeguard enhanced investment in prevention and early-intervention in health, driving improvements in future outcomes and services.

4. **The Executive should consider the introduction and/or trialling of Green-Budgeting, informed by international examples of best practice and the comparative work of the OECD.** This would embed environmental considerations across policymaking and address the inherent disconnect between policy/political short-termism and the future-orientated nature of benefits from this type of expenditure.

5. **Zero-Based budgeting should be piloted within one or more Executive Departments,** to refresh thinking around what is funded and avoid the embedding and reinforcing of inefficiencies, based on what has been funded historically.

6. **Science and technology should be recognised as central to driving efficiencies and improved outcomes. Related interventions should include the development of an AI Strategy for NI.**

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