



Northern Ireland Budget (No. 2) Bill

HL Bill 167 of 2022–23

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Date published: 6 September 2023

The House of Lords is scheduled to consider the [Northern Ireland Budget \(No. 2\) Bill](#) at second reading and all remaining stages on 14 September 2023. The government has published [explanatory notes](#) to accompany the bill.

The bill would authorise government departments and certain other bodies in Northern Ireland, such as the Northern Ireland Assembly Commission, Food Standards Agency and Public Prosecution Service for Northern Ireland, to incur expenditure and use resources for the financial year ending 31 March 2024. The authorised sums would be in line with draft budget allocations set out in a written ministerial statement published on 27 April 2023.¹ The bill would put these budget allocations on a statutory footing and would supersede ‘vote on account’ arrangements provided for in the [Northern Ireland Budget Act 2023](#), which was passed in February 2023. These have allowed Northern Ireland departments and other bodies to continue to deliver services in 2023/24, but only up to a limit of around 65% of the 2022/23 budget.

The government has asked Parliament to fast track the bill to “safeguard the continued delivery of public services” in Northern Ireland. This is amid the continuing absence of functioning institutions at Stormont. The bill has already passed the House of Commons, where it received its second reading on 10 July 2023 and passed its remaining stages unamended on 4 September 2023.²

The Speaker of the House of Commons has certified the bill as a money bill. In practice this limits the extent to which the House of Lords can propose

¹ House of Commons, ‘[Written statement: NI finances 2023/24 \(HCWS748\)](#)’, 27 April 2023.

² [HC Hansard, 10 July 2023, cols 101–44](#); and [HC Hansard, 4 September 2023, cols 140–66](#).

significant changes and means the bill can become law with or without House of Lords approval.³

I. Why has the government introduced the bill?

When operating, the Northern Ireland executive would ordinarily agree a budget each year and seek approval for a budget bill in the Northern Ireland Assembly to authorise expenditure. However, Northern Ireland has been without a fully functioning executive since the collapse of power-sharing in February 2022. This was prompted by the resignation of the Democratic Unionist Party's Paul Givan as first minister following the DUP's objections to the Northern Ireland Protocol.⁴ New assembly elections were held on 5 May 2022, in which Sinn Féin was returned as the largest party in the new assembly. A return to power-sharing has yet to take place amid ongoing political disagreements about the protocol and the Windsor Framework agreed between the UK and the EU.⁵

In the absence of fully functioning devolved institutions at Stormont, the UK government has said it falls to the UK Parliament to legislate to provide authority for departmental expenditure in Northern Ireland.⁶ The bill is required because the Northern Ireland Budget Act 2023 provided for the issue of sums and authorised the use of resources for the financial year ending 31 March 2024 on a 'vote on account' basis only.⁷ The provisions in that act have provided access to cash and resources for the current financial year up to approximately 65% of the amount authorised for 2022/23, pending the consideration of a budget bill for the full 2023/24 financial year.

³ House of Lords, '[Companion to the standing orders and guide to the proceedings of the House of Lords](#)', 2022, p 161.

⁴ Paul Givan, '[Personal X account \(previously Twitter\)](#)', 3 February 2022.

⁵ For further background information, see: House of Lords Library, '[Northern Ireland Protocol and Windsor Framework: Reports by the House of Lords Protocol on Ireland/Northern Ireland Sub-Committee](#)', 4 September 2023 (section 4).

⁶ [Explanatory notes](#), p 4.

⁷ A 'vote on account' is a way for the government to obtain an advance on the money needed for the next financial year before a bill authorising the full year's estimates is agreed.

Secretary of State for Northern Ireland Chris Heaton-Harris set out a budget for Northern Ireland for the 2023/24 financial year in a written ministerial statement published on 27 April 2023.⁸ He expressed “considerable disappointment” that he had found it necessary to “once again step in and set a budget for Northern Ireland for 2023/24”. However, he added that the “challenging” budget position in Northern Ireland meant departments needed clarity on their budget allocations. The statement set out resource and capital allocations that Mr Heaton-Harris said he considered to be “an appropriate settlement” for Northern Ireland departments.⁹ He had told the House of Commons Northern Ireland Affairs Committee two days earlier that it would be for the Northern Ireland civil service to make spending decisions within the financial envelope set in the budget.¹⁰

Mr Heaton-Harris added that the government would bring forward a budget bill “in due course”. The government later introduced the Northern Ireland Budget (No. 2) Bill in the House of Commons on 29 June 2023.¹¹ The government published main estimates for Northern Ireland the following week.¹² It later said that no new money would be allocated as a result of the new bill.¹³

Mr Heaton-Harris also explained in his statement that the context of setting the Northern Ireland budget for 2023/24 had been “very difficult”. This was at least in part due to the existence of a £660mn so-called “black hole” previously identified in the Northern Ireland budget. Mr Heaton-Harris had earlier told the House of Commons Northern Ireland Affairs Committee

⁸ House of Commons, ‘[Written statement: NI finances 2023/24 \(HCWS748\)](#)’, 27 April 2023.

⁹ Northern Ireland Office, ‘[Northern Ireland secretary announces 2023/24 budget and contingency plans for governance](#)’, 27 April 2023; and Northern Ireland Department of Finance, ‘[Department of Finance statement on 2023/24 Northern Ireland budget](#)’, 27 April 2023.

¹⁰ House of Commons Northern Ireland Affairs Committee, ‘[Oral evidence: Work of the secretary of state for Northern Ireland](#)’, HC 86 of session 2022–23, 25 April 2023, Q472.

¹¹ [HC Hansard, 29 June 2023, col 438](#).

¹² Northern Ireland Office, ‘[Northern Ireland main estimates 2023/24](#)’, 3 July 2023, CP 884.

¹³ [Explanatory notes](#), p 4. Instead, the bill will appropriate sums provided to the consolidated fund of Northern Ireland through the UK estimates process, together with revenue generated within Northern Ireland under the assembly’s devolved powers.

that the Northern Ireland Office had worked with the permanent secretaries of the Northern Ireland departments to bring this shortfall down to a gap of £297mn within the 2022/23 financial year.¹⁴ In his statement, Mr Heaton-Harris said the Treasury had granted some flexibility on repaying this £297mn overspend from the previous year. Rather than taking that amount from this year's expenditure immediately, Mr Heaton-Harris said it would be repaid by committing any future in-year Barnett consequential for 2023/24 to repaying the overspend.¹⁵ If this did not amount to £297mn, Mr Heaton-Harris said he would work with the Treasury to reallocate funding from previously announced Northern Ireland funding packages to ensure the full amount was repaid in 2024/25.

On the same day as the April 2023 statement was published, the government introduced a bill to ensure public services could continue to function in the absence of a Northern Ireland executive.¹⁶ This bill later received royal assent on 24 May 2023 to become the Northern Ireland (Interim Arrangements) Act 2023.¹⁷ The act extended the decision-making powers of civil servants in Northern Ireland until the next executive is formed; granted the secretary of state for Northern Ireland powers to direct Northern Ireland departments to provide advice or consult on options to raise revenue or deliver sustainable public finances in the ongoing absence of an executive; and required certain accounts, reports and other documents to be laid before the UK Parliament when the Northern Ireland Assembly is not functioning.¹⁸

¹⁴ House of Commons Northern Ireland Affairs Committee, '[Oral evidence: Work of the secretary of state for Northern Ireland](#)', HC 86 of session 2022–23, 25 April 2023, Q464.

¹⁵ 'Barnett consequential' are increases in the Northern Ireland block grant that arise when the UK government increases spending in England (or elsewhere in Great Britain) on items that Northern Ireland departments are responsible for delivering in Northern Ireland. Under the Barnett formula, funding per head rises by the same cash amount in Northern Ireland as equivalent UK government spending (Northern Ireland Fiscal Council, '[The NIO's 2023/24 budget for Northern Ireland: Initial summary](#)', 2 May 2023, p 2). The House of Lords Library briefing on '[The Barnett formula: How it operates and proposals for change](#)' (6 March 2023) contains further details about the Barnett formula.

¹⁶ House of Lords Library, '[Northern Ireland \(Interim Arrangements\) Bill](#)', 15 May 2023.

¹⁷ UK Parliament, '[Northern Ireland \(Interim Arrangements\) Act 2023](#)', accessed 1 September 2023.

¹⁸ House of Commons Library, '[Northern Ireland Budget \(No. 2\) Bill 2022–23](#)', 4 July 2023, p 8.

The government has asked Parliament to fast track the Northern Ireland Budget (No. 2) Bill on the basis that it is required to “safeguard the continued delivery of public services” in Northern Ireland.¹⁹ In the bill’s explanatory notes, the government explained that in order to provide clarity and legal certainty for Northern Ireland departments the bill’s provisions “cannot be delayed further in the absence of a Northern Ireland executive and a sitting assembly”. It added:

If there is delay in authorising the issue of sums and use of resources for the full financial year ending 31 March 2024 there is a risk that departments and other bodies in Northern Ireland will reach the limits of cash and resources which were authorised in the vote on account in the Northern Ireland Budget Act 2023, and that services would cease to be delivered as a result.

Further background on the political impasse in Northern Ireland and on Northern Ireland’s finances, including options for revenue raising and budget sustainability, can be found in the House of Lords Library’s briefing on the Northern Ireland (Interim Arrangements) Bill.²⁰

2. What would the bill do?

The bill comprises nine clauses and one schedule. The bill’s first six clauses would authorise the use of resources by Northern Ireland departments and certain other public bodies for the year ending 31 March 2024, based on the budget estimates published on 27 April 2023 and up to a total limit of £27.4bn. The remaining clauses would provide for the act to take effect as if it were a budget act of the Northern Ireland Assembly and for the bill’s interpretation and short title. The bill’s schedule sets out the amount of resources authorised for use by and sums granted to each department and public body covered by the bill, as well as the purposes for which these resources and money can be used for the year ending 31 March 2024. The bill would only apply to the current 2023/24 financial year.

¹⁹ [Explanatory notes](#), p 5.

²⁰ House of Lords Library, [‘Northern Ireland \(Interim Arrangements\) Bill’](#), 15 May 2023, pp 1–9.

The bill extends across the UK but would only apply in Northern Ireland.²¹

3. What happened in the House of Commons?

3.1 Second reading

The House of Commons debated the bill at second reading on 10 July 2023.²² Opening the debate on behalf of the government, Secretary of State for Northern Ireland Chris Heaton-Harris said he spoke with a “strong sense of disappointment” that spending decisions for Northern Ireland were not being taken by locally elected politicians. He continued:

The government have brought forward this bill because the Northern Ireland parties have been unable to form an executive and subsequently set a budget for this financial year. The government have therefore been compelled to step in again and set another budget. I set out the headline departmental budget allocations via a written ministerial statement to Parliament on 27 April this year, and this bill puts those allocations on a statutory footing. We have also published more detailed information in respect of each of the Northern Ireland departments’ spending plans through the main estimates, which I laid as a command paper on 3 July.²³

Mr Heaton-Harris said the bill’s remaining stages would be taken after the summer recess. He said this would present an “opportunity for the Northern Ireland parties to come together as a restored executive and take their own budget legislation through the assembly, making the remaining stages of the bill in this place superfluous”. He later added that “locally accountable leadership is urgently required to ensure that Northern Ireland has a stable and flourishing economy, and to advocate for reform of Northern Ireland’s public finances”.

²¹ [Explanatory notes](#), p 5.

²² [HC Hansard, 10 July 2023, cols 101–44.](#)

²³ [HC Hansard, 10 July 2023, col 101.](#)

Turning to the content of the bill, Mr Heaton-Harris confirmed the bill's provisions would mean that Northern Ireland departments received a total resource budget of £14.2bn and a capital budget of £2.2bn, in line with his April statement.²⁴ He said these figures included the Northern Ireland executive block grant, “set at the 2021 spending review and through the subsequent operation of the Barnett formula, and income from regional rates”.

During his remarks, Mr Heaton-Harris thanked the Labour Party for its “continued cooperation with the government as we seek to bring the bill forward at the requisite pace”.²⁵ He concluded by thanking Northern Ireland civil servants working amid the ongoing absence of an executive.

Speaking on behalf of the Labour Party, Peter Kyle, the then shadow secretary of state for Northern Ireland, said that Northern Ireland departments were in a “challenging position”.²⁶ He added that the budget would “at least give them some certainty to allow public services to remain functioning”, before paying tribute to civil servants who were having to take decisions based on its contents.

On the budget's implications for Northern Ireland, Mr Kyle mentioned pressures facing the education and health sectors in particular. He cited a BBC News report which quoted Northern Ireland Department for Infrastructure officials saying they “believe they lack the legal authority to take measures necessary to balance their budget”.²⁷ He asked the minister for clarity on “whether we will need more legislation to provide clarity on the decisions being made as a result of this budget”.²⁸

Speaking on behalf of the SNP, Richard Thomson, the party's spokesperson on Northern Ireland matters, suggested the government was responsible for the impasse in Northern Ireland. He said the bill was needed because of the

²⁴ [HC Hansard, 10 July 2023, col 104.](#)

²⁵ [HC Hansard, 10 July 2023, col 103.](#)

²⁶ [HC Hansard, 10 July 2023, col 106.](#)

²⁷ BBC News, ‘[Stormont stalemate: Department for Infrastructure warns of overspend](#)’, 3 July 2023.

²⁸ [HC Hansard, 10 July 2023, col 109.](#)

“political chaos that the choices of this government and previous governments have inflicted on the body politic in Northern Ireland over Brexit, and through a Brexit that is still clearly not done”.²⁹ Mr Thomson added that in his party’s view, the budget amounted to a “series of spending limits” rather than a “statement of the political and policy priorities [...] reflected in the allocation of resources”. However, he concluded by agreeing with the government and Labour that the “best people” to take spending decisions in Northern Ireland were “those who have been directly elected to the Northern Ireland Assembly”.

Sammy Wilson, the DUP’s spokesperson on Treasury matters, criticised the budget’s resource allocations for being insufficient for Northern Ireland’s needs. He said:

The budget is inadequate—that is the first thing we need to look at. The holes in the budget are so big and the issues around it so difficult that even if we had a performing executive tomorrow, they would not be able to get past those issues.³⁰

Mr Wilson spoke about the Barnett formula before asking the government how long Northern Ireland had to wait “for what happens in other parts of the United Kingdom to be applied to Northern Ireland”.

The SDLP leader, Colum Eastwood, accused the government of using the bill to put pressure on the DUP to return to power-sharing.³¹ He alleged the budget was a “tactic to put pressure on the DUP, but actually [Mr Heaton-Harris] has swung, missed the DUP and instead hit the most vulnerable people in our society”. Mr Eastwood spoke about funding requirements in education, health, policing and communities before calling for a return to power-sharing at Stormont. He said:

If the secretary of state is serious about getting the DUP to go back to

²⁹ [HC Hansard, 10 July 2023, col 111.](#)

³⁰ [HC Hansard, 10 July 2023, col 116.](#)

³¹ [HC Hansard, 10 July 2023, cols 119–20.](#)

work in Stormont, I will be with him in that endeavour [...] we need to be back in government, dealing with the people's problems and the people's concerns. If that does not happen, we cannot have this kind of direct rule by the back door, because the next step in that—people should listen to this—has to be greater involvement of the Irish government in the affairs of Northern Ireland.

Speaking on behalf of Alliance, Stephen Farry called for a return to power-sharing, although he acknowledged this would not solve Northern Ireland's funding pressures. He said:

I would be the first to recognise that an executive would not be a silver bullet for our problems—there will still be a major budget crisis whenever an executive is restored—but having an executive is fundamental to providing some type of framework, a strategic approach, democratic accountability and transparency and proper scrutiny of what is happening. That allows us to plan ahead. It allows decisions to be taken on a cross-departmental basis. It allows us to protect areas that are crucial for the medium and long terms. Those are all things that an executive can and should be doing.

Dame Meg Hillier, the Labour chair of the House of Commons Public Accounts Committee, also spoke in the debate. She said she was disappointed that the budget of the Northern Ireland Audit Office, which is in the region of £9mn a year, had been cut by £515,000.³² She said that if that body was unable to carry out its scrutiny work, the “pressure on the UK Public Accounts Committee [...] would be immense”.

Concluding the debate on behalf of the government, Steve Baker, minister of state at the Northern Ireland Office, described the bill as a “responsible, but regrettable, step that we need to take”.³³ Mr Baker acknowledged that a future executive would “face this stark budget and the difficult decisions that follow from it”, but added that the “right people to be taking those tough

³² [HC Hansard, 10 July 2023, col 121.](#)

³³ [HC Hansard, 10 July 2023, col 138.](#)

decisions are locally elected Northern Ireland executive ministers”. He later said the UK government had “no plans to go toward direct rule”, whether in order to resolve particular issues or otherwise.

3.2 Remaining stages

The House of Commons considered the bill at all remaining stages on 4 September 2023.³⁴

No amendments were selected for the bill’s committee stage, although two had been tabled.³⁵ Steve Baker opened proceedings on behalf of the government by reiterating that the bill would “allow public services to continue functioning and help to protect public finances in Northern Ireland”.³⁶ Speaking on behalf of the Labour Party, Tonia Antoniazzi, shadow minister for Northern Ireland, argued that the restoration of devolved government in Northern Ireland was the “only viable way forward”. She called on the government and the main parties at Stormont to “ensure that happens sooner rather than later”. Simon Hoare, chair of the Northern Ireland Affairs Committee, and Sir Robert Buckland, a member of the committee, also called for the restoration of the devolved institutions at Stormont before the bill was reported without amendment.

Steve Baker also opened the bill’s third reading debate on behalf of the government.³⁷ He spoke of the “acute” financial pressures facing Northern Ireland and repeated the government’s view that the bill was a necessary measure until financial decisions could again be taken at Stormont. Hilary Benn, who had been appointed shadow secretary of state for Northern Ireland earlier in the day, then spoke on behalf of the Labour Party. He said it was “clear that we cannot keep setting budgets in this way and that the structural problems in Northern Ireland are getting worse in the absence of an executive”. Mr Benn said his party did not oppose the bill, “as to do so

³⁴ [HC Hansard, 4 September 2023, cols 140–66.](#)

³⁵ House of Commons, ‘[Committee of the whole House: Amendments as at 4 September 2023](#)’, 4 September 2023.

³⁶ [HC Hansard, 4 September 2023, col 140.](#)

³⁷ [HC Hansard, 4 September 2023, col 144.](#)

would cause deeper instability”. However, he added that the “best and only way forward” was the restoration of devolved government at Stormont. Spokespersons from the SNP, DUP, SDLP and Alliance also contributed to the third reading debate, largely raising similar matters to those raised at second reading. Dame Meg Hillier, chair of the House of Commons Public Accounts Committee, also spoke again on audit arrangements. After further backbench contributions the bill was passed without division.

4. Read more

- House of Commons, '[Written statement: NI finances 2023/24 \(HCWS748\)](#)', 27 April 2023
- Northern Ireland Office, '[Northern Ireland main estimates 2023/24](#)', 3 July 2023, CP 884
- House of Commons Northern Ireland Affairs Committee, '[The funding and delivery of public services in Northern Ireland](#)', accessed 1 September 2023
- House of Commons Library, '[Northern Ireland Budget \(No. 2\) Bill 2022–23](#)', 4 July 2023

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