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An Oifig Buiséid Pharlaiminteach Parliamentary Budget Office **Supplementary Estimates 2017**

Briefing Paper 2 of 2017

Séanadh

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Introduction

This Paper has been prepared to brief Members of the Oireachtas and its Committees. The PBO has reviewed the Supplementary Estimates 2017 with four objectives in mind:

- To explain what the Supplementary Estimates are and how they relate to the monies already voted by Dáil Éireann in respect of 2017;
- To provide an overview of the Supplementary Estimate amounts in respect of which approval is being sought;
- To provide a brief evaluation of the Supplementary Estimates which the Government has brought to Dáil Éireann for approval;
- To illustrate, in graphical format as set out in the appendix to this paper, the changes proposed to Vote subheads.

Supplementary Estimates in respect of eight Votes were referred by Dáil Éireann to the relevant sectoral select Committees on 21 November to be returned by 6 December. Supplementary Estimates, in respect of a further four Votes, were referred on 29 November – also to be returned to the Dáil by 6 December 2017.

Background to the *Supplementary Estimates*

This section of the Paper is based on an excerpt from Oireachtas Library & Research Service *L&RS Note* of 22 October 2013 entitled *Supplementary Estimates*.

The Estimates for Public Services detail the amount and purpose of funds that Dáil Éireann has approved for Government Departments, certain State agencies and certain Central Government Funds to spend in a year. Changes to the Estimate of a Department/Agency/Fund during the year *may* require a Supplementary Estimate. The Public Financial Procedures Booklet (section B(1.1)(19-20)) explains the circumstances in which a Supplementary Estimate is needed. A Supplementary Estimate may be used to secure Dáil approval for any of the following:

- (a) the provision of additional money for an existing service;
- (b) the provision of additional money to cover any shortfall in appropriations-in-aid;
- (c) the provision of money for a new service;
- (d) to introduce a new service even though no additional money is required (the passing of a Supplementary Estimate would enable expenditure to take place on a new service in advance of the passing of the main Estimate);
- (e) to switch money from one particular service to another *within* a Vote where this cannot be done by virement;
- (f) to use surplus appropriations-in-aid to finance additional expenditure;
- (g) to enable the Dáil to debate a service for which the Estimate was previously passed, by arrangement, without debate.

Supplementary Estimates of the type at (a), (b) and (c) above involve the provision by the Dáil of additional monies and are known as Substantive Supplementary Estimates. The others do not involve additional monies and are referred to as token or technical Supplementary Estimates (these technical adjustments are made under a Supplementary Estimate for a nominal amount of €1,000).

Definitions

Appropriations-in-Aid: This is the term used to denote revenue accruing to a Vote. It usually consists of fees paid to Government Departments in respect of various services such as processing passport applications etc. This revenue may be retained within the Vote and offset against expenditure.

Virement: This is the process of transferring monies from one budget line or subhead to another. This is possible as the Oireachtas, in appropriating monies in the annual Appropriation Act, does so by specifying only the total maximum amount sanctioned in respect of each Vote. The Act does not give legal effect to the various subheads as set out in the *Revised Estimates for Public Services*. This allows for savings or over-estimations on some subheads which may be used to address overruns or under-estimations *within* a Vote. However, virement is not allowed without Dáil approval between Votes or to grant-in-aid budget lines (i.e. grants to agencies which do not have their own Votes).

The Supplementary Estimates 2017

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Agreement is being sought by Government from Dáil Éireann in respect of Supplementary Estimates in relation to the Votes set out in Table 1.

This paper compares the *Supplementary Estimates 2017* with the net total from the original *Revised Estimates for Public Services 2017* or the *Further Revised Estimates for Public Services 2017* already approved during 2017 by the Dáil.

Table 1 shows the amounts sought in respect of substantive Supplementary Estimates range from €418,000 to €195 million; the percentage increases range from 0.1% to almost 6%.

Table 1 – Summary of Supplementary Estimates 2017

Vote and title	Total original net or revised net estimate – €000	Net amount sought in Supplementary Estimates 2017 – €000	Percentage increase sought	Nature of Supplementary Estimate	Date of referral by Dáil Éireann
5 – Director of Public Prosecutions	40,676	418	1.03%	Substantive	21 November
12 – Superannuation and Retired Allowances	359,900	6,500	1.8%	Substantive	21 November
17 – Public Appointments Service	11,156	664	5.95%	Substantive	21 November
20 – An Garda Síochána	1,505,946	44,200	2.94%	Substantive	29 November
26 – Education and Skills	8,675,299	124,000	1.43%	Substantive	29 November
30 – Agriculture, Food and the Marine	1,131,157	1	n/a	Technical	21 November
31 – Transport, Tourism and Sport	1,442,107	1	n/a	Technical	21 November
32 – Business, Enterprise and Innovation	806,541	1	n/a	Technical	21 November
34 – Housing, Planning and Local Government	1,927,355	100,000	5.19%	Substantive	29 November
35 – Army Pensions	224,632	10,700	4.76%	Substantive	21 November
37 – Employment Affairs and Social Protection	10,780,739	10,000	0.1%	Substantive	21 November
38 – Health	14,146,309	195,000	1.38%	Substantive	29 November

PBO's analysis of the *Supplementary Estimates 2017*

This section sets out the PBO's analysis of the *Supplementary Estimates 2017* – where appropriate, the PBO has grouped the Votes under thematic headings such as Brexit, Public Sector numbers etc.

Proposed changes in the subheads of the nine Votes where substantive Supplementary Estimates are proposed are illustrated, by way of bar chart, in Appendix 1 to this paper.

The departure of the United Kingdom from the European Union (Brexit)

The technical Supplementary Estimates in respect of Agriculture, Food and the Marine and of Business, Enterprise and Innovation (Votes 30 and 32) are linked inasmuch as they allow for:

- the reallocation of funding for the co-funding by both Government Departments of a new Brexit Loan Fund.

This fund aims to provide a low cost loan scheme for SMEs – to be launched in 2018. Measures announced in Budget 2018 to address Brexit were summarised in the PBO publication, *Post-Budget 2018 Commentary for the Committee on Budgetary Oversight* (p.28), available [here](#).

Transport

The technical estimate in relation to Transport (Vote 31) reflects the arrangement whereby levies in the amount of €12.5m were collected by local authorities on behalf of Transport Infrastructure Ireland (TII). These levies were collected in respect of the Luas extensions to Cherrywood and the Docklands. The Supplementary Estimate is therefore required to facilitate arrangements to reallocate the funds in question to fund Luas Cross City project expenditure incurred during 2017.¹

Public Sector numbers (pay and pensions)

The Supplementary Estimate in respect of the Superannuation and Retired Allowances Vote (Vote 12) seems to be primarily concerned with increasing the gross allocation of two subheads relating to pension payments by €14.2m. The net allocation is to increase by €6.5m taking into account proposed savings on four subheads of €3.7m and an increase of €4m in Appropriations-in-Aid receipts.

In respect of Army Pensions (Vote 35) a Supplementary Estimate in the net amount of €10.7m is required suggesting that the number of military retirements is higher than anticipated – the bulk of the estimate is concerned with providing a gross increase of €10.83m to subhead A.2 (Defence forces pensions and transferred service).

¹ This arrangement was explained by the Minister for Transport, Tourism and Sport to the Select Committee on 29th November 2017.

The PBO notes that a Supplementary Estimate has been required in respect of Army Pensions in respect of (at least) every year from 2007 to 2017 – this suggests that the method for calculating the monies required each year systematically underestimates what will be required and consideration could be given to reviewing that system.

As noted by the Department of Public Expenditure and Reform in respect of 2016,² the largest element of the Education and Skills Vote (Vote 26) is expenditure on pay and pensions – reaching 72% of total expenditure in that year. The PBO also noted in its post-Budget 2018 commentary (p.40) that it was proposed to increase the 2018 current expenditure allocation – in part to fund the recruitment of additional teachers, for example to reduce the staffing schedule at primary level. In respect of the *Supplementary Estimate 2017*; of the total additional gross allocation sought of €116m, €99m or 85% relates to either salaries (primary and Education Training Board teachers, and Special Needs Assistants) or superannuation (€81m) in respect of staff at all levels of the education system³.

In relation to public service numbers, a gross additional allocation of €72.7m is sought in respect of An Garda Síochána (Vote 20). The additional net amount sought is €44.2m when savings in six subheads of €14.6m and greater than forecast Appropriations-in-Aid (by €13.9m) are taken into account. The Minister for Public Expenditure and Reform *announced* on 15th December 2016 that the pay increase awarded to Gardaí (amounting to an estimated €50m) would be funded by a €25m increase in the 2017 Justice Vote ceiling and through, “reallocation of expenditure from within the Justice Group of Votes”. However, almost 70% of the additional gross allocation sought in this Supplementary Estimate (€50.5m) relates to subhead A.1 (Administration – Pay). This raises the questions:

- Was the €25m in savings in other Votes in the Justice Group achieved?
- Whether the further unexpected increase in subhead A.1 relates to pay or overtime and what implications this has for the base payroll cost of An Garda Síochána in 2018?

Overall, the Supplementary Estimates in respect of these four Votes suggest that:

- in some Votes the numbers of public servants retiring this year and/or the provision required to pay pensions is greater than was anticipated; and/or
- that payroll costs in respect of other Votes were higher than anticipated.

A greater than expected number of retirements creates a consequent pressure to replace staff, and on the other side of the public sector numbers ‘equation’ the Public Appointments Service (Vote 17) which is generally responsible for recruitment campaigns now requires additional funding of €0.67m this year (subheads A.1 and A.2 – administration, pay and non-pay).

As set out in the PBO post-budget 2018 commentary (p.29) the issue of increasing public sector numbers is one that requires monitoring. As set out above, and in relation to some Votes where it would appear that additional expenditure is being sought in respect of pay costs, the PBO would raise the question as to whether this has implications for the base payroll cost going forward.

² *Spending Review 2017 – Tracking Trends in Public Spending, Department of Public Expenditure and Reform (July 2017, p.29).*

³ *The Department of Education and Skills has informed the PBO that the bringing forward of the Lansdowne Road Agreement (LRA) €1,000 pay increase from 1 September to 1 April was the primary cause of the requirement for additional funding totaling €10m in respect of Primary Teachers’ Salaries (subhead A.3) and ETB Teachers’ Salaries (subhead A.5).*

The Christmas Bonus and Social Welfare payments

In order, partly, to provide for an 85% Christmas Bonus a Supplementary Estimate is being sought in respect of Employment Affairs and Social Protection (Vote 37). The total gross bonus is estimated to cost €219m and will be paid to approximately 1.2 million people in receipt of long-term social welfare payments.⁴

It is important to note that the Christmas Bonus is paid in respect of both non-contributory (Voted expenditure) and contributory (Social Insurance Fund – SIF) payments. As expenditure in respect of the SIF is not voted, there is a lack of transparency in respect of the Christmas Bonus expenditure from the SIF in the context of the information now being presented to the Dáil. The PBO notes however that the SIF received excess PRSI receipts over expenditure of €585m (€218m ahead of profile) in October 2017.⁵

Notwithstanding increases in both rates of payment and the number of recipients of certain benefits such as disability, Live Register savings in recent years have meant that this voted expenditure has not increased as significantly as might otherwise have been the case. However, while reductions in the Live Register have been in the region 13-14% in recent years this cannot be expected to continue indefinitely. Therefore, the payment of the Christmas Bonus may, at some stage, in the future require additional significant resources.

The Supplementary Estimate in respect of the Vote comprises an increase of €191m, offset by savings in twenty two subheads totalling €181m, which means that a net increase of €10m is being sought.

As set out in the appendix to this paper (p.17), significant savings have been identified in relation to a range of subheads; in financial terms subheads which stand out include A.4 (Jobseeker's Allowance) and A.35 (Rent Supplement) which have savings of €56.7m and €20.5m respectively; in percentage terms subheads A.18 (National Internship Scheme) and A.20 (Gateway) have savings of 53% each.

With regard to additional expenditure which will be facilitated by way of the Supplementary Estimate, subheads A.25 (Disability Allowance) and A.27 (Carer's Allowance) are significant as an additional €50.1m and €37.8 respectively have been allocated to them. In percentage terms, subhead A.21 (Back to Work Family Dividend) is set to increase by 70%.

In relation to transparency, however, it is unclear as to how much the savings/increases in expenditure of individual social welfare payments/subheads relate to the Christmas Bonus (if at all) and how much to other factors, i.e. as illustrated in the appendix to this paper there are quite significant changes in some subheads which cannot be as a result of the payment of the Christmas Bonus alone.

⁴ See press release issued by the Minister for Employment Affairs and Social Protection on 27 November 2017 available [here](#).

⁵ Department of Public Expenditure and Reform, Fiscal Monitor October 2017 (p.16) available [here](#).

Housing

The proposed Supplementary Estimate of €100m relates principally to the Local Authority Housing programme. The PBO notes that no savings have been made from other subheads in the Vote to offset this cost.

The very precise figure of €100m relates entirely to capital expenditure, €92m of which relates to the Local Authority Housing subhead. This is an increase of 35% on the capital expenditure already sanctioned for this subhead. In the context of the long-term planning usually required for capital expenditure it seems unusual to seek such a large amount in a Supplementary Estimate. In the absence of performance indicators accompanying the Supplementary Estimate it is unclear whether this additional expenditure is to fund the original output target for 2017 in terms of Local Authority housing or a higher level of output in 2017 or subsequently. At end-October capital expenditure was €64m ahead of profile in respect of this Vote as a whole.

Health

As noted in the PBO post-budget 2018 commentary (p.36) it would *appear* that €152m in increased resources were allocated in Budget 2018 to meet existing service levels in 2018 in respect of Health (Vote 38). It is unclear therefore whether that amount is realistic in the context of the Supplementary Estimate sought for 2017. The total gross additional allocation sought in respect of the Supplementary Estimate is €195m – however, €105m of that total is sought in respect of subheads I1-5 (HSE regions and Grants to other health bodies). However, a breakdown by region as presented in the Supplementary Estimate lacks transparency – for example, no breakdown is provided by programme, and the PBO is unable to comment further based on the data available within the Supplementary Estimate except to note that it is proposed that each HSE region, with their varying requirements, should receive a 1% increase.

Appendix 1 – detailed breakdown of Vote subhead changes proposed in Supplementary Estimates 2017

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Comparison of total original net or revised net estimate voted by Dáil Éireann in 2017 and the Supplementary Estimates 2017

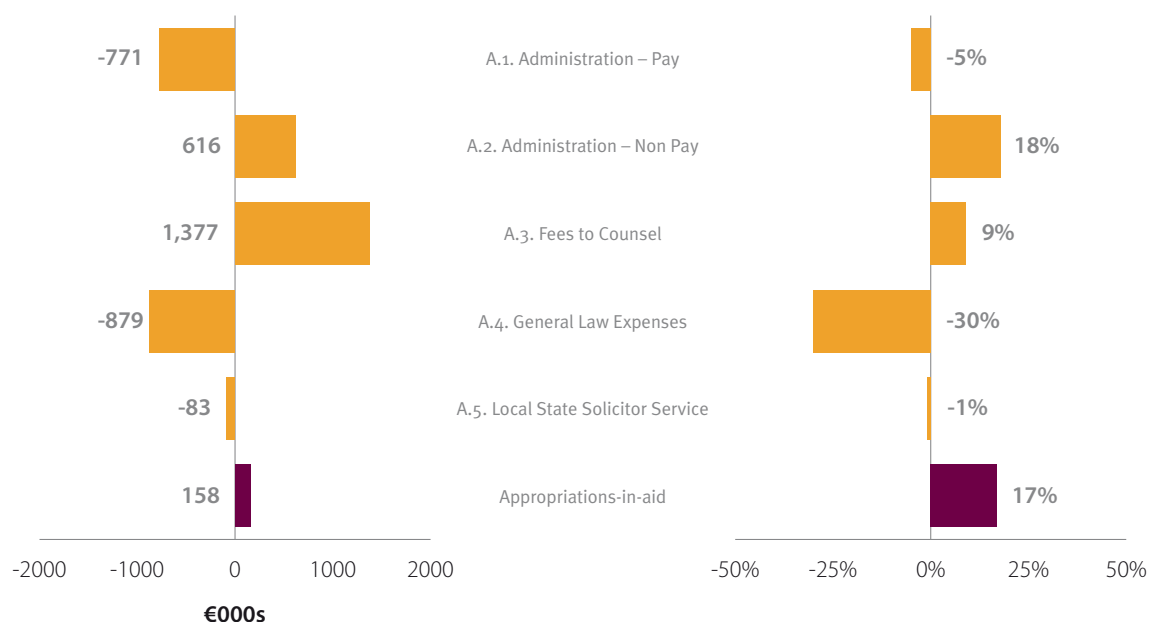
Vote 5 – Office of the Director of Public Prosecutions

The additional sum proposed to be allocated to Vote 5 is €0.418m (+1%).

The Supplementary Estimates comprises an increase of €1.993m in two subheads offset by underspends in three other subheads (-€1.733m). There is also a decrease in Appropriations-in-Aid⁶ (+€0.158m).

The details of the changes are set out in the following table.

Table 2 – Changes in Expenditure and Income allocations, original v Supplementary Estimate 2017



⁶ A decrease in Appropriations-in-Aid (A-in-A) reflects a projected decrease in the income which may be retained within the Vote and offset against expenditure. The decrease in A-in-A therefore increases the additional expenditure required.

Comparison of total original net or revised net estimate voted by Dáil Éireann in 2017 and the Supplementary Estimates 2017

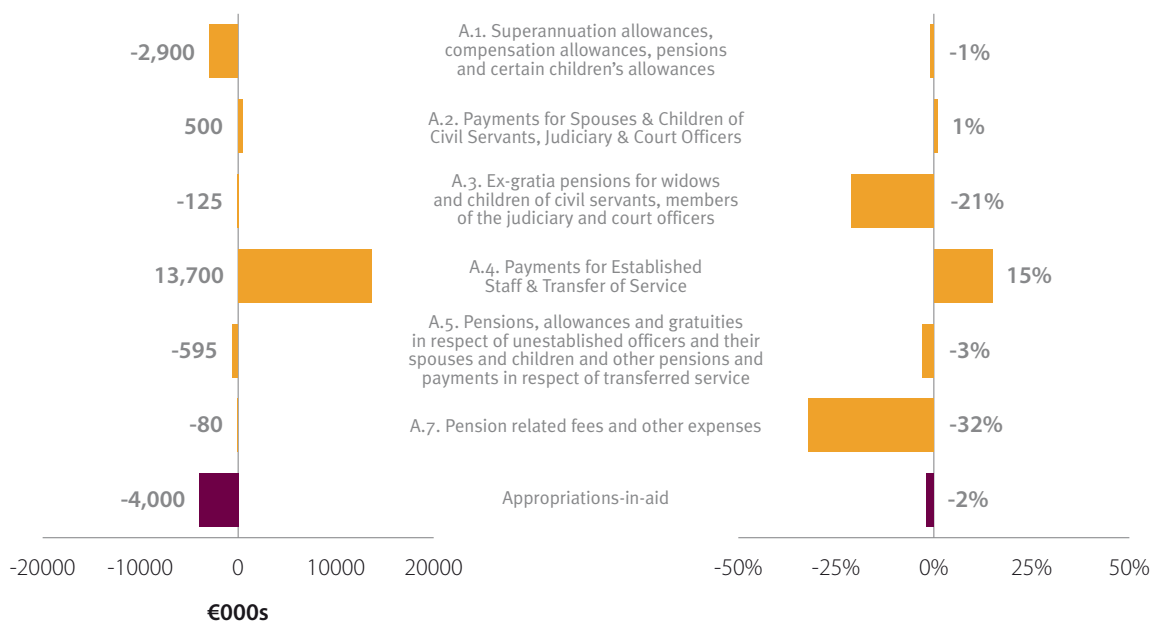
Vote 12 – Superannuation and Retired Allowances

The additional sum proposed to be allocated to Vote 12 is €6.5m (+1.8%).

The Supplementary Estimates comprises an increase of €14.2m in two subheads offset by underspends in four other subheads (-€3.7m) and an increase in appropriations-in-aid⁷ (-€4m).

The details of the changes are set out in the following table.

Table 3 – Changes in Expenditure and Income allocations, original v Supplementary Estimate 2017



⁷ An increase in Appropriations-in-Aid (A-in-A) reflects a projected increase in income which may be retained within the Vote and offset against expenditure. The increase in A-in-A therefore reduces the additional expenditure required.

Comparison of total original net or revised net estimate voted by Dáil Éireann in 2017 and the Supplementary Estimates 2017

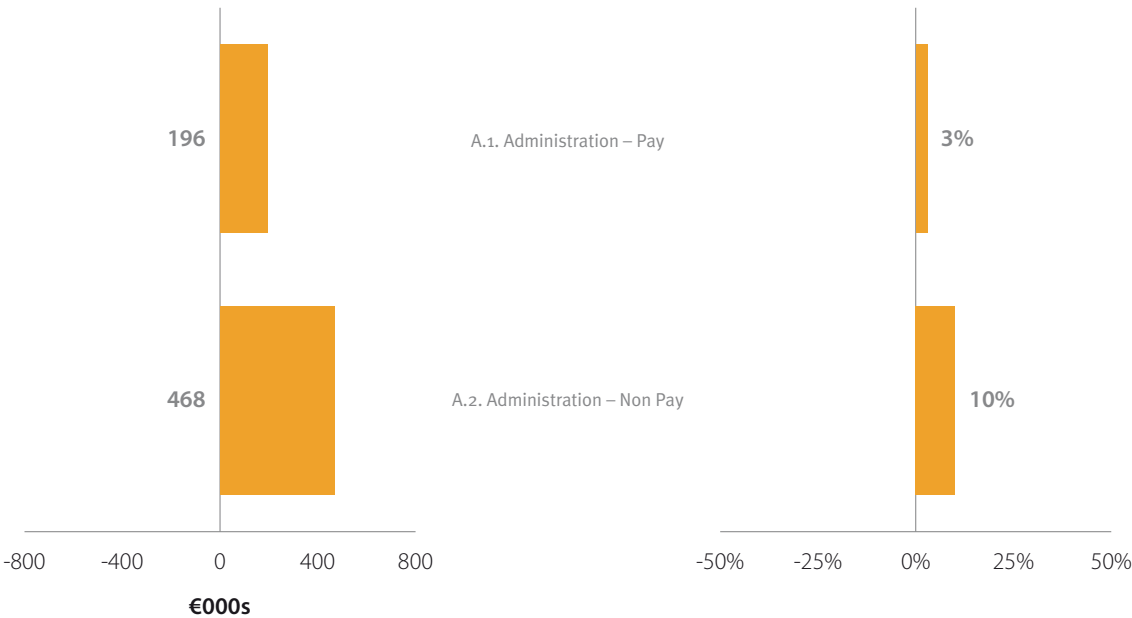
Vote 17 – Public Appointments Service

The additional sum proposed to be allocated to Vote 17 is €0.664m (+6%).

The Supplementary Estimates comprises an increase in two subheads.

The details of the changes are set out in the following table.

Table 4 – Changes in Expenditure and Income allocations, original v Supplementary Estimate 2017



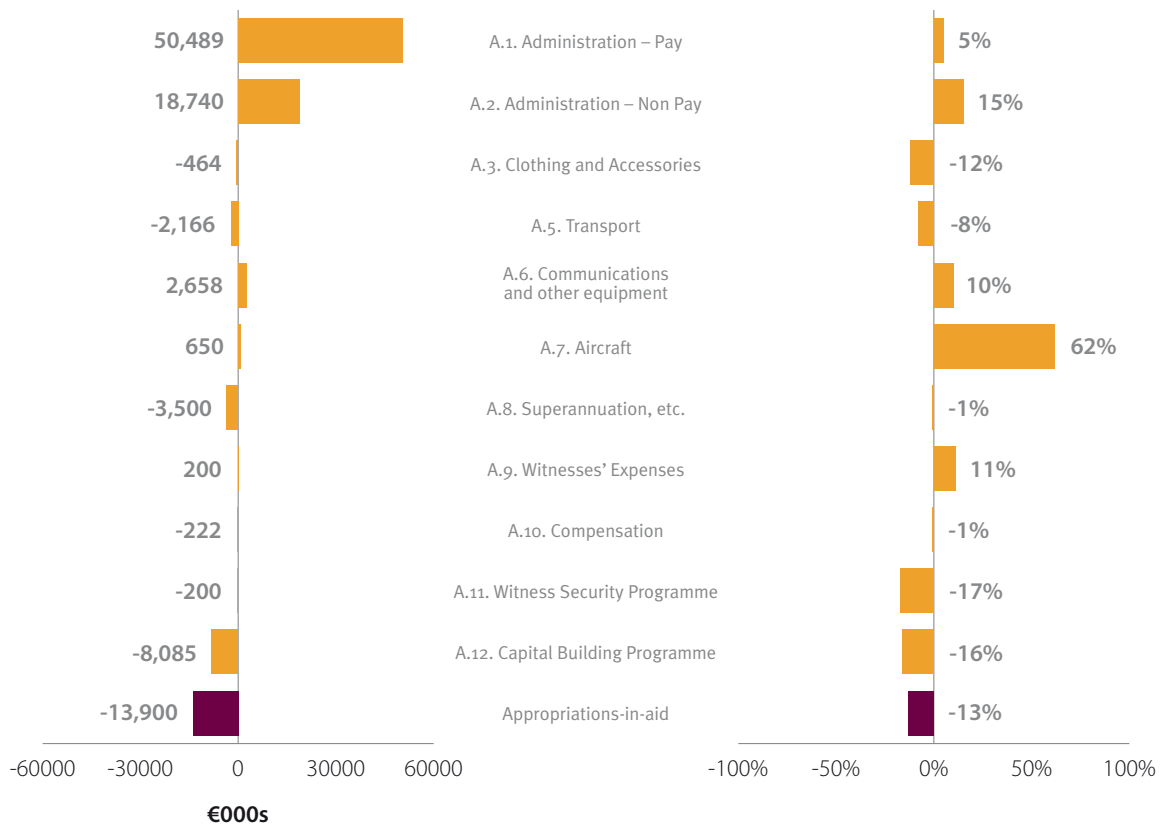
Comparison of total original net or revised net estimate voted by Dáil Éireann in 2017 and the Supplementary Estimates 2017

Vote 20 – An Garda Síochána

The additional sum proposed to be allocated to Vote 20 is €44.2m (+2.9%). The Supplementary Estimates comprises an increase of €72.737m in five subheads offset by underspends in six other subheads (-€14.637m). There is also an increase in Appropriations-in-Aid⁸ (-€13.9m).

The details of the changes are set out in the following table.

Table 5 – Changes in Expenditure and Income allocations, original v Supplementary Estimate 2017



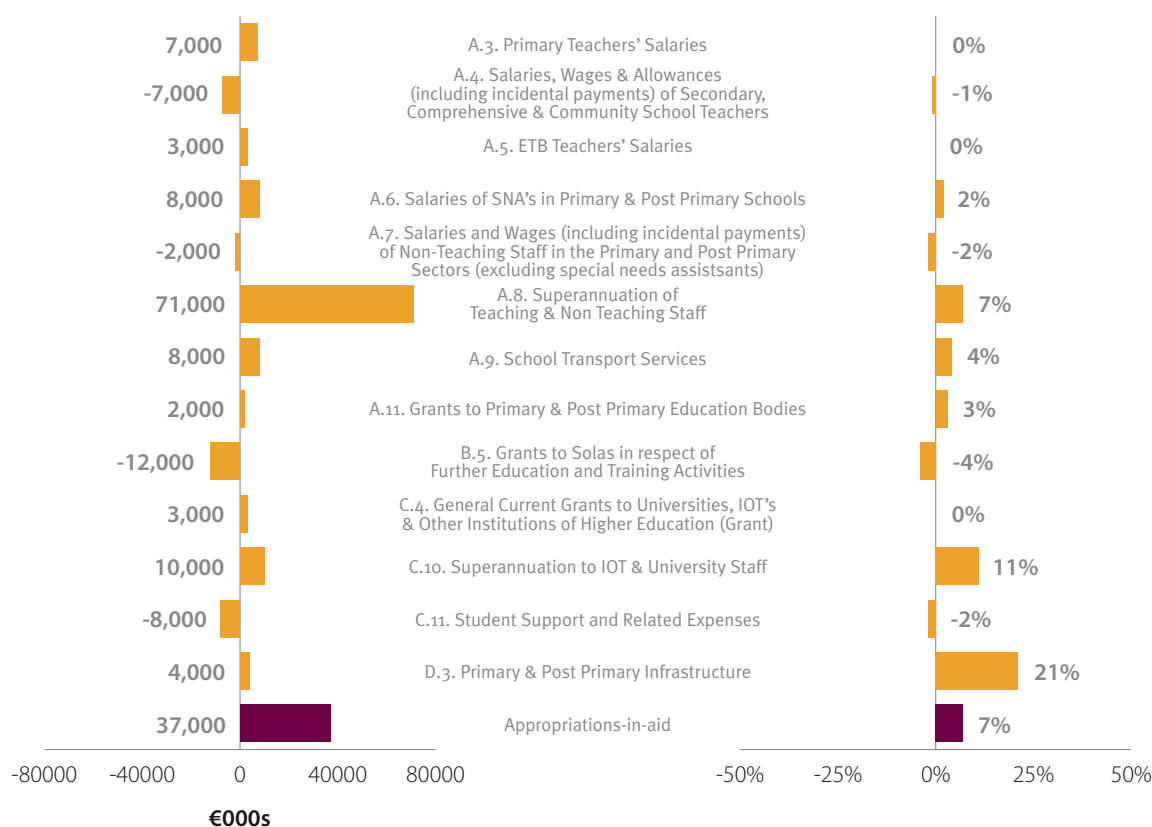
⁸ An increase in Appropriations-in-Aid (A-in-A) reflects a projected increase in income which may be retained within the Vote and offset against expenditure. The increase in A-in-A therefore reduces the additional expenditure required.

Comparison of total original net or revised net estimate voted by Dáil Éireann in 2017 and the Supplementary Estimates 2017

Vote 26 – Education and Skills

The additional sum proposed to be allocated to Vote 26 is €124m (+1.4%). The Supplementary Estimates comprises an increase of €116m in nine subheads offset by underspends in four other subheads (–€29m). There is also a decrease in Appropriations-in-Aid⁹ (+€37m). The details of the changes are set out in the following table.

Table 6 – Changes in Expenditure and Income allocations, original v Supplementary Estimate 2017 {CURRENT ONLY}



⁹ A decrease in Appropriations-in-Aid (A-in-A) reflects a projected decrease in the income which may be retained within the Vote and offset against expenditure. The decrease in A-in-A therefore increases the additional expenditure required.

Comparison of total original net or revised net estimate voted by Dáil Éireann in 2017 and the Supplementary Estimates 2017

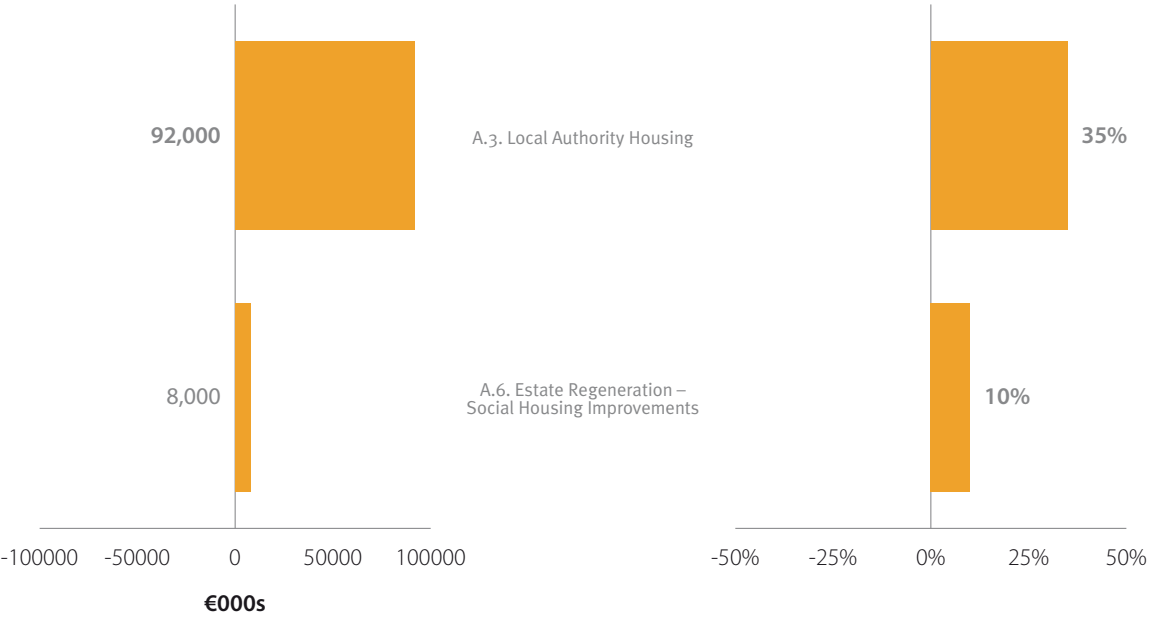
Vote 34 – Housing, Planning, Community and Local Government

The additional sum proposed to be allocated to Vote 34 is €100m (+5.2%).

The Supplementary Estimates comprises an increase in two subheads.

The details of the changes are set out in the following table.

Table 7 – Changes in Expenditure and Income allocations, revised original v Supplementary Estimate 2017 {CAPITAL ONLY}



Comparison of total original net or revised net estimate voted by Dáil Éireann in 2017 and the Supplementary Estimates 2017

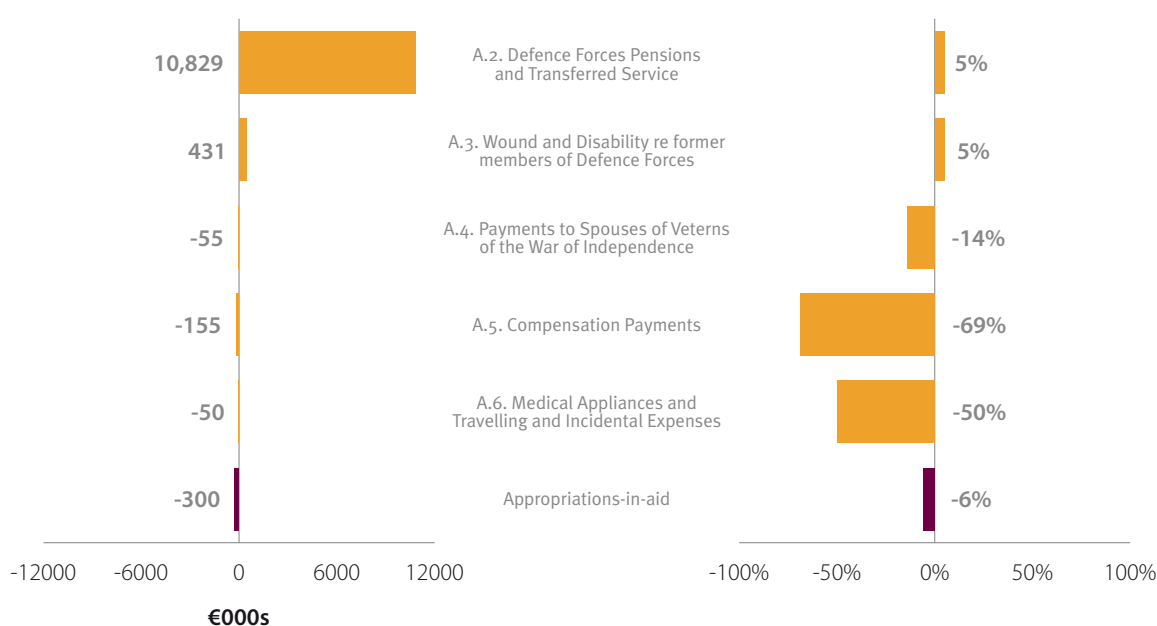
Vote 35 – Army Pensions

The additional sum proposed to be allocated to Vote 35 is €10.7m (+4.8%).

The Supplementary Estimates comprises an increase of €11.26m in two subheads offset by underspends in three other subheads (-€0.26m). There is also an increase in Appropriations-in-Aid¹⁰ (-€0.3m).

The details of the changes are set out in the following table.

Table 8 – Changes in Expenditure and Income allocations, original v Supplementary Estimate 2017



¹⁰ An increase in Appropriations-in-Aid (A-in-A) reflects a projected increase in income which may be retained within the Vote and offset against expenditure. The increase in A-in-A therefore reduces the additional expenditure required.

Comparison of total original net or revised net estimate voted by Dáil Éireann in 2017 and the Supplementary Estimates 2017

Vote 37 – Employment Affairs and Social Protection

The additional sum proposed to be allocated to Vote 37 is €10m (+0.1%). The Supplementary Estimates comprises an increase of €190.95m in fourteen subheads offset by underspends in twenty two other subheads (-€180.95m). The details of the changes are set out in the following tables.

Table 9 – Changes in Expenditure and Income allocations, revised original v Supplementary Estimate 2017 {INCREASES}

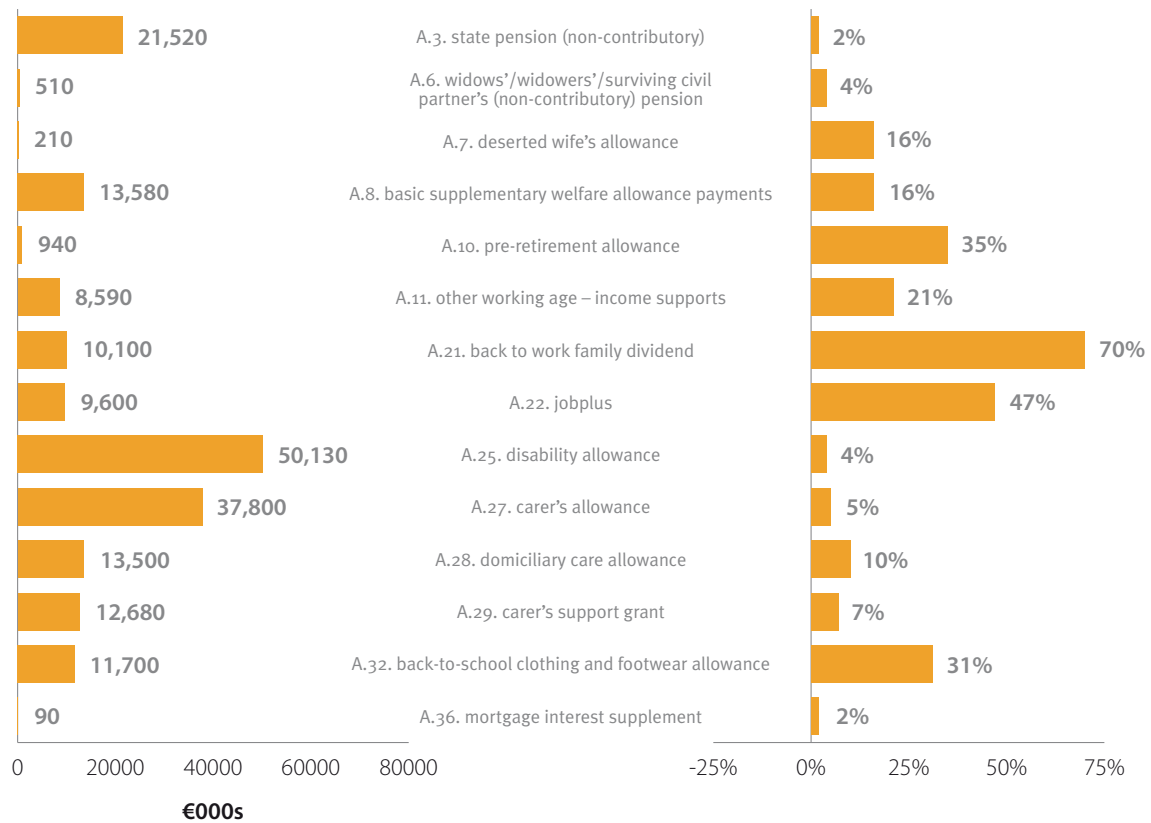
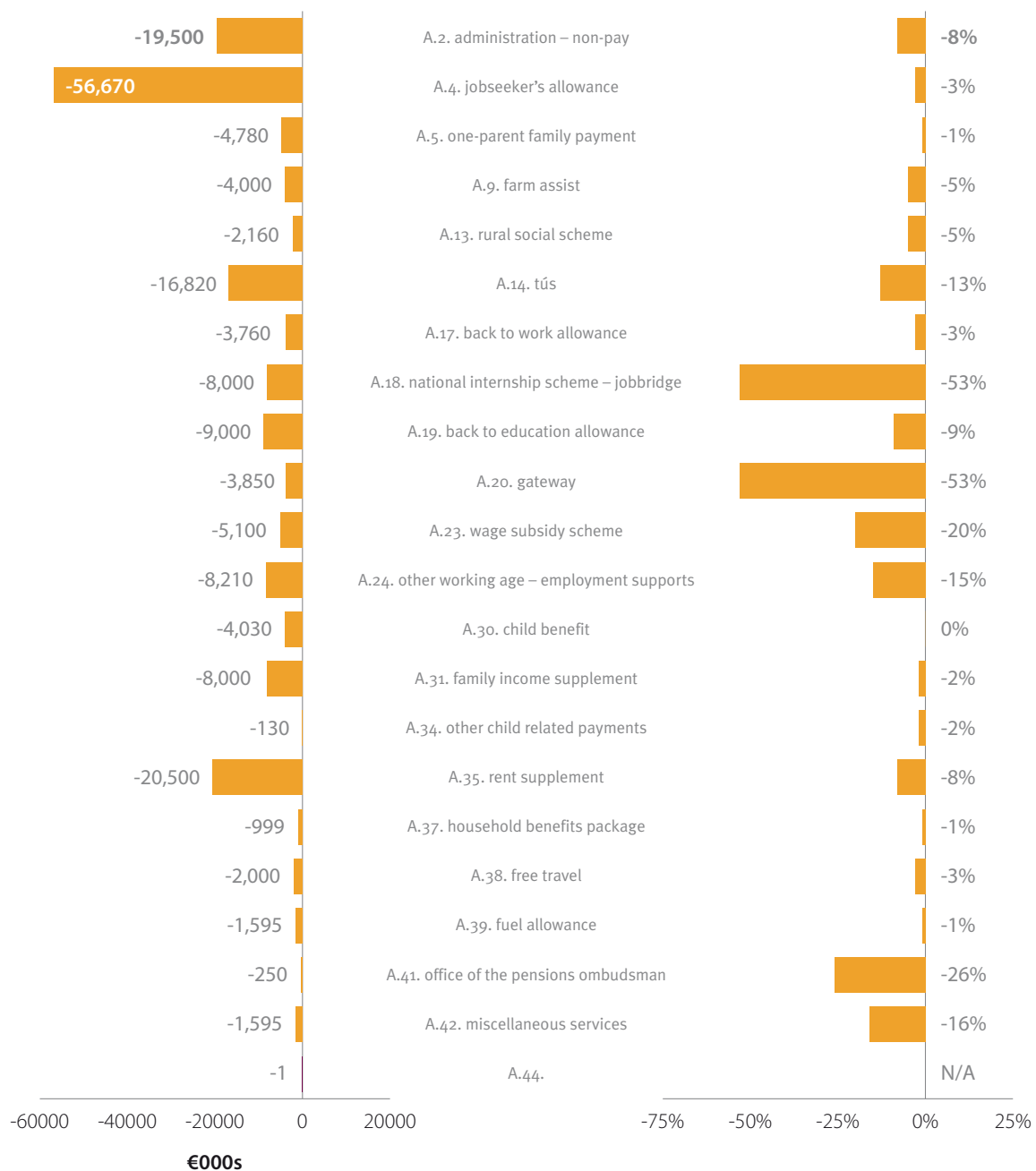


Table 10 – Changes in Expenditure and Income allocations, revised original v Supplementary Estimate 2017 {SAVINGS}

Comparison of total original net or revised net estimate voted by Dáil Éireann in 2017 and the Supplementary Estimates 2017

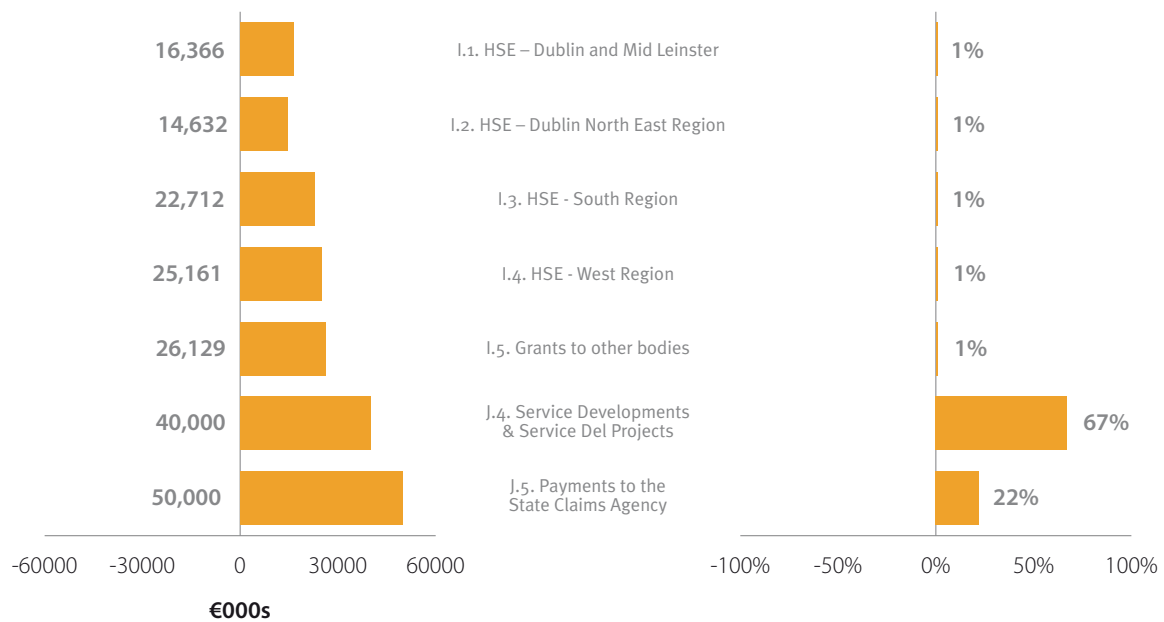
Vote 38 – Health

The additional sum proposed to be allocated to Vote 38 is €195m (+1.4%).

The Supplementary Estimates comprises an increase in seven subheads.

The details of the changes are set out in the following table.

Table 11 – Changes in Expenditure and Income allocations, original v Supplementary Estimate 2017



Technical notes

1. The PBO notes that Supplementary Estimates have, in the past, been treated as documents laid before Dáil Éireann. It welcomes that, after a gap of some years that practice has now resumed. Two separate documents were laid – one in respect of 8 Votes on 22 November and one in respect of 4 Votes on 29 November. The PBO were not in a position to publish this Paper until after both documents had been laid.
2. Supplementary Estimates in respect of four Votes only became available to the PBO on the afternoon of 29th November and this restricted the amount of time available to carry out analysis of the Supplementary Estimates 2017.
3. Select Committee meetings in respect of some Votes detailed in this Paper were ongoing or scheduled up to 6 December – there may therefore be explanations/information relevant to the Supplementary Estimates 2017 that the PBO did not have access to at the time of drafting of this Paper.
4. As referenced in page 1 of this Paper some material used was previously published in an internal (Oireachtas) Library & Research Service *Note* (2013).

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