Tithe an Oireachtais
Houses of the Oireachtas

An Oifig Buiséid Pharlaiminteach
Parliamentary Budget Office

Revised Estimates for Public Services 2018

Briefing Paper 3 of 2018

Séanadh

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Introduction

On 14 December 2017, the Tánaiste moved (and it was agreed) that the *Revised Estimates for Public Services 2018*, be presented to Dáil Éireann, circulated to Members and referred to Select Committees for scrutiny.

This briefing paper, which has been prepared to brief Members of the Houses of the Oireachtas and its Committees, is the latest instalment in the PBO's developing analysis of Voted Expenditure. Four previous publications, listed chronologically in the table below, may also be of interest to Members as they are (either in their entirety or in part) related to the analysis set out in this paper.

Table 1 – Previous PBO publications which address Voted Expenditure

Date Published	Title	Pages
5 October 2017	Quarterly Economic and Fiscal Commentary – Q3 2017	pp.11-14
24 October 2017	Post-Budget 2018 Commentary for the Committee on Budgetary Oversight	pp.10-42
4 December 2017	PBO Briefing Paper 2 of 2017 – Supplementary Estimates 2017	Entire document
23 January 2018	Quarterly Economic and Fiscal Commentary – Q4 2017	p.3 and pp.17-22

The PBO has reviewed the *Revised Estimates for Public Services 2018* (the '*Revised Estimates 2018*') with the following objectives in mind:

- To analyse, at a high level, overall Voted Expenditure for 2017 and 2018;
- To provide an overview of what is contained in the *Revised Estimates 2018*;
- To identify the six most financially significant Votes in 2018;
- To provide a more detailed analysis of the six most financially significant Votes including a comparison between 2017 and 2018 and over the period 2014/2015 to 2018;[1]
- To explain what the Revised Estimates for Public Services are and their role in the wider budgetary process; and
- To detail to what extent they are being developed with regard to utility and transparency.

1 *The 2017 and 2018 allocations as presented in the Revised Estimates 2018 (i.e. including the monies approved in the Supplementary Estimates 2017).*

Voted Expenditure 2017 and 2018

This section discusses the overall expenditure in 2017 and 2018 as presented in the *Revised Estimates 2018* and makes some comparisons with previous projections of expenditure in these years. In addition, it details some of the technical and other adjustments to the *Revised Estimates 2018* that Members should be aware of when making comparisons between years.

Overall estimated expenditure 2017 and 2018

Public expenditure, on a General Government basis, is expected to be €79.3 billion in 2018. Of this, approximately €72 billion is Exchequer expenditure, with approximately €61.8 billion proposed as voted expenditure – as set out in the *Revised Estimates 2018*. Of this €61.8 billion, gross current spend is €55.9 billion and gross capital spend is €5.8 billion.

Non-Exchequer General Government expenditure comprises of; the local Government sector; non-commercial state bodies which generate some of their own income; plus adjustments in respect of accruals accounting (the Exchequer operates on a cash basis whereas the General Government is based on accruals accounting). Non-Voted Exchequer expenditure is monies spent under particular legislation – the bulk of which is National Debt interest and the contribution to the European Union Budget.

The relative importance of Voted Expenditure, as set out in the *Revised Estimates 2018,* is illustrated in the table below:

Table 2 – Total Public Expenditure 2018

	€ billion	%
Voted Expenditure	61.8	78
Non-Voted Exchequer Expenditure	10.2	13
Non-Exchequer General Government Expenditure	7.3	9
Total Public Expenditure	**79.3**	**100**

Prior to the publication of the *Revised Estimates 2018* and as set out in Table 4 of the PBO *Post-Budget 2018 Commentary*, Gross Voted Expenditure was expected to rise by €2,430 million or 4.2% in 2018 from 2017. Table 3 updates the aforementioned Table 4 in order to reconcile the pre-Budget 2018 position with the position as set out in the *Revised Estimates 2018*.

Table 3 – Reconciliation of Gross Voted Expenditure, pre- and post-Budget 2018, for years 2017 and 2018 – updated in respect of the *Revised Estimates for Public Services 2018* (€ million)

	2017	2018	Change	% Change
Gross Current Voted Expenditure as per Mid-Year Expenditure Report	**53,531**	**54,617**	**1,086**	**2.0%**
Irish Water	114	114	–	
Refund of water charges	179		-179	
Christmas Bonus	230		-230	
Unallocated underspend	(100)		100	
Gross new expenditure		986	986	
Public Services Stability Agreement		180	180	
Reallocation		(301)	-301	
Gross Current Voted Expenditure as per Budget 2018	**53,955**	**55,593**	**1,637**	**3.0%**
Gross Capital Voted Expenditure per Mid-Year Expenditure Report	**4,540**	**5,295**	**756**	**16.7%**
Net additional measures Budget 2018		35		
Gross Capital Voted Expenditure as per Budget 2018	**4,540**	**5,330**	**790**	**17.4%**
Gross Voted Expenditure as per Budget 2018	**58,496**	**60,923**	**2,430**	**4.2%**
Supplementary Estimates 2017 net of A-in-A, Contingency, and Social Insurance Fund	454	–	-454	
Policy adjustments	-	50	+50	
Irish Water		792	+792	
Gross Voted Expenditure as per Revised Estimates 2018*	**58,950**	**61,765**	**+2,818**	**4.8%**
Memo item: Provisional Outturn 2017	58,553			

Source: PBO based on PBO Post-Budget Commentary 2018 and DPER Revised Estimates for Public Services 2018. Rounding may affect totals.

Note: The above table does not include Capital Carryover for which see Table 6 p.11

**Including Supplementary Estimates 2017*

Supplementary Estimates 2017 net of increases in Appropriations-in-Aid (A-in-A)

As noted in Table 3 above, there was an increase of €454 million in the Gross Voted Expenditure for 2017, between Budget 2018 and the publication of the *Revised Estimates 2018*. This amount is made up of an increase of €485 million related to the Supplementary Estimates for 2017, a deduction in respect of an expenditure Contingency (i.e. unallocated funds) of €130 million (announced in Budget 2018 and included in the *Estimates for Public Services 2018* (p.151)), and an increase in expenditure in the Social Insurance Fund of €99 million. These three amounts, when netted, amount to €454 million as highlighted in the green cell in Table 3:

Supplementary Estimates 2017:	+€485 million
Contingency:	-€130 million
Social Insurance Fund:	+€99 million
	+€454 million

The total net *Supplementary Estimates 2017*, as presented to Dáil Éireann, amounted to €491 million. However, within certain Votes there were increases in A-in-A and in others there was a decrease. When netted against each other there was an overall decrease of €6 million in A-in-A to be applied to the Estimate for 2017. In order to avoid double-counting, as the overall decrease in A-in-A represents monies that had already been accounted for in the gross Voted allocations for programmes, this overall decrease must be deducted from the A-in-A. The total A-in-A included in the calculation outlined in the preceding paragraph is therefore €485 million rather than €491 million.

This illustrates the complexity which Appropriations-in-Aid bring to the Estimates process. The inclusion of A-in-A in the Estimates process also means that there is a gap between the amount voted by Dáil Éireann (the net amount) and that which is spent on programmes etc. (the gross amount). A significant amount of the analysis in respect of the six Votes examined in detail in this paper aims to address this gap.

Table 3 shows how expected Voted Expenditure for both 2017 and 2018 changed between the *Mid-Year Expenditure Report 2017* (July 2017) and the *Revised Estimates 2018*.

Comparing 2017 and 2018, the *Mid-Year Expenditure Report 2017* provided for an increase of 2% for Gross Voted Current Expenditure. However, the expected increase post-budget 2018 was 3.0%. Overall, expenditure growth between 2017 and 2018 announced in the Budget was 4.2%. However, subsequent to Budget 2018 there were Supplementary Estimates in 2017, policy changes leading to additional expenditure of €50 million in 2018 and a significant technical adjustment with regard to water services (discussed in more detail below). Thus, the Voted Expenditure increase between 2017 and 2018 as presented in the Revised Estimates is 4.8%.

However, taking account of the technical adjustments for water services and by comparing the forecast outturn for 2017 rather than the Revised Estimate figures for 2017, the underlying increase in expenditure is 4.1% – similar to what was announced in Budget 2018.

Finally, it should be noted that 2018 expenditure figures do not include provision for a Christmas Bonus (in respect of eligible contributory and non-contributory payments). In 2017, the Christmas Bonus, at a rate of 85%, led to a net Supplementary Estimate of €10 million in 2017 – the Bonus itself, not taking savings generated elsewhere by the Department of Employment Affairs and Social Protection (DEASP) into account, was estimated to cost €219 million including both non-contributory (Vote) and contributory (Social Insurance Fund).[2]

The pre-Budget position for 2018 reflected a total additional provision of €1,086 million in respect of current expenditure including certain demographic related costs in health and education, the impact of the Lansdowne Road pay agreement in 2018 and the carryover impact of Budget 2017 measures. Allocations made in respect of additional capital expenditure pre-Budget 2018 amounted to €756 million.

The *Expenditure Report 2018* stated that an additional gross amount of €1,116 million had been allocated for new measures in Budget 2018 in terms of Voted Current Expenditure. This included an allocation of €180 million in respect of the pay costs arising from the *Public Services Stability Agreement*. An additional €114 million was also provided to Irish Water to address the financial issues arising from the cessation of water charges. However, within the Employment Affairs and Social Protection Vote, there was some reallocation of resources and an overestimation of the Budget 2017 measures carry-over costs totalling €301 million – this reduced the net cost of the expenditure measures. An additional €35 million was allocated in Budget 2018 for capital expenditure.

As stated above, the *Revised Estimates 2018* has made technical adjustments for water services and included new policy measures of €50 million. Thus, the *Revised Estimates 2018* (excluding the adjustment for water services) show Voted Expenditure for 2018 is now €1,061 million higher than the pre-Budget position of €59,912 million.

As illustrated by Table 3 and discussed above, it is challenging to reconcile different expenditure forecasts/Estimates over time. This makes it more difficult to establish what additional expenditure there is from one year to the next and what this additional expenditure represents (e.g. new policy measures, additional expenditure on existing policies, technical adjustments etc.). This shows a need to constantly reconcile different vintages of Estimates. It also indicates that expenditure can increase in a non-transparent fashion with the release of subsequent forecasts/Estimates making it difficult to track and explain why changes occurred.

Forecast outturn of expenditure 2017

Table 1 of the *Revised Estimates for Public Services 2018*[3] provides the 2017 forecast outturn which may differ from the Estimate in respect of 2017 for individual Votes.

Overall, the Revised Estimates gross total forecast outturn for 2017 (exclusive of the capital carry over of €70.3 million) is €58.687 million – a saving of €262 million over the final 2017 Estimate of voted expenditure. However, the *Fiscal Monitor for December 2017*, contains more up to date data as it was published on 31 December 2017. The PBO *Quarterly Economic and Fiscal Commentary (Q4 2017)* focusses on the Fiscal Monitor and shows that the gross total forecast outturn now stands at €58,553 million – a saving of €397 million.

2 *PBO Briefing Paper 2 of 2017, Supplementary Estimates 2017, p.7.*

3 *Revised Estimates for Public Services 2018, p.12.*

The Revised Estimates 2018 and technical changes to the Budget 2018 allocations

The annual Estimates process facilitates a 'bottom up' approach to recalibrate allocations, based on emerging priorities each year. This culminates in the Revised Estimates where technical adjustments may be made to the Estimates set out in the Expenditure Report accompanying the Budget.

These adjustments are usually relatively minor; however, in 2018, as a result of the new arrangements for funding Irish Water, they are significant in relation to the Voted Expenditure of two Votes and result in an increase of net voted expenditure of €1.1 billion.

The Revised Estimates include two significant technical adjustments:

1. Prior to the enactment of the *Water Services Act 2017*, water services were funded from a combination of sources; voted expenditure, the Local Government Fund, non-Voted expenditure and Irish Water borrowing. These sources of funding have been replaced by direct funding by the Exchequer, provided solely within the Voted Expenditure allocated to the Department of Housing, Planning and Local Government (Vote 34).
2. The above Act also provides that Motor Tax receipts be paid into the Exchequer rather than the Local Government Fund. Therefore, the Department of Transport, Tourism and Sport Vote no longer receives Appropriations-in-Aid, funded by Motor Tax receipts, from the Local Government Fund.

As a result of these adjustments and compared to the Estimates published on Budget Day 2018, the *Revised Estimates 2018* record an increase in gross voted expenditure of €792 million in Vote 34 and in net voted expenditure of over €1,137 million. This increased voted expenditure is offset by increased revenue in the Central Fund from Motor Tax receipts, a reduction in non-voted expenditure and reduced Irish Water borrowings. Thus, it has a neutral impact on overall General Government Expenditure and on the General Government Debt.

A graphical illustration and commentary on the *context* of the above adjustments is provided in the *PBO Post-Budget 2018 Commentary for the Committee on Budgetary Oversight* (pp.18-19).

With regard to Vote 34, parliamentary scrutiny of the funding of water services will be facilitated by this new arrangement. The PBO would however note that trend analysis over time of Vote 34 and Programme B, in particular, will be complicated by this arrangement.

Box 1: Funding framework for water services

The *Report of the Expert Commission on the Future Funding of Domestic Water Services* noted (2016, p.23) that the decision by Eurostat in 2015 that Irish Water did not qualify to be classified as a market corporation and that funding must, therefore, remain on the government balance sheet had compromised the potential for Irish Water to borrow on the market on the basis anticipated in the *Irish Water: Phase 1 Report* (PWC, 2011). The Expert Commission pointed out that one of the main reasons why such 'off balance sheet' funding was suggested was that historically funding of water infrastructure had been compromised by the uncertain and cyclical nature of 'on balance sheet' government funding.

The PBO notes that the great bulk of funding for domestic water services will now be made through voted expenditure – thus placing it in a competing position with other State-provided services and infrastructure. Quite apart from ongoing current expenditure, a very substantial investment will be required in infrastructure over the coming years

The Revised Estimates 2018 and Transfer of Functions adjustments

A number of Government transfers of functions are reflected in the 2018 Revised Estimates as set out in Table 4.

Table 4 – Transfers of functions reflected in the Revised Estimates 2018

Agency/Programme	Transferred from	Transferred to	Allocation – 2018
Ordnance Survey Ireland (OSI)	Vote 24 – Justice and Equality	Vote 34 – Housing, Planning and Local Government	€15,593 million
Valuation Office (VO – Vote 16); **Property Registration Authority (PRA – Vote 23)**	Vote 24 – Justice and Equality; Vote 24 – Justice and Equality	Housing, Planning and Local Government Vote Group	€10,440 million; €28,734 million
Community Services Programme	Vote 37 – Employment Affairs and Social Protection	Vote 42 – Rural and Community Development	€46,190 million

Source: PBO based on the Revised Estimates for Public Services 2018

Note: the VO and PRA retain their status as distinct Votes but are now considered part of a different Vote Group. A Vote Group consists of a Government Department and the agencies under its remit.

In addition to the above transfers, the PBO notes that the functions of a number of Government Departments were transferred in 2017 and that a new Department (and Vote – number 42) was created.[4] The PBO acknowledges that there are strategic and policy-oriented reasons for such *transfers* and the creation of new Votes. However, from the point of view of transparency, these transfers make it more difficult to compare changes in voted expenditure from year to year. As the Revised Estimates only contain two years of financial data, these difficulties, naturally, become compounded over time. The *Irish State Administration Database* allows users to view changes in Government Department functions.[5]

The Revised Estimates 2018 and Policy adjustments

A number of policy adjustments, not included in Budget 2018, totalling €50 million are included in the *Revised Estimates 2018*:

- €41 million in Health (Vote 38) measures in relation to respite care and GP Visit Cards including for persons in receipt of carers allowance;
- Arising from the Budget decision to increase Social Welfare rates by €5 per week, extra funding is being provided to Education (Vote 26) to increase the allocation provided for training allowances;
- Funding is to be provided to Transport, Tourism and Sport (Vote 31), including for additional services in respect of the Road Safety Authority; and
- Funding is to be provided to the Rural and Community Development (Vote 42) including for Public Participation Networks and to provide for a pilot project in the North East Inner City (Dublin), and to the Office of the Government Chief Information Officer in order to continue to progress the Build to Share platform.

These allocations, *additional* to Budget 2018, are summarised in Table 5 below. The sums involved are relatively insignificant in the context of the Vote allocations concerned save in the case of Vote 42 where it amounts to an additional 1.3% of the 2018 Vote allocation (as compared to the allocation set out in the *Expenditure Report 2018*).[6]

Table 5 – Additional allocations made in the Revised Estimates 2018

Vote	Additional gross allocation in Revised Estimates 2018
Health – Vote 38	€41 million
Education and Skills – Vote 26	€2 million
Transport, Tourism and Sport – Vote 31	€3 million
Rural and Community Development – Vote 42	€3 million

Source: PBO based on DPER press release and the Revised Estimates for Public Services 2018.

4 *This necessitated the presentation of, and approval by Dáil Éireann, of the Further Revised Estimates for Public Services 2017.*

5 *A detailed discussion is also contained in: Uí Mhaoldúin, D (2007). 'Alignment and realignment of the functions of government departments in Ireland', (Institute of Public Administration Administration Journal, Vol. 55 No. 1).*

6 *The Expenditure Report 2018 was presented to Dáil Éireann on Budget Day 2018 and set out the Government's voted expenditure allocations and measures for 2018. It also provided the expenditure ceilings for 2019 and 2020.*

Capital Carryover

The gross total of €61,765 in respect of the *Revised Estimates 2018*, shown in Table 3 (p.4) of this paper, does not include a sum of €70.3 million in capital savings from 2017 which is available for spending in 2018 under the multiannual capital envelopes carryover facility. The carryover amount available is however noted in Parts I and II of the relevant Votes. The spending of such money requires a Ministerial Order to be approved by Dáil Éireann before 31st March 2018. Table 6 below shows the capital carryover allocations for 2017 and 2018.

Table 6 – Capital Carryover Allocation for 2017 and 2018

Vote No.	Service	2018 €000's	2017* €000's
7	Office of the Minister for Finance		227
9	Office of the Revenue Commissioners		2,000
11	Public Expenditure and Reform	685	
13	Office of Public Works		2,000
17	Public Appointments Service	60	
18	Shared Services	1,429	
20	Garda Síochána	8,907	9,344
21	Prisons	2,233	2,833
22	Courts Service	6,000	
24	Justice and Equality	741	
29	Communications, Climate Action and Environment	6,000	12,128
30	Agriculture, Food and the Marine	23,800	21,700
31	Transport, Tourism and Sport	10,950	10,969
33	Culture, Heritage and the Gaeltacht**	700	13,548
37	Employment Affairs and Social Protection***	1,000	
39	Office of Government Procurement	100	110
40	Children and Youth Affairs		1,640
42	Rural and Community Development****	7,700	
	Total	**70,305**	**76,499**

* *Capital Carryover allocation that was listed in the Revised Estimates for Public Expenditure 2017 for 2017 has been included in the above table.*

** *Department was entitled Arts, Heritage, Regional, Rural and Gaeltacht Affairs in the Revised Estimates for Public Expenditure 2017.*

*** *Department was entitled Social Protection in the Revised Estimates for Public Expenditure 2017.*

**** *New Department in the Revised Estimates 2018.*

The Revised Estimates 2018 and transparency

The PBO was established in the context of Dáil reform, one element of which is that of improving parliamentary engagement with the budget process. One important means of furthering that objective is by the simplification of complex budgetary information. If this could be achieved it would promote the transparency of the budget process and (potentially) enhance the credibility of the budget forecasts.

The PBO previously expressed its view in the *Post-Budget 2018 Commentary for the Committee on Budgetary Oversight* (p.43) that the Budget documentation presented on Budget Day is unduly complex, especially in the context of achieving a more effective level of parliamentary engagement.

Examples of complexity and lack of transparency are also to be found in the *Revised Estimates 2018*:

- The inclusion of Appropriations-in-Aid as receipts, which may be retained within Votes, leads to a gap between the net amount approved by Dáil Éireann and the gross amounts available for programme expenditure, thus reducing process transparency. It also leads to opaque technical adjustments to the Estimates figures as set out on page 6 of this paper. The enactment of the *Water Services Act 2017* has lead to a significant reduction in the amount of the A-in-A included in the *Revised Estimates 2018* and this is to be welcomed on the basis of transparency. However, a significant amount of A-in-A receipts remain within the Revised Estimates – €12,128 million estimated in respect of 2018;[7]
- The availability of capital carryover from year to year similarly leads to a level of complexity whereby this amount must be added to the programme/subhead allocations of the relevant Votes if a complete perspective is to be obtained as to what resources are available in the year in question. This also adds a layer of complexity to each year's estimate for voted capital allocations and when attempting to track trends over time;
- There is, in many cases, no clear linkage between funding for programmes (and specific subheads) and the metrics provided. In other cases, the metrics provided do not translate financial inputs into programme outputs but relate instead to activities such as enacting legislation and implementing actions within strategies. Another issue that arises is where metrics are linked to a programme but it would appear that the outputs could potentially (at least in part) be attributed to external factors (i.e. factors outside the control of Departments);
- The fact that the Christmas Bonus in respect of eligible social welfare and insurance payments is not included in the 2018 allocation for Employment Affairs and Social Protection means that the estimate for this Vote and the SIF are not a reliable guide for whole of year expenditure. This could be addressed by including a table (for information only) setting out the estimate for the payment of the Christmas Bonus based on the previous year's Cabinet decision;
- Similarly, the almost annual and automatic use of Supplementary Estimates in respect of certain Votes (for example, An Garda Síochána, Army Pensions) means that these estimates may not be definitive – if there are underlying issues driving additional expenditure every year in respect of some Votes, then these should be addressed in the allocations provided in the Revised Estimates;

7 *This includes €9,175 SIF expenditure, €114 million in administration charges recovered by Vote 37 from the SIF, and €416 million National Training Fund expenditure.*

- Changes to the remit of Departments when they occur require the approval of Dáil Éireann by way of Further Revised Estimates – these, while they may be necessary, lead to difficulties in tracking programme expenditure and trends over time;
- The disestablishment of the HSE Vote at the end of 2014 has complicated attempts to track HSE income and expenditure since 2015. Income received by the HSE which was recorded as Appropriations-in-Aid prior to 2015 is not reflected in the HSE Vote, thus obscuring the resources available to the HSE. In relation to the Health Vote overall, a breakdown of programme expenditure within the Vote is not provided within the Revised Estimates – the appendices to the Estimates have been constructed along programme lines based on the HSE National Service Plan. It is understood that a *Finance Reform Programme* has been underway in the HSE since 2014; and
- The financial allocation of certain programmes within Votes is very significant – Programme A in the Education Vote is 72% of the Vote and the Garda Vote only has one programme. This situation may militate against the provision of sufficiently granular information at subhead level or meaningful linkages between funding and metrics.

The PBO notes that the *Revised Estimates 2018* no longer includes 'Qualitative Statements of Outputs and Activities'. The PBO welcomes this move which places greater emphasis on streamlined quantitative metrics in relation to performance budgeting and should facilitate greater monitoring and tracking of performance over time. However, further improvements to the quality of the quantitative metrics would be welcome.

The PBO's analysis of selected Votes in the Revised Estimates 2018

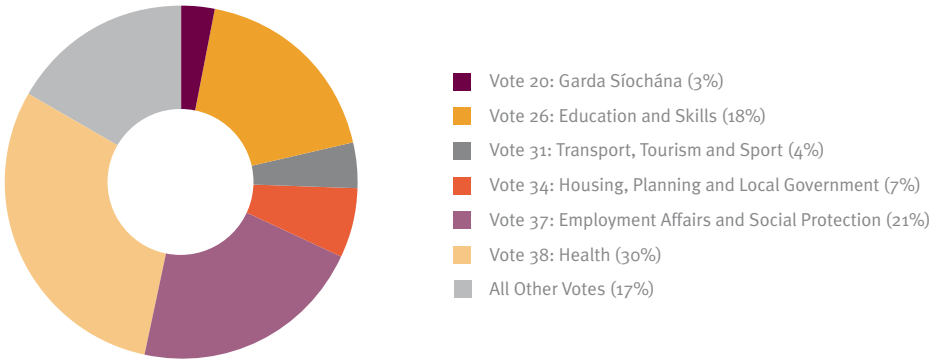
Following scrutiny of the individual Votes by the relevant Select Committees, the *Revised Estimates for Public Services 2018* will be referred back to Dáil Éireann for approval (see Appendix 2 for a detailed overview of the role of the Revised Estimates in the Budget process). Box 2 (p.16) gives a short summary of how to navigate the Revised Estimates.

This paper's analytic focus is on identifying new trends and tracing trends already identified by the PBO by comparing the gross programme allocations for 2018 as set out in the *Revised Estimates 2018* with those in respect of 2017 (i.e. including changes effected by the *Supplementary Estimates 2017* and the *Further Revised Estimates 2017*).

The *Revised Estimates 2018* comprises 42 individual Votes. This paper provides summaries and analysis of six Votes on the basis of their contribution to the proposed overall voted expenditure as set out in the *Revised Estimates 2018*.

The six selected Votes together comprise 83.4% of all net voted funds as proposed for Dáil approval in the *Revised Estimates 2018* (see Chart 1).

Chart 1 – Revised Estimates 2018 – Breakdown by Vote of Net allocation in respect of 2018



Source: PBO based on the Revised Estimates for Public Services 2018

It should be noted that all six of these votes were also the subject of Supplementary Estimates in 2017.[8] Cumulatively these six Votes accounted for €473,201 million (96.3%) of the €491,485 million provided by way of the *Supplementary Estimate 2017*. The PBO produced a *Briefing Paper* for the *Supplementary Estimates 2017*.

8 *All of these Supplementary Estimates were substantive barring Transport, Tourism and Sport which was technical.*

The following Chart illustrates the change in adjusted gross allocation for each of these Votes between 2017 and 2018.

Chart 2 – Summary of the adjusted gross allocations for 6 Votes analysed in detail in this paper – 2017 v 2018

Source: PBO based on the Revised Estimates 2018

Appendix 1 provides a chart in the same format as Chart 2 in respect of the 36 Votes not analysed in detail in this paper.

Box 2: What is contained in the *Revised Estimates for Public Services 2018*?

The *Revised Estimates 2018* can be divided into four parts:

1. A General Note and Summary Analysis of Expenditure; pp.1-28;
2. Detailed financial (including to subhead level) and performance information in relation to Votes 1-42; pp.29-200;
3. Information on Non-Commercial State Agencies; pp.202-232; and
4. A range of appendices from pp.234-259.

The data made available in respect of Non-Commercial State Agencies (point 3 above) is an important source as it is not published elsewhere.

In general terms, the *Revised Estimates 2018* contain:

- Additional details and information in relation to the allocations contained in the 2018 Budget Estimates, which were set out in the *Expenditure Report 2018* published on Budget Day;
- Summary detail in respect of the forecast outturn for spending in 2017; and
- Performance indicators setting out details of financial and human resources, outputs and public service activities, and context and impact indicators. The *Revised Estimates 2018* includes a pilot approach to gender budgeting based on this performance budgeting framework.

The Revised Estimates provides detail in respect of both gross and net allocations, i.e. taking account of Appropriations-in-Aid.

Appropriations-in-Aid 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. Further information is available in *PBO Briefing Paper 2 of 2017*.

Part I under each Vote sets out the net amount that Dáil Éireann will be asked to approve by way of expenditure in respect of the relevant year.

Part II sets out gross financial information at programme level, and includes Appropriations-in-Aid.

Part III sets out, in respect of each programme within the Vote, financial information at subhead level in addition to key output (and other) indicators.

The following section sets out the PBO's analysis of the *Revised Estimates for Public Services 2018* in respect of the financial information and, where appropriate, performance information of the six largest spending Votes by gross expenditure.

This briefing paper concentrates on the gross allocations as this is the money required to deliver the public services justified by Departments' Statements of Strategy. A shortfall in revenue from A-in-A would typically lead to a Supplementary Estimate or a *virement* to cover the shortfall. In addition, the analysis focuses on significant areas of expenditure within a Vote and/or areas where there is a significant change between 2017 and 2018, rather than covering all programmes and sub-programmes within these six Votes.

Pilot approach to Gender Budgeting

The *Programme for Partnership Government (PPG)* contains a commitment to, "develop the process of budget and policy proofing as a means of advancing equality, reducing poverty and strengthening economic and social rights". The PPG (p.15) also contains a commitment to "ensure the institutional arrangements are in place to support equality and gender proofing within key government departments."

Utilising the performance budgeting framework, a pilot approach to gender budgeting has been adopted in the *Revised Estimates for Public Services 2018* with a number of Departments including indicators relating to equality objectives. Those Departments are:

- Transport, Tourism and Sport;
- Culture, Heritage and the Gaeltacht;
- Children and Youth Affairs;
- Education and Skills;
- Health; and
- Business, Enterprise and Innovation.

An overview of Gender Budgeting is available in *PBO Note 1 of 2017*.

The PBO intends to examine the indicators contained in the *Revised Estimates 2018* and publish a Briefing Paper which analyses and discusses these.

Vote 31 – Transport, Tourism and Sport

Overview of 2018 funding

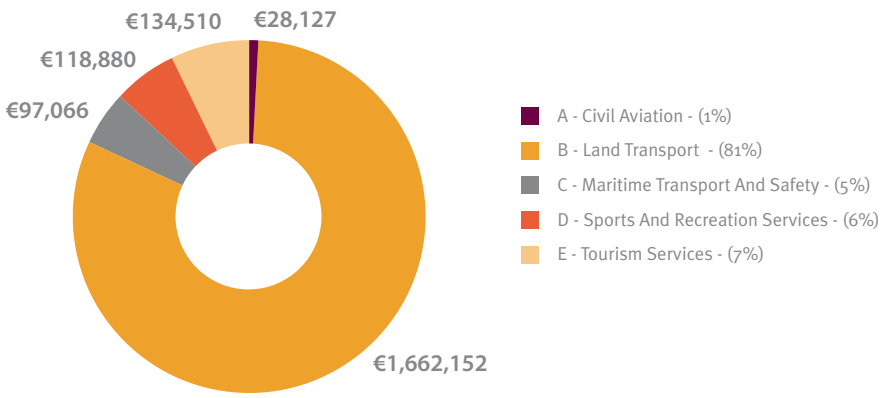
The net allocation for Vote 31 (Transport, Tourism and Sport) in 2018 is €2,005.3 million. This is an increase of €563.2 million (39.1%) over the 2017 allocation.

Appropriations-in-Aid are projected to be €24.5 million. Appropriations-in-Aid are *offset* against expenditure and as a result, the gross allocation for 2018 is €2,029.8 million.

An additional €11 million is available by way of capital carryover from 2017. The adjusted gross allocation, including capital carryover, for 2018 is therefore €2,040.7 million. This is the total amount of funds available for the provision of services by or through the Department.

The adjusted gross allocation is allocated across the five programmes comprising this Vote.

Chart 3 – 2018 Adjusted Gross Allocations (€000's) for programmes



Source: PBO based on the Revised Estimates 2018

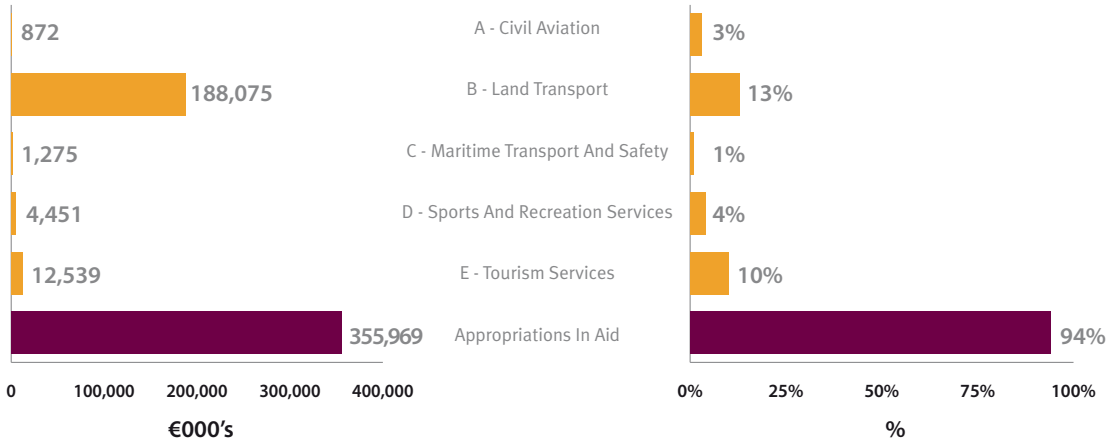
Changes in expenditure and income – 2017 to 2018

It should be noted that an exceptional technical adjustment has affected this Vote in 2018. The *Water Services Act 2017* provides that Motor Tax receipts are to be paid into the Exchequer rather than to the Local Government Fund (LGF). As a consequence, the Transport, Tourism and Sport Vote will no longer receive an Appropriation-in-Aid (funded by Motor Tax) from the Local Government Fund. In 2017 the total A-in-A was €380 million; in contrast, in 2018, it is projected to be only €24 million – a difference of €356 million.

The net allocation for this Vote in respect of 2017 was €1,442 million. In 2018 it will be €563 million higher at €2,005 million. This is composed of €356 million no longer received as A-in-A and an increase in programme allocation of €207 million.

Chart 4 illustrates the scale and percentage of change in the programme allocations and Appropriations-in-Aid from 2017 to 2018.

Chart 4 – Vote 31, Changes in Expenditure and Income Projections, 2017 v 2018



Source: PBO based on the Revised Estimates 2018

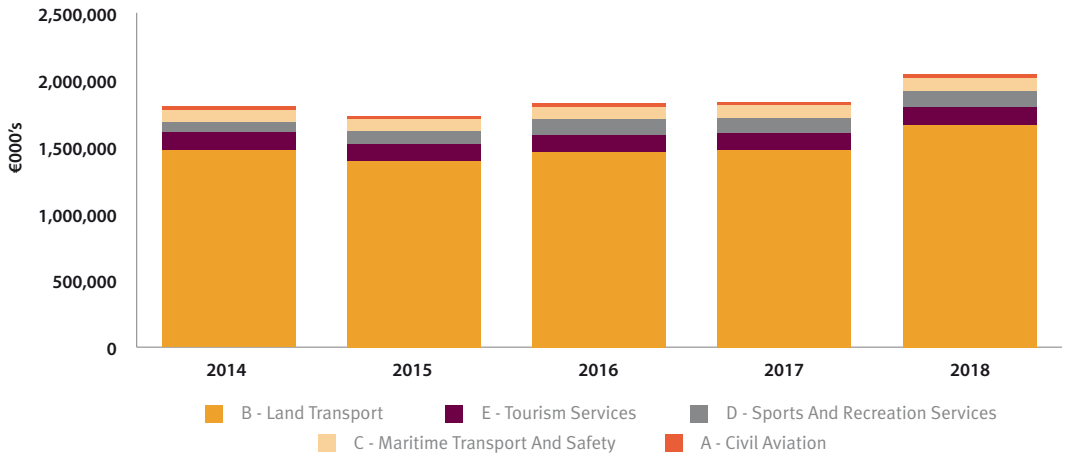
Note: A decrease in Appropriations-in-Aid (A-in-A) has the same effect on the overall position as an increase in net expenditure. The decrease in A-in-A in the chart above is therefore treated as positive.

Expenditure Trends 2014-2018

The annual Gross Voted allocation for Transport, Tourism and Sport over the period 2014-2017 remained relatively static; in the region of €1.8 billion (as illustrated in Chart 5). However, the proposed Gross Voted allocation as a whole exceeds €2 billion in 2018.

The proposed allocation for 2018 provides for a significant increase to Programme B – Land Transport, in particular, an increase of €188 million (13%) on the allocation for 2017. As set out in Chart 3, Programme B represents 81% of the allocation within this vote for 2018.

Chart 5 – Vote 31 expenditure analysis, 2014-2018

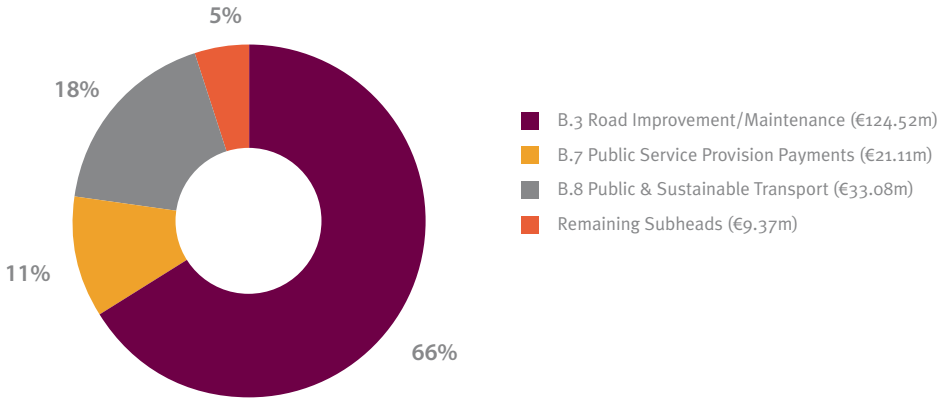


Source: PBO, Houses of the Oireachtas Service, 2018. Based on data sourced from the DPER databank.

Programme B – Land Transport

As referenced in the PBO's *Post-Budget 2018 Commentary for the Committee on Budgetary Oversight* (p.27), the Vote 31 ceiling for 2018 has increased by €197 milion. In Programme B, the capital allocation (including capital carryover) has increased from €1,070 million to €1,244 million (an increase of €174 milion year-on-year). The current expenditure allocation increased from €404 million to €418 million (an increase of €14 million). The distribution within Programme B of the total increased allocation of €188 million is illustrated in Chart 6.

Chart 6 – Breakdown of Increased Allocation to Programme B – Land Transport (€188.1m)



Source: PBO, Houses of the Oireachtas Service

Road Improvement/maintenance

Within Programme B, the single largest subhead is B.3 – Road improvement/maintenance which constitutes €909 million of the €1,662 million Programme B for 2018. This subhead constitutes 55% of Programme B's allocation and 45% of the entire adjusted gross Vote allocation. This is also the subhead which has seen the single largest increase in 2018 (€125 million as set out in Chart 6). This subhead would appear to have a number of distinct purposes:[9]

1. Improvement of National Roads;
2. Maintenance of National Roads;
3. Transport Infrastructure Ireland administration;
4. PPP operational payments; and
5. Regional and Local Roads.

The metrics in the *Revised Estimates 2018* which would *appear* to be associated with subhead B.3 relate to the distance of local and regional roads to (a) maintain and (b) to improve.

9 *Based on the Department's Advance Briefing for the Dáil Committee of Public Accounts Consideration of the 2015 Estimates, dated 23 February 2017.*

The Strategic Investment Framework for Land Transport (August 2015) commits to a €9.6 billion capital envelope for transport over seven years including €6 billion for investment in national roads.[10] *The Review of the Capital Plan 2016-2021: Building on Recovery* indicated that the main focus of capital expenditure in the roads programme has been on maintenance and renewal of the existing network; however, there is an increasing focus on the construction programme looking forward.[11]

Table 7 – Total Road Network

Road Type	Maintained by	Km of Road	(of which)
National Primary		2,649km	
Of which motorway and dual carriageway			*1,210km*
Of which maintained by	***Public Private Partnership***		*328km*
	National Roads Authority		*558km*
	Local Authorities		*294km*
National Secondary		2,657km	
	Sub-total – national	**5,306km**	
Regional		13,120km	
Local Roads		80,472km	
	Sub-total – regional/local	**93,592km**	
	Grand total	**98,898km**	

Source: PBO based on data from Transport Infrastructure Ireland, 'Road Maintenance' and IGEES Strategic Public Infrastructure: Capacity and Demand Analysis (p.18).

In evidence to the Dáil Committee of Public Accounts in October 2017, Transport Infrastructure Ireland (TII) estimated that the appropriate level of expenditure to repave the national road network is approximately €140m on an annual basis. As illustrated in Table 7, the national network consists of 5,306 km, and it carries 46% of all road traffic. No performance metrics are associated with this funding in the Revised Estimates.

Road pavements last for a seven to twelve year cycle, depending on the surfacing, so TII should ideally be maintaining 400 km of national road network per annum (7.5% of the total distance). However, the TII is currently maintaining only about 130km per annum (2.5% of the total distance) at a cost of approximately €40-50 million.[12] The underfunding, acknowledged by TII and the Department, is therefore of the order of €80-100 million per annum, depending on the year. In terms of overall value for money, on a multi-annual basis, the TII also noted that when underfunding is persistent it will cost, "€2 in future years to fix what €1 would do today."[13] A key question that arises therefore is to what extent the increased funding provided in 2018 is intended to address this maintenance gap in respect of the national road network?

10 DPER, *Review of the Capital Plan 2016-2021: Building on Recovery* (August 2017) p.40.

11 Ibid p.41.

12 Michael Nolan, CEO of TII appearing before the Dáil Committee of Public Accounts (12 October 2017) available here.

13 Ibid.

Grants are made from the Vote to local authorities for the maintenance of regional and local roads and this is supplemented by their own resources. An announcement has yet to be made in respect of 2018 – €298 million was provided in 2016,[14] and €324 million was provided in 2017.[15] The National Oversight and Audit Commission (NOAC) noted on 25 January 2018 that, "by the end of 2016, 98% of regional roads had received a Pavement Surface Condition Index (PSCI) rating and 70% had surface or structural defects".[16]

Local Authorities are also responsible for the maintenance of 294km of motorway and dual carriageway (6% of the total). However, it is not clear if the grant to local authorities is also expected to cover the cost of maintaining these primary routes. It is difficult to interpret the amount of the expenditure which corresponds to the metrics in respect of the regional and local roads, i.e. the targets and outputs cannot be reliably linked to the grant if the grant is also used to maintain roads not included within the metrics.

Overall, there is a lack of transparency with regard to the outputs associated with subhead B.3 which constitutes nearly half of the total gross allocation available to this Vote.

Some of the existing metrics[17] in programme B (overall) should be replaced by good quality output targets directly attributable to the programme funding.

14 *Department of Transport, Tourism and Sport press release available here.*

15 *Department of Transport, Tourism and Sport press release available here.*

16 *NOAC press release available here.*

17 *For example, 'No. of actions relevant to the Department within the Road Safety Strategy 2012/2020 to be implemented' and '% change in PSO subvention year-on-year'.*

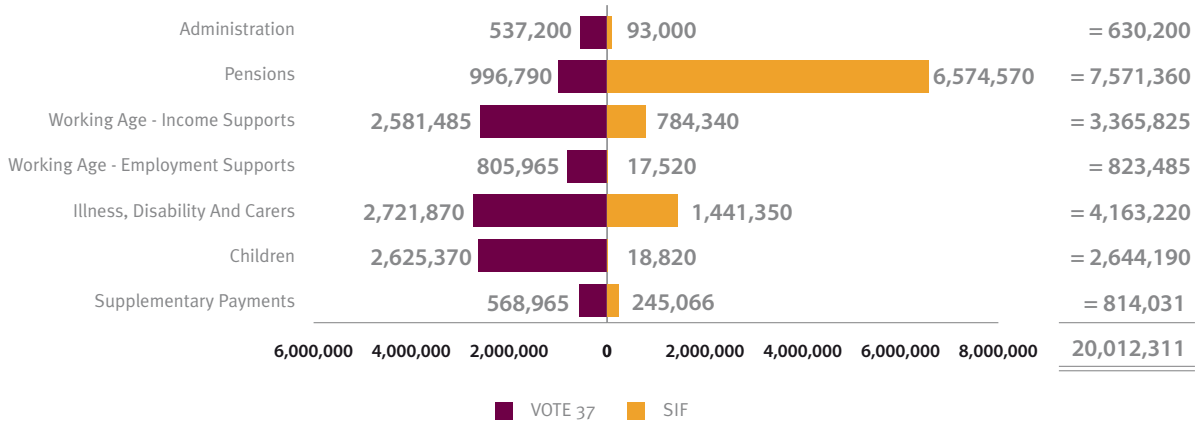
Vote 37 Employment Affairs and Social Protection and the Social Insurance Fund

The relationship between Vote 37 and the Social Insurance Fund (SIF)

Most employers and employees pay Pay Related Social Insurance (PRSI) contributions into the SIF. In return, employees receive benefits for periods spent out of employment. The SIF is projected to comprise 46% of total Employment Affairs and Social Protection (EASP) expenditure in 2018 and an element of each of the EASP seven grouped subheads' expenditure is sourced from the SIF. While this expenditure is not approved by Dáil Éireann, it is considered appropriate to include it in this briefing paper in order to provide a comprehensive picture of all sources of income of the schemes and services administered by the Department. In addition, details of the SIF expenditure are included in the Revised Estimates.

Chart 7 illustrates the combined 2018 allocations of €20,012 million for Vote 37 and the SIF under the seven grouped subhead headings:

Chart 7 – Vote 37 and Social Insurance Fund (SIF), 2018 Allocations (€000's)



Source: PBO based on the Revised Estimates 2018

In the context that the funds allocated from the SIF are not approved by Dáil Éireann, yet are very financially significant and integral to the Revised Estimates, the PBO intends to publish a Note on the operation of the SIF and to identify key data and trends.

Vote 37 – Overview of 2018 funding

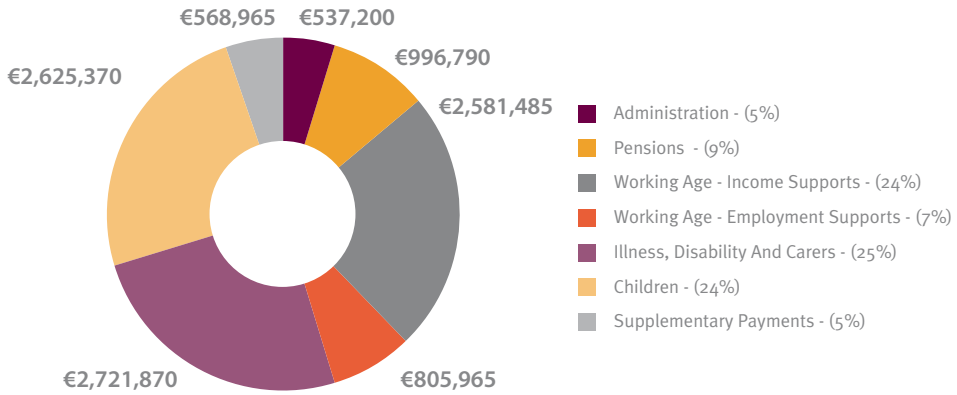
The net allocation for Vote 37 (Employment Affairs and Social Protection) in 2018 is €10,627.1 million. This is a decrease of €163.6 million (1.5%) on the 2017 allocation.

Appropriations-in-Aid are projected to be €209.5 million. Appropriations-in-Aid are *offset* against expenditure and as a result, the gross allocation for 2018 is €10,836.6 million.

An additional €1 million is available by way of capital carryover. The adjusted gross allocation, including capital carryover, for 2018 is therefore €10,837.6 million.

The adjusted gross allocation is allocated across the seven grouped subheads comprising this Vote.

Chart 8 – 2018 Adjusted Gross Allocations (€000's) for Vote grouped subheads



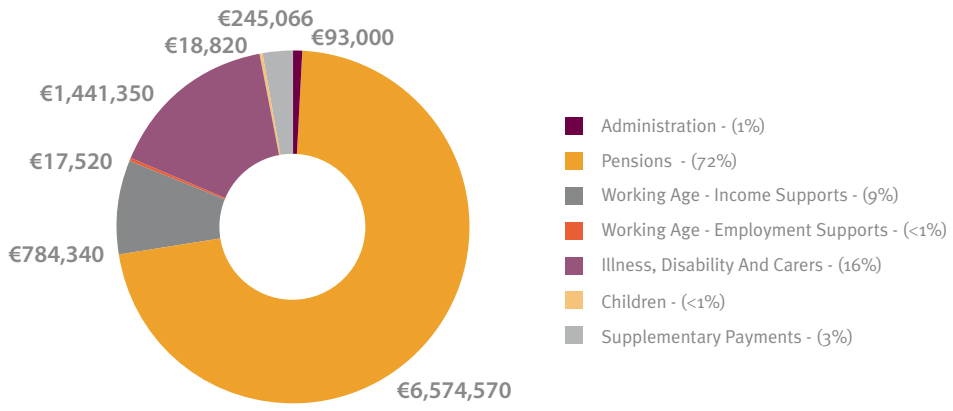
Source: PBO based on the Revised Estimates 2018

This allocation is broken down across a broad range of schemes and supports as illustrated in Chart 8. Rather than using multiple programmes, the vote is structured by grouped subheads. These grouped subheads are used in *lieu* of programmes for the purposes of the PBO's analysis. Three key areas represent 73% of the adjusted gross voted expenditure for 2018; these are Illness, Disability and Carers (25%), Children (24%), and Working Age – Income Supports (24%).

The Social Insurance Fund – Overview of 2018 funding

The Department also administers schemes under the same seven grouped subhead headings that are funded through the Social Insurance Fund (SIF), with a gross expenditure for 2018 of €9,174.7 million – as set out in Chart 9.

Chart 9 – 2018 Gross Expenditure (€000's) for SIF grouped subheads



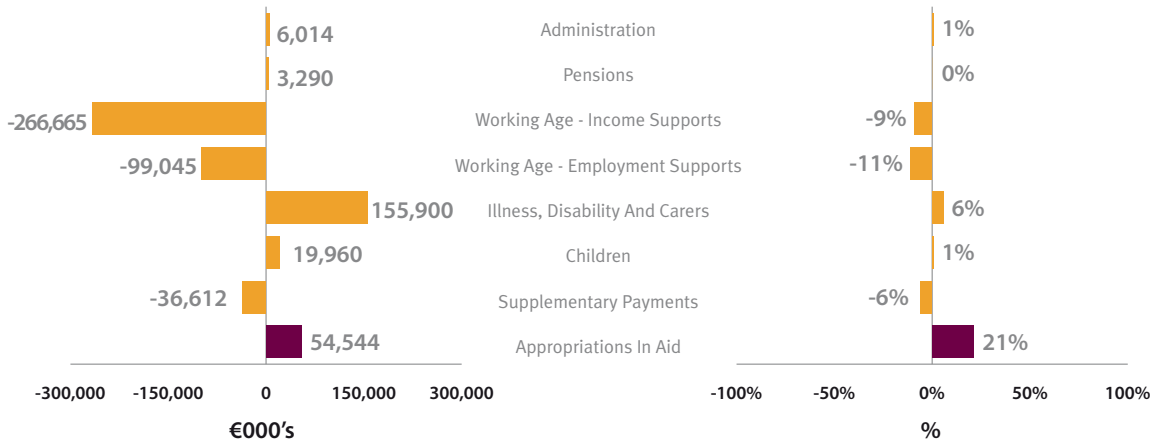
Source: PBO based on the Revised Estimates 2018

As illustrated above, Pensions constitutes the most significant financial commitment for the Social Insurance Fund.

Changes in the Adjusted Gross Allocations for programmes, 2017 v 2018

Chart 10 illustrates the scale and percentage of change in the voted grouped subheads allocations from 2017 to 2018.

Chart 10 – Vote 37, Changes in Expenditure and Income Projections, 2017 v 2018



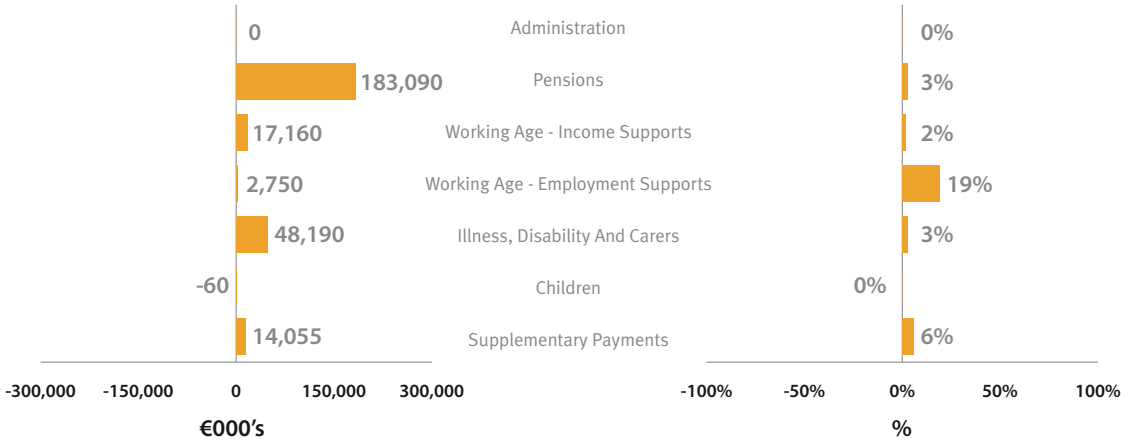
Source: PBO based on the Revised Estimates 2018

Note: A decrease in Appropriations-in-Aid (A-in-A) has the same effect on the overall position as an increase in net expenditure. The decrease in A-in-A in the chart above is therefore treated as positive.

Voted expenditure is currently projected to decrease in 2018, in particular 'Working Age – Income Supports' and 'Working Age – Employment Supports' see total reductions of €366 million. 'Illness, Disability and Carers' are projected to increase by almost €156 million.

Chart 11 illustrates the scale and percentage of change in the SIF grouped subheads allocations from 2017 to 2018.

Chart 11 – SIF, Changes in Expenditure and Income Projections, 2017 v 2018



Source: PBO based on the Revised Estimates 2018

Chart 11 clarifies that significant additional financial resources are forecast to be required from the SIF in 2018 in respect of Pensions and Illness, Disability And Carers.

Chart 10 and Chart 11 illustrate a contrast in the anticipated change in expenditure in relation to both 'Working Age – Income Supports' and 'Working Age – Employment Supports', between the Vote and the SIF. Voted Expenditure in respect of these payments are expected to decrease in 2018 but to increase in the case of the SIF.

This may suggest that the Department expects a continued decrease in the Live Register in respect of long-term unemployment (which is funded from Voted expenditure) but that there could be an expectation that a 'floor' is expected to be reached in respect of short-term turnover, i.e. short-term unemployment claimants may be more likely to have an entitlement to Jobseeker's Benefit based on their PRSI contributions (SIF expenditure).

As has previously been noted by the PBO in *Briefing Paper 2 of 2017* (p.7) reductions in the numbers on the Live Register cannot be achieved indefinitely. The Central Bank of Ireland forecast on 26th January that employment is expected to grow by 2.2% in 2018 and 1.8% in 2019. This would equate to an additional 89,000 people in work and overall employment levels at 2.3 million. These levels, if attained, would be in excess of the 2007 peak level. The Bank's outlook also, "brings the prospect of full employment into view as the unemployment rate is projected to fall to just over 5% next year."[18]

18 *Central Bank of Ireland press release available here.*

The Revised Estimates 2018 and the Supplementary Estimate

The payment of the Christmas Bonus (for certain eligible social welfare payments) is subject to a Government decision and in recent years forms the principal rationale for a Supplementary Estimate. The *Supplementary Estimates 2017* comprised an increase in expenditure of €191 million, offset by savings totalling €181 million – leading to a request for an additional net amount of €10 million in the Vote allocation.

In 2017, the total gross Christmas Bonus was estimated to cost €219 million and was paid to approximately 1.2 million people in receipt of long-term social welfare payments.[19] The Christmas Bonus is paid in respect of both non-contributory (Voted Expenditure amounted to €100 million) and contributory (Social Insurance Fund – SIF amounted to €119 million) payments. [20]

Examining the 2017 voted expenditure in the context of the Supplementary Estimates 2017 (see pp.16-17 of *PBO Briefing Paper 2 of 2017*) the PBO notes that there were resultant increases in expenditure (€191 million) across fourteen subheads and savings (€181 million) across twenty two subheads. As €100 million was spent on the non-contributory Christmas Bonus, we can assume that €91 million (48%) of the re-distributed subhead spending in the Vote did not relate to the Bonus.

The single largest saving made was in subhead A.4 Jobseekers allowance – of €57 million. This underlines the ongoing savings being made in the Live Register and that those savings, in 2017, considerably exceeded the Department's expectation.

If the Department's forecasts are again exceeded with regard to a reduction in the overall claimant numbers on the Live Register, then the net increase in Vote expenditure between 2017 and 2018 shown in the Revised Estimates 2018 may be reasonably accurate notwithstanding the likely payment of the Christmas Bonus in 2018. However, in the context of the large number of transfers necessitated to achieve savings at the time of the *Supplementary Estimates 2017*, we cannot be confident that the subhead allocations in respect of 2018 are likely to prove to be accurate. The changes in the SIF relate to increases in subheads only – however, the same basic principle applies.

It should be noted that Budget 2018 proposed an increase in social welfare payments with effect from 26th March 2018. This will consist of an increase of €5 to the "maximum weekly rate of payment for all social welfare recipients, with proportional increases for qualified adults and those on reduced rates of payment".[21] This is therefore a factor in comparing allocations between 2017 and 2018 within different payment categories.

Recipient numbers – 2017 v 2018 forecast

In the context of the original 2017 Estimate as discussed above, the PBO considers that its commentary should be limited in relation to projected financial changes between 2017 and 2018 in relation to both the Vote and the SIF. However, Part III of the Vote within the *Revised Estimates 2018* (p.169) provides key outputs. This provides data in respect of the number of recipients within the different categories of payments – the number of recipients of social welfare payments is the driving force behind either an increase or a decrease in both Voted and SIF expenditure.

19 *PBO Briefing Paper 2 of 2017, p.7.*

20 *Department Of Employment Affairs And Social Protection, Opening Statement By The Minister For Employment Affairs And Social Protection Regina Doherty T.D. (November 2017).*

21 *Expenditure Report 2018 (2018, p.81).*

The following table therefore compares the targets for 2017 against those for 2018.

Table 8 – Projected claimant numbers – SIF and Vote combined: 2017 v 2018

Grouped Subheads	Key High Level Metrics	2017 Output Target	2018 Output Target	Change 2018 over 2017	% change
Pensions	Average no. of weekly payments	574,175	590,190	16,015	2.8%
	Average no. of monthly payments	42,950	44,720	1,770	4.1%
Working Age – Income Supports	Average no. of weekly payments	337,500	298,380	-39,120	-11.6%
Working Age Employment Supports	Average no. of weekly payments	76,000	63,480	-12,520	-16.5%
Illness, Disability and Carers	Average no. of weekly payments	315,070	347,890	32,820	10.4%
	Average no. of annual Carer's Support payments	99,665	112,640	12,975	13.0%
Children	Average no. of weekly payments	59,165	59,420	255	0.4%
	Average no. of monthly Child Benefit payments	1,200,170	1,195,390	-4,780	-0.4%

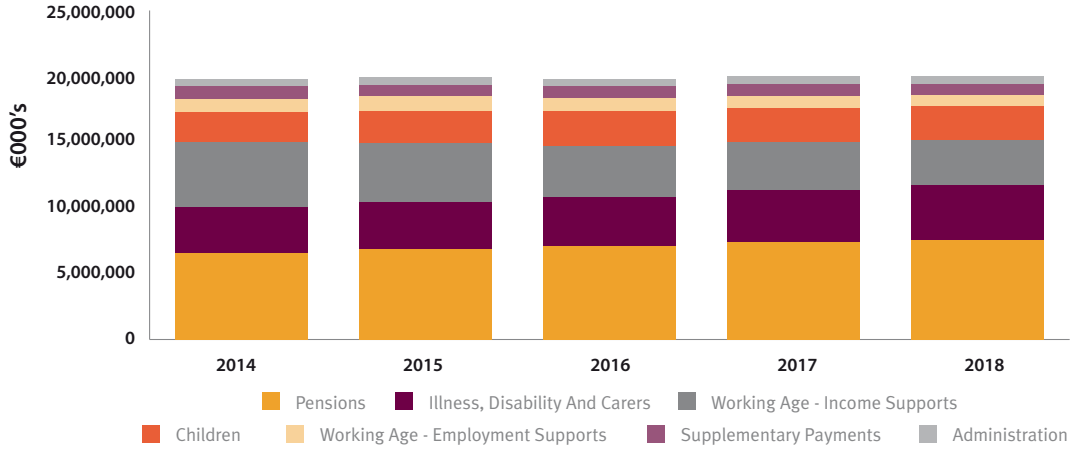
Source: PBO, based on Revised Estimates 2018

This table shows that the number of recipients of 'Working Age – Income Supports' and 'Employment Supports' is expected to decline. The number of pension recipients will see an increase and there will be a significant increase in the number of recipients of 'Illness, Disability and Carers' payments. As 88% of the expenditure from the SIF relates to these two latter categories, we can anticipate that there will be an increase in overall SIF expenditure in 2018. This is without considering the impact of the Christmas Bonus or the increase in rates of welfare payments from the end of March.

Expenditure Trends 2014-2018

Chart 12 illustrates the expenditure for Vote 37 and the SIF combined by the grouped subheads from 2014 to 2018. Figures for 2017 and 2018 are adjusted gross allocations; all other years are actual expenditure.

Chart 12 – Vote 37 & SIF expenditure analysis, 2014-2018



Source: PBO, Houses of the Oireachtas Service, 2018. Based on data sourced from the DPER databank.

Chart 12 shows that the ongoing and increasing cost of Pension payments are increasingly significant, as Working Age – Income Supports expenditure falls.

Long-term trends

The *Spending Review* indicated that demographic pressures will be most pronounced in relation to pensions; however, there is also likely to be additional pressure in relation to child benefit and disability payments.[22] It may be noted however that Table 8 above forecasts that there will be a decrease of 4,780 in the number of monthly Child Benefit payments between 2017 and 2018. These demographic pressures were highlighted by the PBO in its *Post-Budget 2018 Commentary* which also noted that the Department has made provision for demographic changes for 2019 and 2020.[23] The *Expenditure Report 2018* (p.79) illustrates the multi-annual expenditure ceilings for this Vote, which provide for an increase in the Vote in 2019 and 2020 to respond to demographic pressures as noted in the PBO's *Post-Budget 2018 Commentary* (p.25).

Disability Allowance was the focus of an IGEES paper which warned that sustained growth in expenditure on Disability Allowance was unsustainable.[24] This paper noted the rapid growth in the number of recipients of this payment of approximately 25% in the period 2012-2016; it was noted that only 25% of that increase was directly attributable to demographic changes (p.16).

In summary therefore the foregoing illustrates that demographics is the main driver in some categories of payments – resulting in both lower expenditure (Child Benefit) and higher expenditure (Pensions). In other categories, demographic changes would appear to be a lesser driver behind changes in expenditure.

22 *Spending Review 2017, Tracking Trends in Public Spending, Department of Public Expenditure and Reform (2017, pp.17-18).*

23 *PBO, Post-Budget 2018 Commentary for the Committee on Budgetary Oversight (October 2017).*

24 *DPER, Spending Review 2017: Disability Allowance Expenditure Drivers (October 2017).*

State Pension Contributory New Total Contributions Approach with HomeCaring Credit[25]

The Minister for Employment Affairs and Social Protection announced this approach and credit on 24th January 2018.[26] Under the 'Total Contributions Approach', a set total of social insurance contributions paid and credited will be required to qualify for a maximum rate state pension (contributory), and people with less than this set total will receive a *pro rata* entitlement. The Government plans to put in place a Total Contributions Approach for all new pensioners from 2020.

The new Total Contribution Approach Scheme and the new HomeCaring Credit will come into effect at the same time as the Budget 2018 changes to weekly social welfare payments (contributory). As it will take several months to put ICT and other resourcing arrangements in place, increased payments will not begin to issue until early 2019. Any arrears of payments due back to March 2018 or pension age, if later, will be made. The Department expects the majority of the costs to arise in 2019.

25 *'Detailed Questions and Answers', 23rd January 2018.*

26 *DEASP press release available here.*

Vote 34 – Housing

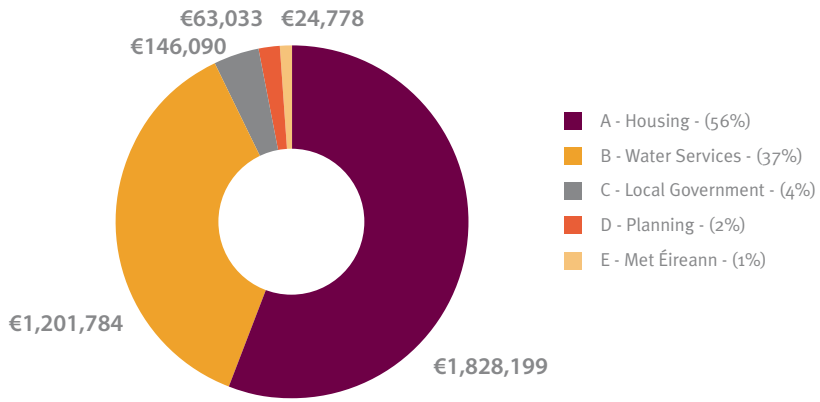
Overview of 2018 funding

The net allocation for Vote 34 (Housing, Planning and Local Government) in 2018 is €3,200.6 million. This is an increase of €1,157.7 million (56.7%) over the 2017 allocation.

Appropriations-in-Aid are projected to be €63.3 million. Appropriations-in-Aid are *offset* against expenditure and as a result, the gross allocation for 2018 is €3,263.9 million.

The gross allocation is allocated across the five programmes comprising this Vote:

Chart 13 – 2018 Gross Allocations (€000's) for programmes



Source: PBO based on the Revised Estimates 2018

Changes in the Gross Allocations for programmes, 2017 v 2018.

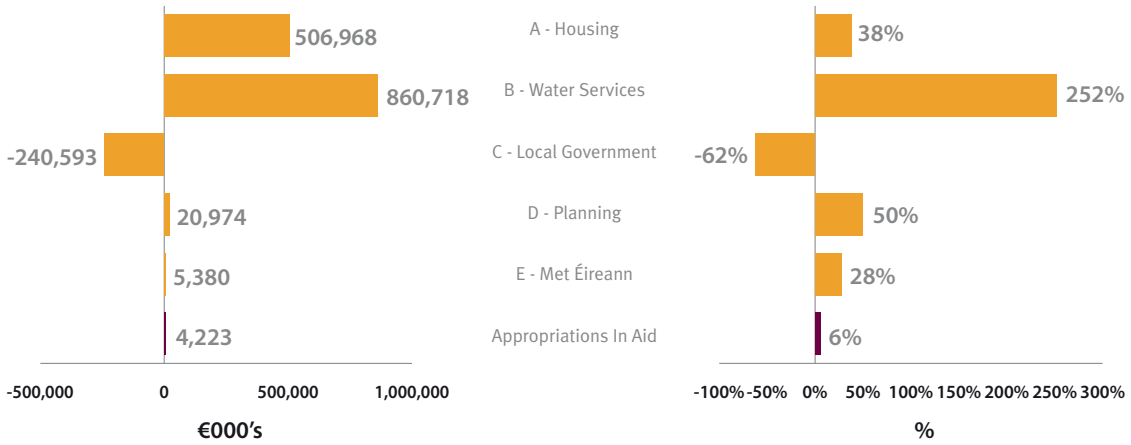
As illustrated by Chart 13, the gross allocation of the Vote in 2018 is now primarily (93%) concerned with just two programmes; Housing and Water Services.

Programme C (Local Government) which formed approximately 18% of the gross allocation in 2017 now accounts for only 4%. The decrease of €241 million in the allocation between 2017 and 2018 as illustrated in Chart 14 relates primarily to a decrease in the funding of the Local Government Fund from the Vote (subhead C.3).

As set out earlier in this paper (p.9), Government expenditure on domestic water services is no longer funded from a combination of voted expenditure, Local Government Fund, non-voted expenditure and borrowing by Irish Water. The Government expenditure on these services is now provided for exclusively through the Vote of the Department of Housing, Planning and Local Government – this provides greater transparency as regards the cost of water services to the State. Voted expenditure for water services (subhead B.6 of Vote 34) has been increased from €293 million in 2017 to €1.1 Billion in 2018 – €600 million current and the balance of €500 million in capital. This represents the replacement funding mechanism for Irish Water. However, this also means that funding for these services, including long-term capital funding, is in competition with a wide range of public services with the attendant risks that brings. A new organisation, the Water Advisory Body (subhead B.9), is also being established at a cost in 2018 of €0.42 million.

Chart 14 illustrates the scale and percentage of change in the programme allocations from 2017 to 2018. The 2017 Supplementary Estimate of €100 million for Vote 34 related entirely to capital expenditure, €92m of which related to subhead A.3 – Local Authority Housing. The PBO in *Briefing Paper 2 of 2017* noted that no savings were made from other subheads in the Vote to offset this cost and that it was unclear whether targets for Programme A were being adjusted to reflect this increased funding. A further increase of €507 million has now been made to this programme's allocation in 2018.

Chart 14 – Vote 34, Changes in Expenditure and Income Projections, 2017 v 2018



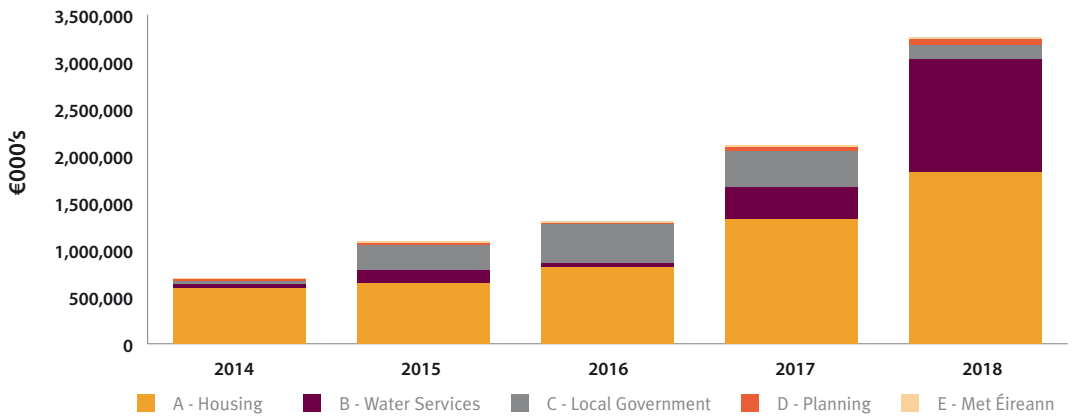
Source: PBO based on the Revised Estimates 2018

Note: A decrease in Appropriations-in-Aid (A-in-A) has the same effect on the overall position as an increase in net expenditure. The decrease in A-in-A in the chart above is therefore treated as positive. The 2017 A-in-A figure may be affected by the transfer of the Community Programme to Vote 42 by way of the Further Revised Estimates 2017.

Expenditure Trends 2014-2018

Chart 15 illustrates the expenditure for Vote 34 by Programme from 2014 to 2018. Figures for 2017 and 2018 are gross allocations; all other years are actual expenditure. It is important to note that technical changes to the structure of the Vote, particularly as a result of the *Water Services Act 2017*, distort the picture considerably. It will be a number of years before meaningful trend analysis can be easily carried out. What is clear from the Chart is that funding in respect of Programme A has seen a very significant increase between both 2016 and 2017, and between 2017 and 2018.

Chart 15 – Vote 34 Expenditure Analysis, 2014-2018



Source: PBO, Houses of the Oireachtas Service, 2018. Based on data sourced from the DPER databank.

Notes: The Programme 'Community' with an allocation of €80.6m in 2017 has been transferred from Vote 34 to Vote 42 – Rural and Community Development in the 2018 Estimate and therefore has been removed from all relevant years.

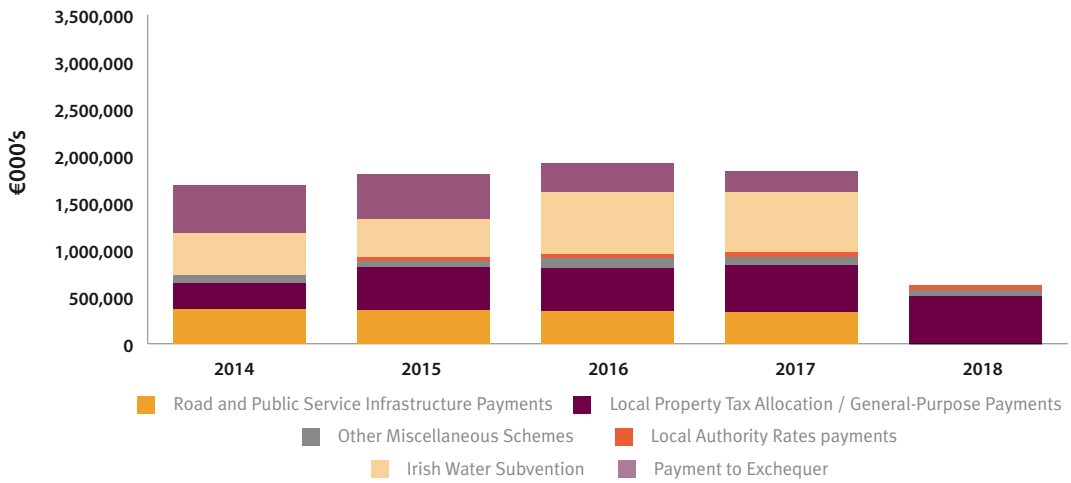
Arising from a transfer of functions, responsibility for Ordnance Survey Ireland (D.11 – €15.6m in 2018) is transferring from the Department of Justice and Equality to the Department of Housing, Planning and Local Government with effect from 1st January 2018.

Local Government Fund

Expenditure via the Local Government Fund (LGF) is not reflected in Chart 15, and is presented separately in Chart 16 on the same scale for comparison purposes. Figures for 2017 and 2018 are estimates; all other years are outturn.

As set out in the *PBO Post-Budget 2018 Commentary* (pp.18-19), the LGF's income is now comprised of only Local Property Tax receipts and any Exchequer top-up funding. Expenditure from the Local Government Fund is therefore also now primarily comprised of the Local Property Tax Allocation (expected to represent 81% of LGF expenditure in 2018).

Chart 16 – Expenditure from Local Government Fund 2014-2018



Source: PBO, based on data sourced from the Revised Estimates for Public Services 2018 and http://www.housing.gov.ie/

Notes: On foot of the Report of the Joint Oireachtas Committee on the Future Funding of Domestic Water Services the Government decided that all State funding to Irish Water in respect of domestic water services, as determined through the regulatory process, will from 2018 be met from the Vote of the Department of Housing, Planning and Local Government. As provided for in the Water Services Act 2017, consequential changes to the LGF include Motor Tax Receipts remitting to the Exchequer (from 1 January 2018), payments in respect of Road and Public Service Infrastructure (previously met from the LGF) are to be met from the Vote of the Department of Transport, Tourism and Sport with no further requirement for a payment to the Exchequer.

Programme A – Housing

The *Revised Estimates for Public Services 2017* set out an allocation of €1,221 million for Programme A Housing; however, changes arising from *Further Revised Estimates for Public Services 2017* and a subsequent Supplementary Estimate meant that the actual Programme allocation was €1,321 million. This Programme represents 56% of the gross Vote allocation in 2018. Notable capital expenditure increases in 2018 occur in Programme A 'Housing' within subheads:

- A.3 Local Authority Housing – €206 million (+58%);
- A.4 Voluntary and Co-operative Housing – €76 million (+60%); and
- A.6 Estate Regeneration – Social Housing Improvements – €42 million (+49%).

Housing Delivery 2017 – Social Housing & New Home Indicators states that outputs in respect of 2017 were, "facilitated by over €1.4 billion of investment of taxpayers' money, including an additional €100 million provided in December 2017."[27] The *Revised Estimates 2018* include a range of output targets (including two new metrics) as does the *Housing Delivery 2017 – Social Housing & New Home Indicators* report. However, there is a lack of uniformity between the performance metrics used in these two publications.

27 *'Social Housing Delivery 2017', Minister's Statement (15th January 2018).*

Programme B – Water services

Despite the substantial increase in allocation, there are (as in previous years) no useful metrics provided in the *Revised Estimates 2018* in respect of this programme's performance.

The increased allocation for water services in 2018 has primarily been allocated to one subhead – B.6 Irish Water. Irish Water requested €1,288 million in capital expenditure over 2017/18 combined[28] with the Commission on Energy Regulation (CER) approving €1,152 million.[29] As mentioned on p.29 of this paper, the Exchequer will provide €500 million in Voted capital funding in 2018. The funding approved by the CER amounts to an average of €576 million per annum, over the period 2017/2018. It is unclear whether additional funding will have to be sourced for Irish Water capital expenditure in 2018. An increase in Irish Water capital funding may mean that less resources would be available for other capital expenditure projects (in the context of current Government Expenditure Ceilings). Over the three year period, 2019-2021, Irish Water projects that Capital Expenditure averaging €770 million per annum will be required.[30]

28 *IW IRC2 (2017-2018) Look Forward Submission Assessment, Prepared for the Commission for Energy Regulation (CER) (September 2016, p.40).*

29 *Irish Water Second Revenue Control 2017-2018 Decision Paper Reference: CER/16/342 (December 2016, p.4).*

30 *Irish Water Business Plan, p.23, table 4.1*

Vote 38 – Health

Overview of 2018 funding

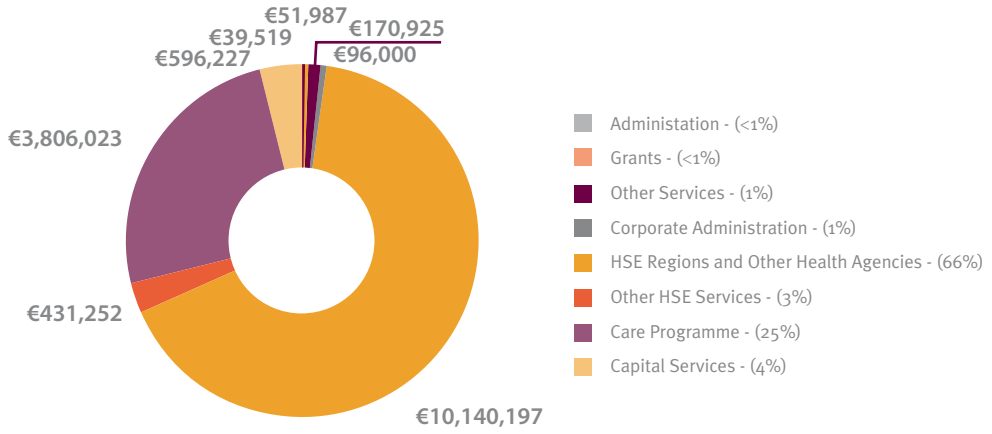
The net allocation for Vote 38 (Health) in 2018 is €14,871.9 million. This is an increase of €530.6 million (3.7%) over the 2017 allocation.

Appropriations-in-Aid are projected to be €460.2 million. Appropriations-in-Aid are *offset* against expenditure and as a result, the gross allocation for 2018 is €15,332.1 million.

The proposed allocation for expenditure in this area in respect of 2018 was €15,291 million gross at budget time.[31] However, the *Revised Estimates 2018* provides for a gross allocation of €15,332 million – a €41 million increase over the *Expenditure Report 2018*. This reflected an additional post-Budget 2018 allocation in relation to respite care and GP visit cards including for persons in receipt of carer's allowance.[32]

The gross allocation is allocated across the eight grouped subheads comprising this Vote as set out in Chart 17.

Chart 17 – 2018 Gross Allocations (€000's) for grouped subheads



Source: PBO based on the Revised Estimates 2018

As noted in the PBO's *Post-Budget 2018 Commentary*, unlike other Votes a breakdown of Programme expenditure within the Vote is not provided in the *Expenditure Report 2018*. The background to this omission is that the Department of Health is working towards the development of Programme Budgeting and changing the structure of the Health Vote to reflect this. This is taking some time, however, as the financial systems in the HSE must be adapted to allow for this. A financial reform programme is currently underway in the HSE. In the interim, the appendices to the Revised Estimates for the Health Vote have been constructed along programme lines – based on the National Service Plan – to provide a high-level programme breakdown of health expenditure in the main divisional areas of the HSE. As illustrated above, 'HSE Regions and Other Health Agencies' comprises two thirds of the gross expenditure under this Vote.

31 *Expenditure Report 2018, p.104.*

32 *Revised Estimates for Public Services 2018.*

At the time of Budget 2018, additional spending measures costing €235 million were proposed and the carryover costs from Budget 2017 were projected to be €97 million. An allocation of €165 million was also made available in respect of recent pay agreements. The PBO's *Post-Budget 2018 Commentary* (p.36) also suggested that €152 million had been allocated to meet existing service levels in 2018 but noted that this was not explicitly stated.

The total gross additional allocation sought in respect of a Supplementary Estimate in 2017 was €195 million. However, €105 million of that total was sought in respect of subheads I1-I5 (HSE regions and Grants to Other Health Bodies). In *Briefing Paper 2 of 2017* (p.8) the PBO noted that it was proposed that each HSE region, with their varying requirements, should receive a 1% increase.

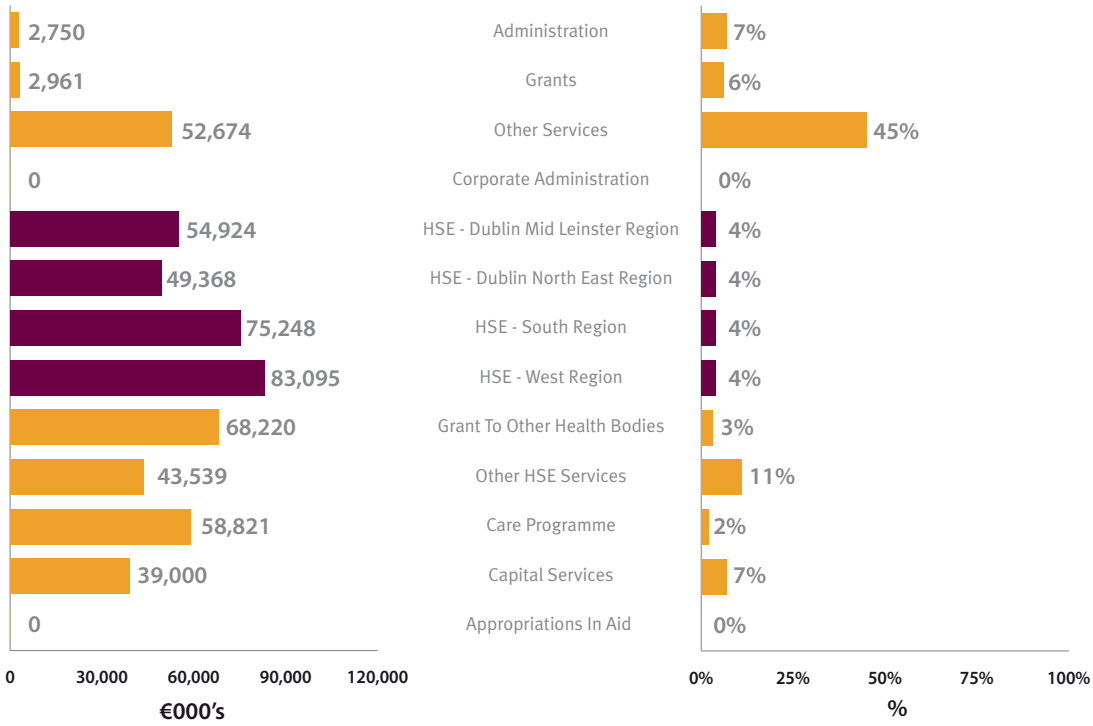
The PBO notes in the context of the *Revised Estimates 2018* that a similar situation has occurred again – a standard 4% increase (when rounded up) has been allocated to each HSE region – the exact percentages are West (3.54%), South (3.55%), North East (3.61%) and Dublin Mid-Leinster (3.59%).

The PBO would have expected that the different regions would have attracted varying percentage increases based on their demographic profile, services provided, level of development of primary care services, etc.

Changes in Gross Allocations, 2017 v 2018

Chart 18 illustrates the scale and percentage of change of allocations from 2017 to 2018, in both nominal and percentage terms across the grouped subheads in Vote 38, including Appropriations-in-Aid. Changes in the HSE regions are set out on an individual basis.

Chart 18 – Vote 38, Changes in Expenditure and Income Projections, 2017 v 2018



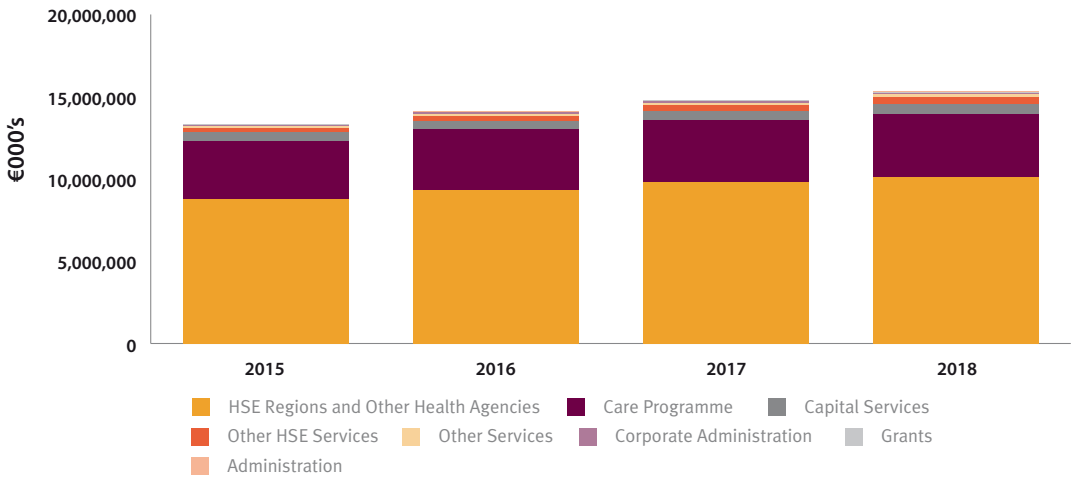
Source: PBO based on the Revised Estimates 2018

In relation to the increase in the 2018 allocation in respect of 'Other Services', this largely (€35 million or 66%) relates to the National Treatment Purchase Fund (NTPF).

Expenditure Trends 2015-2018

Chart 19 illustrates the expenditure for Vote 38 by Heading from 2015 to 2018. Figures for 2017 and 2018 are gross allocations; all other years are actual expenditure. The primary driver of increases within this vote is 'HSE Regions and Other Health Agencies' which has increased by €1,340.64 million since 2015; however, the annual increases have grown smaller over this period: with increases of €531 million in 2016, €478 million in 2017, and €331 million in 2018.

Chart 19 – Vote 38 Expenditure Analysis, 2015 – 2018



Source: PBO, Houses of the Oireachtas Service, 2018. Based on data sourced from the DPER databank.

Notes: Due to the disestablishment of the HSE Vote at the end of 2014, outturn for 2014 has not been included in this chart for comparison purposes.

Income currently received by the HSE which was recorded in Appropriations-in-Aid prior to 2015 is not now reflected in the Vote. As a consequence of this change only the net financial allocations for the services provided by the HSE has been included in the Vote since 2015.

Since the services provided by the HSE are funded by a combination of Voted allocations, HSE income, and income from other sources which have never been recorded in the Estimates, this Dataset does not provide full sight of the total gross cost of providing the HSE services.

In the context of the significance of the HSE to the Health Vote, and the lack of transparency in relation to it in the Revised Estimates, the PBO intends to assess the *HSE National Service Plan 2018* to determine whether there is sufficient data available to draft a PBO Note and/or Briefing Paper aimed at identifying key financial and performance data and trends.

Vote 20 – Garda Síochána

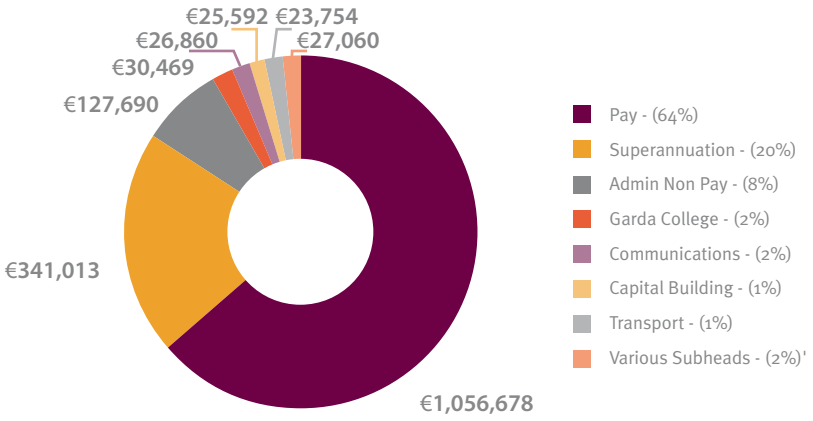
Summary of 2018 Allocation for Garda Síochána

In 2018, the Net Estimate for the Garda Síochána Vote is €1,542.5 million, a reduction from €1,550.1 million in 2017. Appropriations-in-Aid are projected to be €107.7m. Appropriations-in-Aid are *offset* against expenditure and as a result, the gross allocation for 2018 is €1,650.2 million.

An additional €8.9 million is available by way of capital carryover. The adjusted gross allocation, including capital carryover, for 2018 is therefore €1,659.1 million. This is the total amount of funds available for provision of services by An Garda Síochána.

The Garda Síochána Vote has only one Programme (A – Working with Communities to Protect and Serve). Chart 20 below gives details of the split of this programme at a Subhead level. Combined, Pay and Superannuation account for approximately 86% of the total allocation (this includes the 79% of the Garda College allocation that relates to Pay).[33]

Chart 20 – 2018 Adjusted Gross Allocations (€000's) for Programme A by subhead



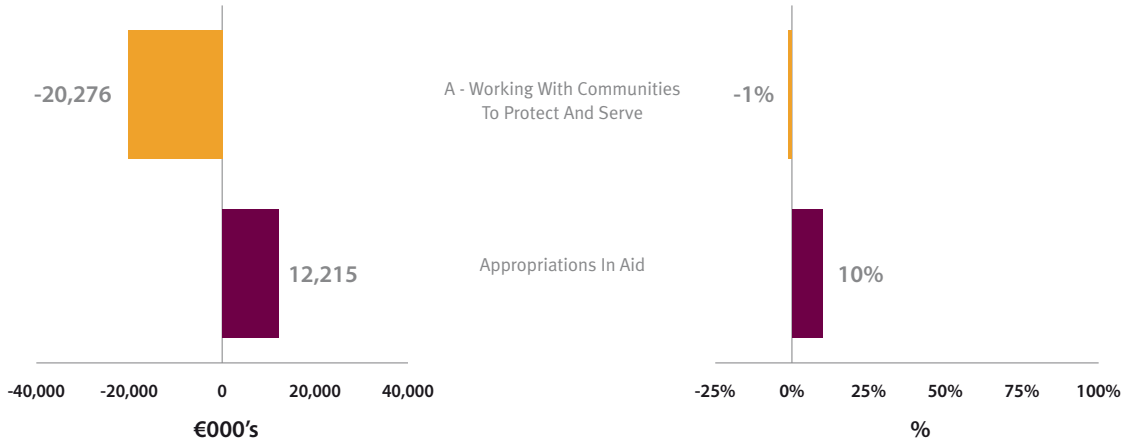
Source: Revised Estimates 2018

33 *PBO calculation based on the Revised Estimates 2018, i.e. the Gross Pay Subhead for 2018 subtracted from the Gross Exchequer Pay Bill.*

Changes in Gross Allocations, 2017 v 2018.

Chart 21 illustrates the scale and percentage of change in the programme allocations from 2017 to 2018 as set out in the *Revised Estimates 2018*. Both 2017 and 2018 figures are adjusted to take account of capital carryover.

Chart 21 – Vote 20, Changes in Expenditure and Income Projections, 2017 v 2018



Source: PBO based on the Revised Estimates 2018

Note: A decrease in Appropriations-in-Aid (A-in-A) has the same effect on the overall position as an increase in net expenditure. The decrease in A-in-A in the chart above is therefore treated as positive.

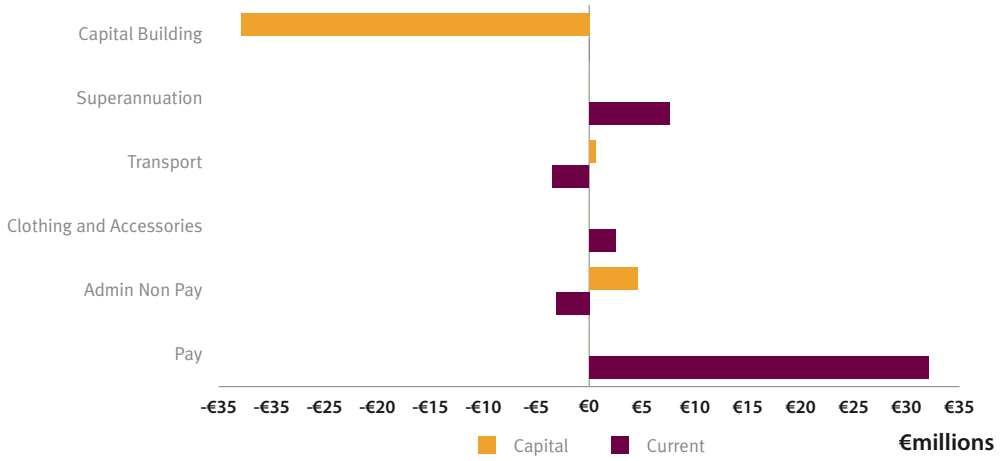
The figures provided in the *Revised Estimates 2018* in respect of 2017 include the Supplementary Estimates of €44.2 million added to the Vote. Of the €72.7 million requested in the Supplementary Estimate, €50.5 million related to Administration – Pay. This €72.7 million was offset by a total of €28.5 million in unexpected Appropriations-in-Aid and savings in other areas, giving a net additional requirement of €44.2 million.

Excluding the Supplementary Estimate 2017, the adjusted gross expenditure of the Garda Síochána Vote would have increased year-on-year by 2.3% between 2017 and 2018, or €37.8 million. In 2017, the €55 million estimated to be required for the Garda Pay Deal[34] was partially offset by a large drop in capital spending.

A major change between the format of the *Revised Estimates for Public Expenditure 2017* and those for 2018 is the reporting of the Garda College as a separate subhead. This complicates subhead comparison between 2017 and 2018 and going forward. The changes in the subheads shown in Chart 22 do not include the new subhead (A.13) for Garda College expenditure and also exclude the *Supplementary Estimates 2017*.

34 *Garda Commissioner's Monthly Report to the Policing Authority, November 2017, page 5.*

Chart 22 – Change in Garda Síochána subhead Allocations, 2017-2018, excluding Supplementary Estimates 2017



Source: PBO based on the Revised Estimates 2017 and Revised Estimates 2018

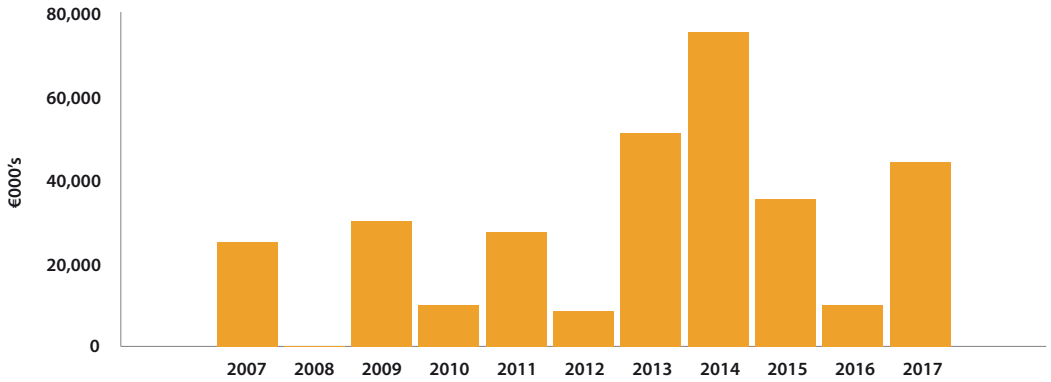
Note: The above chart excludes subheads that have nominal changes only and does not include capital carryover from 2016 and 2017.

Supplementary Estimates for An Garda Síochána

The estimated allocation for Vote 20 in the Revised Estimates has been exceeded on a regular basis, with a Supplementary Estimate required in every year since at least 2004[35] (records for 2003 and earlier are not published digitally). These supplementary estimates are largely made to accommodate pay and overtime requirements. This would suggest that Vote 20 operates under a soft budget constraint and that this context should be borne in mind when Dáil Éireann approves the allocation set out in the Revised Estimates.

35 *Auditor and Comptroller General Appropriation Accounts 2004 – 2016, and 2017 Supplementary Estimates for Public Services.*

Chart 23 – Vote 20 Supplementary Estimates: 2007-2017



Source: Comptroller and Auditor General Annual (C&AG) Appropriation Accounts 2007-2016, 2017 Supplementary Estimates for Public Services. Note: 2008 involved a Technical Supplementary Estimate.

Following a period of more constrained budgeting during the recession, the value of Supplementary Estimates has increased significantly. As shown in Table 9, the total value of the Supplementary Estimates requested between 2013 and 2017 is almost triple those requested during the previous five years.

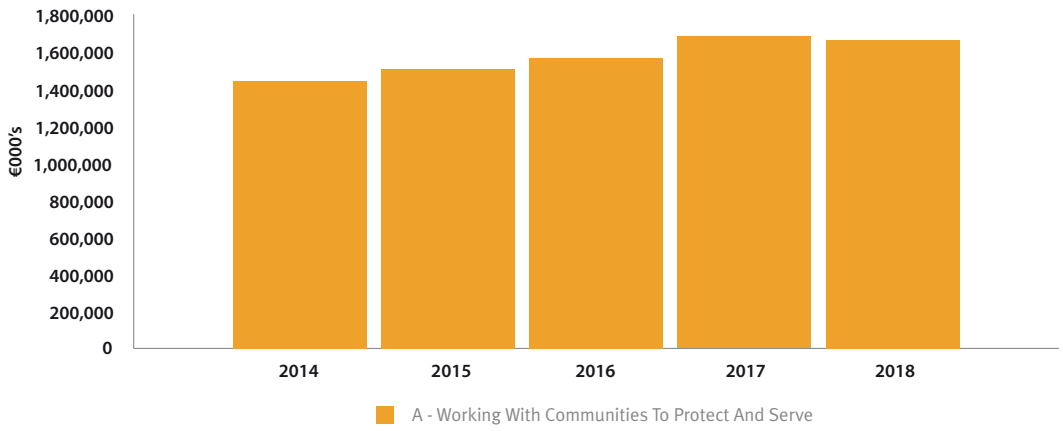
Table 9 – Vote 20 Supplementary Estimates: 2008-2012 & 2013-2017 Total

Years	2008-2012	2013-2017
Supplementary Estimates	€75,901,000	€215,634,000

Source: C&AG Appropriation Accounts 2007-2016

Chart 24 illustrates the outturn (2014-2016) or adjusted gross expenditure (2017-2018) in the years 2014 to 2018. There is a decrease between 2017 and 2018, but the figure for 2018 does not include any forthcoming Supplementary Estimate. If there is a Supplementary Estimate greater than €20.2 million in 2018, the trend of an increasing overall Vote allocation will continue. The only year between 2014 and 2017 in which there was a Supplementary Estimate less than €20 million was 2016 (€10 million).

Chart 24 – Vote 20 Adjusted Gross Expenditure, 2014-2018



Source: PBO, Houses of the Oireachtas Service, 2018. Based on data sourced from the DPER databank.

Garda Pay and the Garda College

The Garda College has €30.5 million in expenditure allocated for 2018. Of this, €24 million is allocated for Pay.[36] Including this €24 million, the total Exchequer Pay Bill for Vote 20 rises from €980 million in the original estimate for 2017 to €1,034 million for 2018. This raises the question:

- Is the additional allocation of €44.2 million in 2017 a once-off requirement, or is Vote 20 likely to require an equivalent Supplementary Estimate in future years?

The Garda Pay Deal agreed in December 2016 was estimated to cost €55 million in 2017 by the *November Report of the Commissioner to the Policing Authority* (p.5). This is approximately equal to the difference between the 2017 and 2018 gross Exchequer Pay Bill, so the additional cost in 2018 may be the direct outcome of the revised Garda Pay. However, the *Supplementary Estimate 2017* would seem to have set a new baseline. This would imply that if overtime pressures occur in 2018, the Garda Síochána Vote is likely to require a Supplementary Estimate later this year.

The split of a portion of the Administrative Pay into the Garda College subhead gives rise to issues with the calculation of per-head pay costs, and obscures the staffing targets under either subhead. No specific information is provided on Human Resources inputs under the Garda College. In future, a separate Human Resources input for the Garda College line would be a more transparent process than including Garda College numbers in the overall count.

Based on the current way of reporting the costs of the Garda College, year-on-year comparisons of Garda expenditure from 2017 to 2018 will be difficult. This issue will be resolved for comparisons from 2018 to 2019 onwards, but details of the Garda College finances split into the same 12 subheads used by An Garda Síochána should be produced to allow a comparison of the pre-2017 costs to post-2018. This could be achieved by establishing the Garda College as its own programme within the Vote and establishing the relevant subheads.

36 Calculated by subtracting the figure for Garda Pay in the Revised Estimates 2018 from the Total Gross Exchequer Pay Bill reported under Vote 20.

Garda Capital Expenditure

Between 2017 and 2018, Capital spending across Vote 20 is estimated to drop by €28.1 million, including capital carry over. The majority of this change is under the Capital Building subhead. Capital spending under the Administration Non-Pay subhead is also expected to decrease, but by only €2 million. Other changes in capital allocations are below €1 million. It is unclear what is driving this reduction.

Vote 26 – Education and Skills

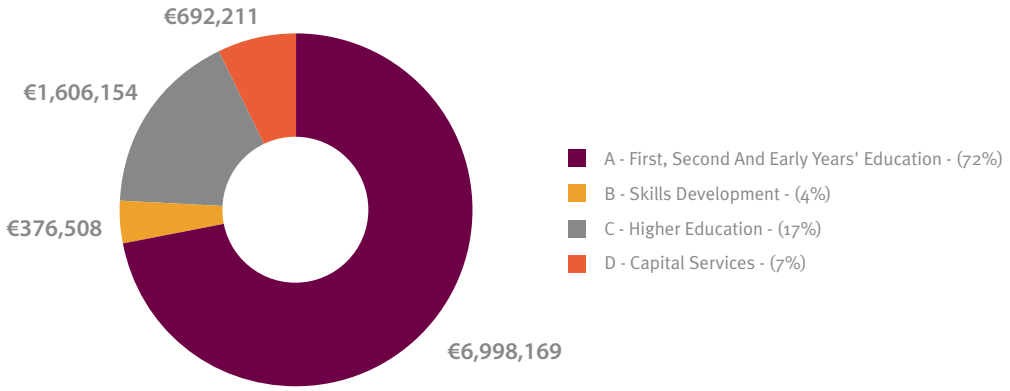
Summary of 2018 Allocation for Education and Skills

The net allocation for Vote 26 (Education and Skills) in 2018 is €9,156.5 million. This is an increase of €357.2 million (4.1%) over the 2017 allocation.

Appropriations-in-Aid are projected to be €516.5 million. Appropriations-in-Aid are *offset* against expenditure and as a result, the gross allocation for 2018 is €9,673 million.

The gross allocation is allocated across the four programmes comprising this Vote. These allocations are set out in Chart 25 below.

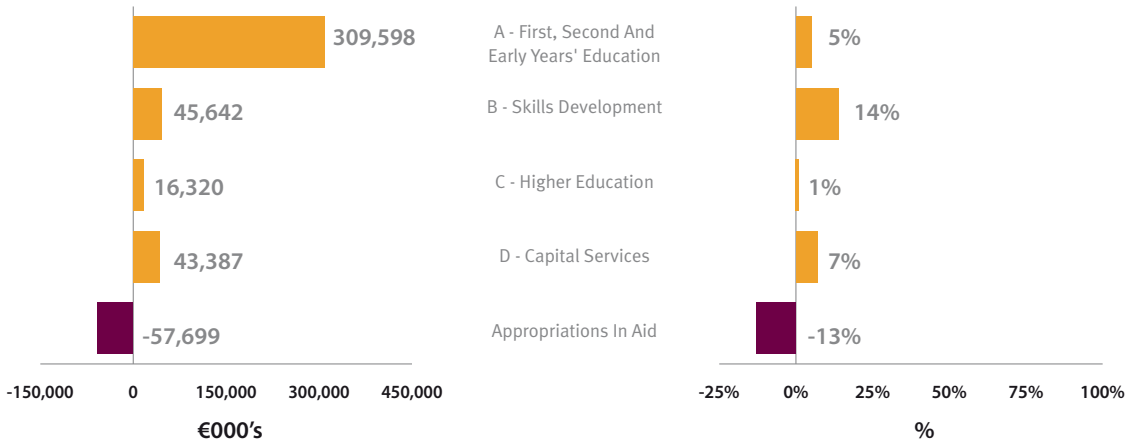
Chart 25 – 2018 Gross Allocations (€000's) for programmes



Source: PBO based on the Revised Estimates 2018

The 2018 allocation marks an expenditure increase across all Programmes. The relative significance of these increases is quite different depending on whether they are presented as proportions of the existing allocation or as their absolute value. Chart 26 below provides both of these data points for comparison.

Chart 26 – Vote 26 Changes in Expenditure and Income Projections, 2017 v 2018



Source: Revised Estimates Volume 2018

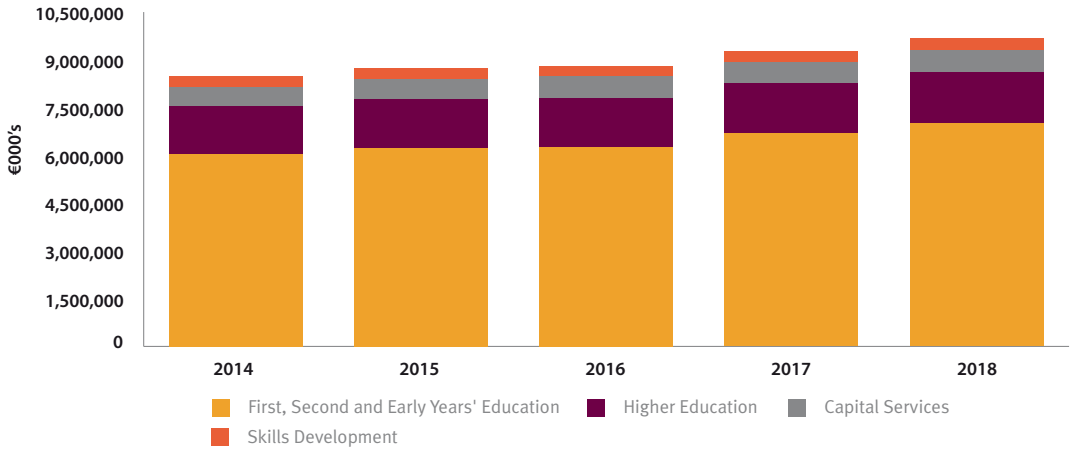
Note: An increase in Appropriations-in-Aid (A-in-A) has the same effect on the overall position as a decrease in net expenditure. The increase in A-in-A in the chart above is therefore treated as negative.

Proportionally, Skills Development is receiving the greatest increase to its allocation in 2018. In absolute value, First, Second and Early Years' Education is receiving the greatest increase to its allocation. As 72% of the overall budget of the Education and Skills vote, this programme is the primary mover of the overall average.

Expenditure trends 2014-2018

In the longer term, the Education and Skills budget has been increasing throughout the post-recession period. This growth has been concentrated in absolute terms on Programme A, but the proportional split of the Vote has not significantly changed.

Chart 27 – Vote 26 Expenditure Analysis, 2014-2018

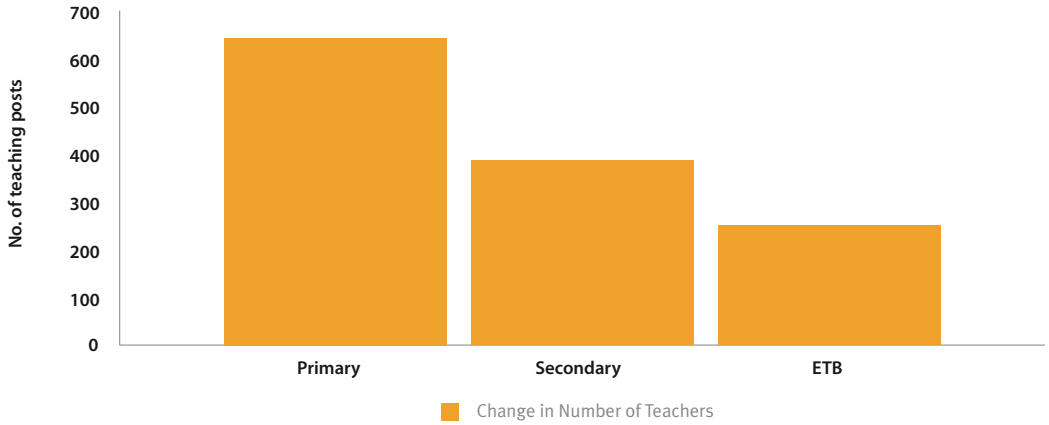


Source: Department of Public Expenditure and Reform Databank, 2014-2016 are based on actual outturn, 2017 and 2018 is based on the Revised Estimates 2018.

First, Second and Early Years' Education – 2017 and 2018

As set out above, Programme A constitutes the main area of expenditure within this Vote and within that programme pay and superannuation constitutes the main driver. 2018 will see an increase in the number of teaching positions in each of the three main categories.

Chart 28 – Numbers of new teaching posts forecast to be created in 2018



Source: Revised Estimates 2018

In addition to the increase in the absolute number of teaching positions allocated, the cost per teaching post is also expected to rise.

Table 10 – School level costs per teaching position and student 2017 and 2018[37,38]

School Level	2017		2018	
	Per Teaching Position	Per Student	Per Teaching Position	Per Student
Primary	€62,380.61	€2,310	€64,565.53	€2,483
Post-Primary	€61,838.77	€3,255	€65,906.12	€3,469
ETB Teachers	€51,601.90		€54,152.07	

Source: PBO, Houses of the Oireachtas Service

This increasing cost per teacher is in addition to an increasing number of teachers overall, further contributing to the overall growth in the expenditure required to fund the education system.

First, Second and Early Years' Education – Long-term trends

The analysis in the preceding section may be placed in the context of demographic challenges caused by cyclical population projection of peaks and troughs of the numbers of schoolchildren.[39]

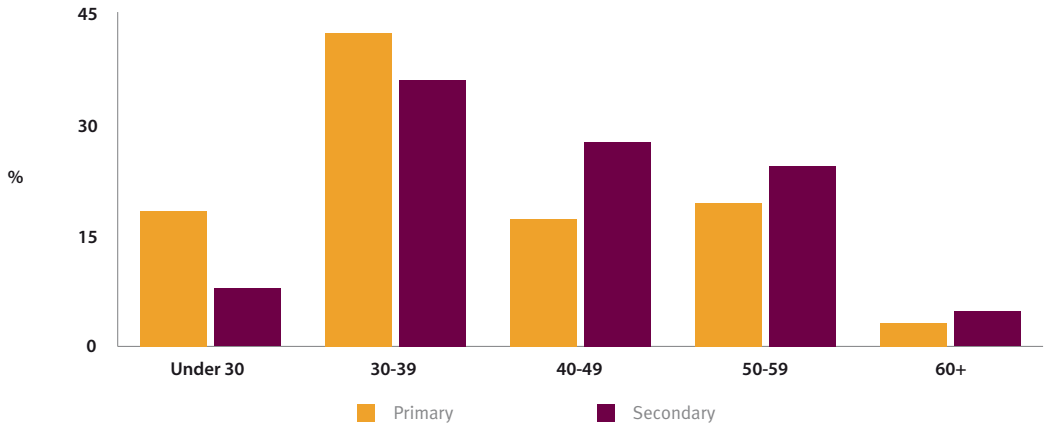
This presents a challenge for the long-term efficiency of the education system. Either teachers will need to be hired in line with these cycles of population, or class numbers allowed to rise and fall in line with fluctuations in the overall population. This is further complicated by the permanent nature of teaching as a career. If the teacher to student ratio targeted is static while the number of students is fluctuating, the State will be obligated to pay teachers when demand does not match supply.

37 *The cost presented is this table is the Gross Figure, as would appear under the Programme in the Revised Estimates. For the purposes of the Voted Expenditure, this would be offset by the Pension Related Deduction (PRD). In the Appropriations-in-Aid, PRD is only provided at a Vote level, so it is not possible to break down the total PRD received by Programme.*

38 *Cost per Student figure is calculated using the 'Staffing Schedule'. This is the number of teaching posts allocated to a school, based on its pupil count and is not synonymous with class size.*

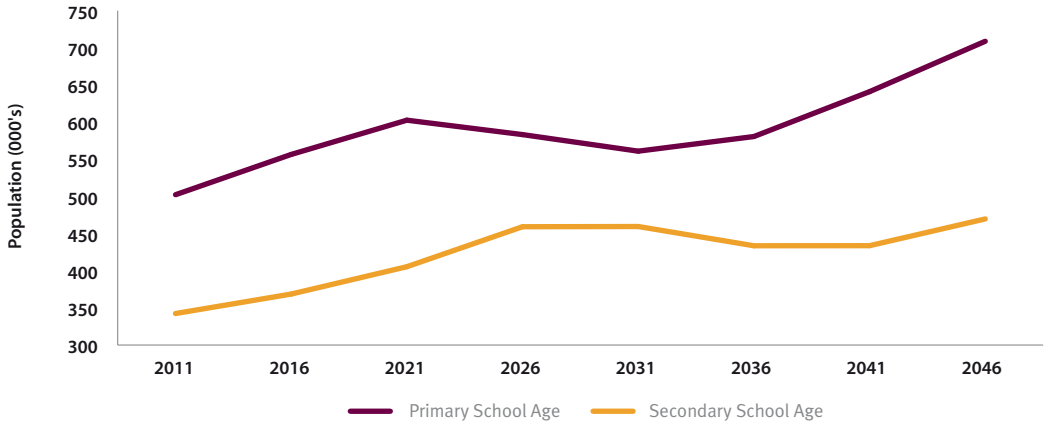
39 *Population and Labour Force Projections 2016-2046, Central Statistics Office, p. 10.*

Chart 29 – Age Range of Teachers in Ireland (2015)



Source: OECD[40]

Chart 30 – Projection of School Age Populations, 2011-2046



Source: CSO, Population and Labour Force Projections 2016-2046

For example, the demand for secondary school teachers will reach a cyclical peak in 2031. Afterward, it will decrease before beginning to rise again in line with population projections and the age at which children will attain secondary school age. Towards the tail end of each of these peak periods, there may be teachers in excess of the minimum needed to meet the Staffing Schedule.

40 *https://stats.oecd.org/Index.aspx?DataSetCode=EAG_PERS_SHARE_AGE#.*

Table 11 – Staffing Schedule at secondary level: 2016-2036

	2016	2031	2036
Number of Students	368,600	459,500	433,600
Staffing Schedule	19:1	19:1	19:1
Teaching Positions to meet 2018 ratio	19,400	24,184	22,821
***Indicative* cost to the Vote of teaching posts above minimum required to meet ratio:**			€89,840,448

Source: Population Projections from CSO: Population and Labour Force Projections 2016-2046, Staffing Schedule is as set in Revised Estimates 2018, calculations are PBO's own. Cost, which is the current average cost to the Vote per teaching post, is calculated for scenario where number of teachers in 2036 is the same as in 2031.

Skills Development

This Programme is receiving the largest proportional increase to its allocation of any of the Programmes under Vote 26. The €45.6 million change in the allocation for 2018 represents a 14% increase year on year. As Chart 31 shows, the vast majority of this change is occurring under the Further Education and Training activities of SOLAS.

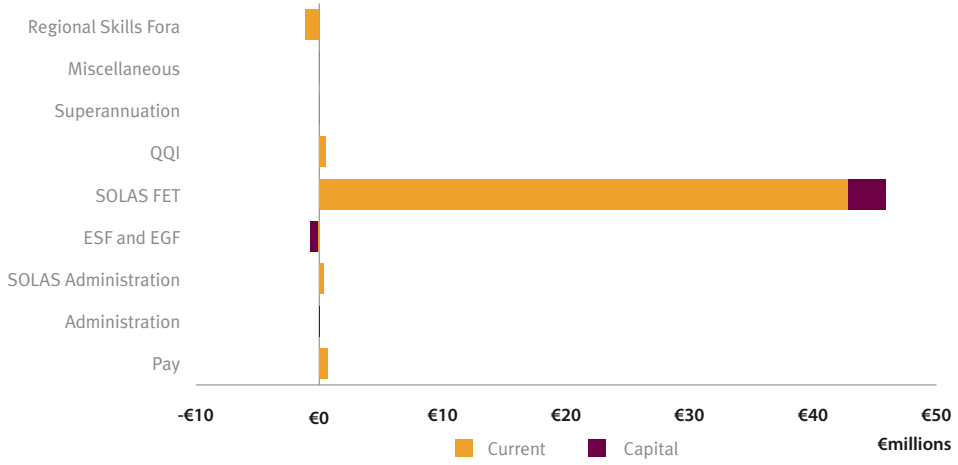
In addition to this Voted expenditure, the increase to the National Training Fund Levy announced in July 2017 has resulted in a €148 million or 37% increase in the income the National Training Fund expects to receive under this heading. Not all of this increase is being used to increase expenditure in-year, which will rise by €49 million. Most (€41.6 million) of that increase is being invested in training programmes targeting those already in employment. The National Training Fund is expected to carry forward a surplus of €143 million at the end of 2018. The surplus in the National Training Fund stood at €232 million in January 2017.[41] The *Revised Estimates 2018* indicate a surplus of €43.9 million and €143.3 million for 2017 and 2018 respectively, projecting a future surplus of €419.2 million.

Further Education and Training

Further Education and Training is the subheading under which Post-Leaving Certificate (PLC) Courses are financed. This €45 million increase to the allocation for Further Education and Training represents a 17% increase in the allocation for PLC courses in Ireland.

41 *Parliamentary Question No. 63 of 18 January 2017, available here.*

Chart 31 – Change in Skills Development Allocations Year-on-Year



Source: Revised Estimates 2018

Notably, the number of beneficiaries of Further Education and Training is expected to decrease from 320,000 to 318,884. However, this increased funding may be required to implement the recommendations for reforming the PLC system in Ireland set out in the *SOLAS Response to the Findings of the Evaluation of The National Post Leaving Certificate Programme*.

From 2018-2020, SOLAS is aiming to implement 45 recommendations for improving the Further Education and Training sector, as a result of *ESRI's evaluation of the PLC system*.

Higher Education

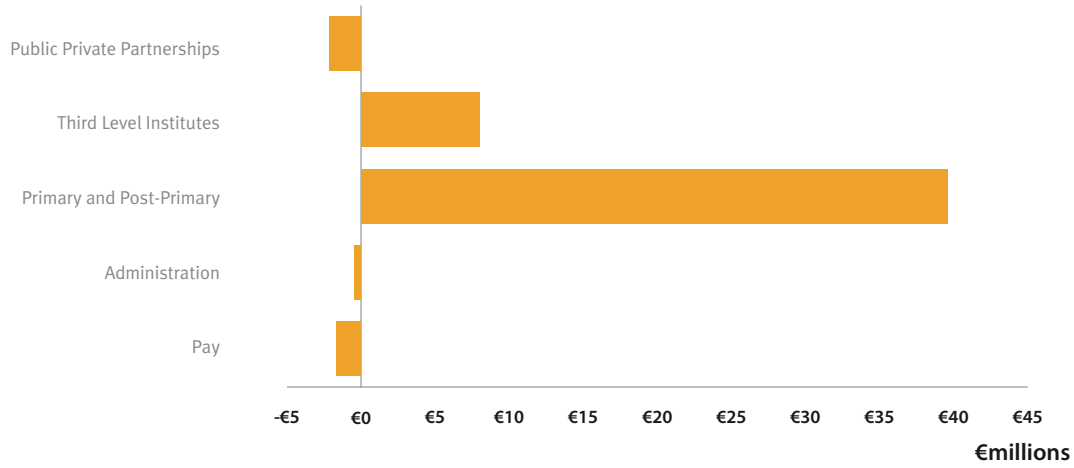
The largest change year-on-year under this programme is under the subhead for grants to Universities, Institutes of Technology and Institutes of Higher Education. The €25.8 million added to this subhead for 2018 is the equivalent of 3% of this subhead's 2017 estimate.

This rise in costs coincides with a slight reduction in the target for undergraduate places, by roughly 2,000 (-1%) across both full time and part-time. While at post-graduate level, the target is rising by just over 1,000 (+2.6%). Additionally, staff numbers are projected to rise by 343 (+1.9%) in Universities, Institutes of Technology and other Higher Education Institutes.

Capital Services

The Capital Services Programme allocation is increasing by 7% year-on-year between 2017 and 2018. The majority of this increase is under Primary and Post-Primary School construction. These changes are illustrated in Chart 32 below.

Chart 32 – Total Change in the Vote 26 Capital Services Programme Allocation, Year on Year



Source: Revised Estimates Volume 2018

This increase in funding does not seem to be matched by an increase in the places expected to be created:

Table 12 – Performance Indicator Targets for 2017 and 2018

	2017 Target	2018 Target
Primary School Places	17,000	9,000
Secondary School Places	6,000	8,000

Source: Revised Estimates Volume 2018

This suggests a range of possibilities, including:

- that either the school places being added in 2018 are more expensive to provide;
- that secondary schools are considerably more expensive to construct than primary schools; or
- that the target for 2017 was not met and that this influenced the targets set for 2018.

Appropriations-in-Aid

Appropriations-in-Aid is revenue collected by Departments and Agencies and is offset against expenditure. Thus Appropriations-in-Aid reduce the net allocation received by the Vote. Receipts from the European Social Fund, European Guarantee Fund and other EU funds are projected at €35 million for 2018 in this Vote and are treated as Appropriations-in-Aid.

There may be an issue with the timing of payment applications, as the European Union has up to 60 days to pay funds that are requested. So, funding applied for after October 2018 is not guaranteed to be received before 2019. Thus, depending on when the applications are made the full projected receipts may not be received in 2018.

Funding allocated under the European Structural and Investment Funds is subject to a 'de-commitment procedure' if it is not claimed within three years of being allocated. This would reduce the overall size of the Programme financed by the Fund concerned, and there would be a shortfall in expected repayments from the European Union. According to the Department of Education and Skills "Ireland must submit payment applications in respect of €362,909,411 by end-2018 to avoid any decommitment."[42] At the time of writing, Ireland has not received any interim payments from the European Commission under the European Social Fund.[43] Depending on the co-financing rate of the funding applied for, the amount of co-financing that should be applied for would be €215 million or €181 million.[44] However, if the payment application for 2018 does not meet the €362.9 million required, the Department should indicate this as it would have long-term implications for the Exchequer.

42 *Programme for Employability, Inclusion and Learning 2014-2020, Financial Progress Report, p. 6.*

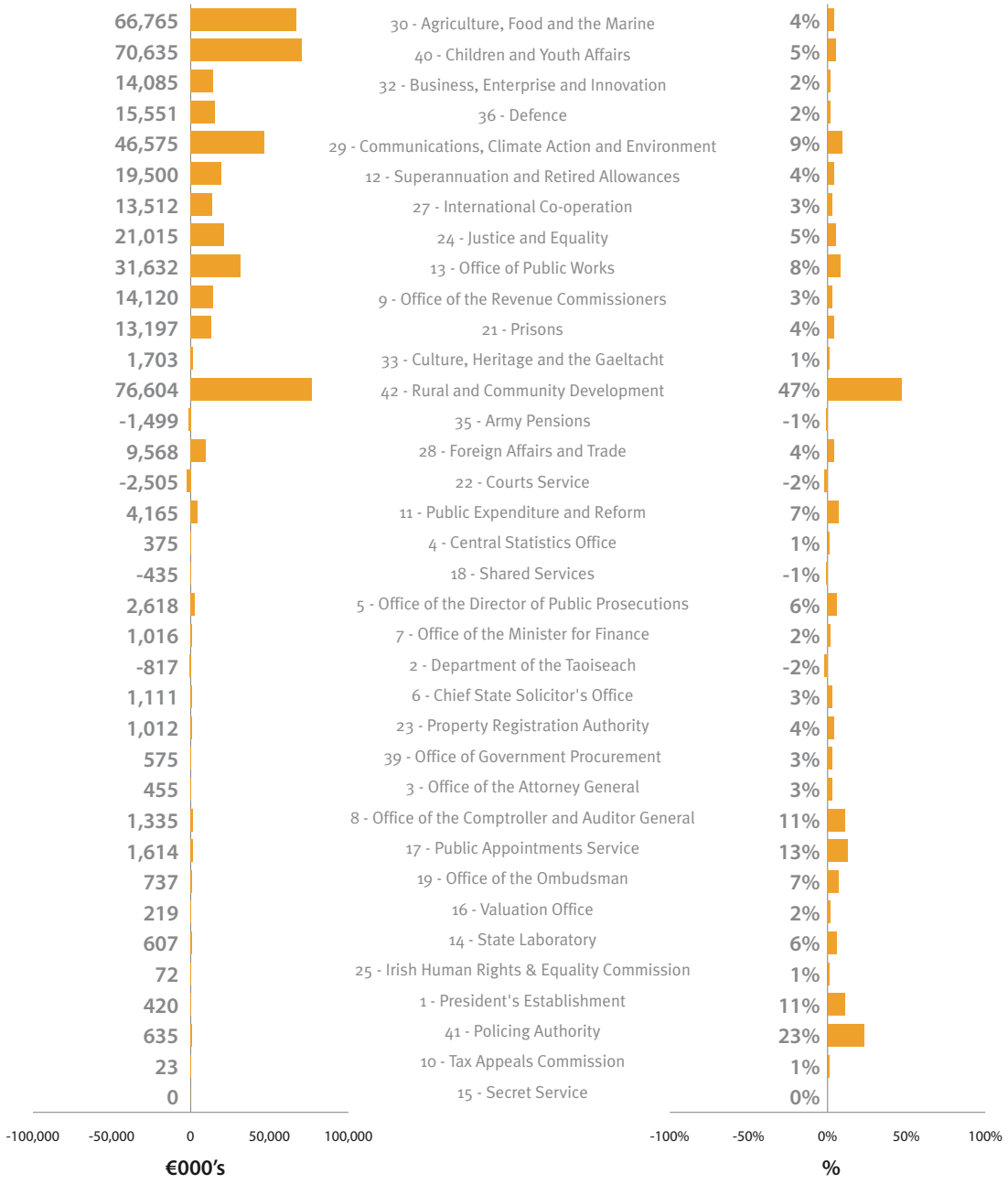
43 *Cohesion Open Data Portal, Country Data for Ireland.*

44 *The European Social Fund is co-financed at a rate of 50% but the Youth Employment Initiative is co-financed at a rate of 66%. The low end of the estimate would apply if only ESF-funded projects were included in the application for payment.*

Appendix 1: Summary Chart of the 36 Votes not analysed in detail

The following Chart illustrates the change in adjusted gross allocation for each of these Votes between 2017 and 2018.

Chart 33 – Summary of the 36 Votes not analysed in detail in this paper



Source: PBO based on the Revised Estimates 2018

Appendix 2: The role of the Revised Estimates in the budgetary process

Introduction

This appendix draws on published secondary sources to describe the role of the Revised Estimates in the wider budgetary process[45] and how they are being developed with regard to utility and transparency.

The *Revised Estimates for Public Services 2018* provides additional detail and information in relation to allocations contained in the 'Estimates for Public Services', which comprises Part III of the *Expenditure Report 2018* (published on Budget Day).

That additional detail consists of the provision of financial estimates at subhead level within programmes – only programme level data is available in the Expenditure Report.

Other data provided include:

- Exchequer pay included in the net Vote allocation;
- Number of public service employees paid through the Vote;[46]
- Exchequer pensions included in the net Vote allocation;
- Number of public service pensioners paid through the Vote;
- The functional split of administrative budgets within the programme allocations; and
- Performance information – consisting of 'key outputs and public service activities' and 'context and impact indicators'.[47]

The Revised Estimates also gives summary detail in respect of the forecast outturn for spending in 2017 at Vote level. However, this data was soon outdated by that provided in the December 2017 *Fiscal Monitor*.

The Estimate for 2017 provided in the *Revised Estimates 2018* in respect of programme and subhead expenditure is composed of:

- The original estimate as published in the *Revised Estimates for Public Services 2017* in December 2016;
- Any transfer of monies necessary to reflect the change in functions, as facilitated by the *Further Revised Estimates for Public Services 2017*; and
- Any additional allocations provided for by way of the *Supplementary Estimates 2017*.

45 *An L&RS Note, Budget process and documents (September 2015) elaborates on the annual Budget cycle and the role of the Houses of the Oireachtas within that cycle.*

46 *At individual Vote level, payments to retired civil servants are made from the Superannuation and Retired Allowances (Vote 12). Information in respect of pensions and number of pensioners therefore generally relate to the staff of Agencies, teaching staff etc.*

47 *See L&RS Spotlight 1 of 2016, Parliamentary Scrutiny of Government Performance.*

Further Revised Estimates

If, after publication of the Revised Estimates, factors emerge to change the amount of the requisite grant before it has been voted, the Estimate may be withdrawn and replaced by a Further Revised Estimate. This procedure may also be used where the functions of one Department are transferred to another, either before or after the original Estimates have been voted.

Supplementary Estimates

Changes to the Estimate of a Department/Agency/Fund during the year *may* require a Supplementary Estimate – further information is available in *PBO Briefing Paper 2 of 2017*.

The Appropriation Act[48]

At the end of each year, the Revised Estimates (adjusted by any Further Revised Estimates and in conjunction with any Supplementary Estimates approved for the year) are collected together into an Appropriation Bill which, when enacted, gives statutory effect to the individual Estimates voted by the Dáil for that year. It is passed by the Houses of the Oireachtas when consideration of all the Departmental Estimates (including any Supplementary or Additional Estimates) has been finalised by the Dáil.

The Act definitively appropriates to the particular supply services the sums voted by the Dáil (including Supplementary and Additional Votes) for the calendar year since the previous year's Act. The ambit (Part I) of each Vote, the net amount of authorised expenditure on the Vote and the amount of Departmental receipts that may be applied as Appropriations-in-Aid of the Vote, are all specified in a Schedule to the Appropriation Act. The Act also specifies, by Vote, the amount of unspent capital monies that may be carried over for expenditure in the following year.

The subheads of Votes do not appear in the Act. However, they represent the heads under which the Votes are accounted for by Departments and Offices.

48 *The Appropriation Act 2017 is available here.*

Timing of the scrutiny by Select Committees of the Revised Estimates and their approval by Dáil Éireann

As set in the Public Financial Procedures, except for capital carryover any balance of a Vote remaining unexpended at the end of the year must be surrendered to the Exchequer and cannot be used for services in the following year. Therefore, as it may be well into the new financial year before the Estimates have been approved, provision must be made to ensure that sufficient funds are available to enable the Supply Services to be maintained until approval has been granted.

The *Central Fund (Permanent Provisions) Act, 1965* authorises the Minister for Finance to issue out of the Central Fund, in respect of any Supply Service for which a sum was appropriated in the preceding year's Appropriation Act, sums not exceeding 80% of the amount appropriated for it in that Appropriation Act (i.e. 80% of the net estimates for the previous year). This authorisation is subject to certain conditions.[49] A noteworthy condition is that the Act does not authorise expenditure on a new service in anticipation of Dáil approval for that particular service.

The Revised Estimates and Performance Budgeting

The Minister for Public Expenditure and Reform has indicated that the performance budgeting initiative provides a single, coherent organising principle for public service information funded by the Exchequer.[50] The reformatting of the Revised Estimates Volume to include performance information has been highlighted as one of the most significance developments in this area.

The Minister has further stated that this reformatting "ensures that the information needed by decision-makers and those who scrutinise public policy is available 'at a glance'. This includes details of financial and human resources, outputs and public service activities, and context and impact indicators." [51]

The Minister also acknowledged that the development of the performance budgeting initiative is an ongoing process and that following the publication of the *Revised Estimates 2016*, a detailed review of the performance information provided was carried out by his Department. A detailed guidance note on enhancing the quality of performance information was then developed and circulated to Departments and detailed feedback was provided to each of the main Government Departments in order to assist officials in selecting and reporting on appropriate performance indicators. The Minister anticipated that there would be a significant improvement in the quality of performance information included in future publications.

The Minister further undertook to facilitate the Oireachtas in its *ex-post* scrutiny of budgetary measures by submitting a performance report to the Oireachtas by the end of Quarter 1 each year, that report to provide information on the performance of each Vote and the linkages between results and allocated resources. The *first report* was published in April 2017 and was the subject of *PBO Note 2 of 2017*.

49 *See section B1.2 of the Public Financial Procedures.*

50 *Response to Parliamentary Question No. 44 of 6 July 2016, available here.*

51 *DPER, Public Service Performance Report 2016 (2017, p.5).*

Recent PBO publications

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Post-Budget 2018 Commentary for the Committee on Budgetary Oversight 24 October 2017

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Briefing Paper 3 of 2017 *Rainy Day Fund* 19 December 2017

Briefing Paper 2 of 2017 *Supplementary Estimates 2017* 4 December 2017

Briefing Paper 1 of 2017 *The role and functions of Ireland's Parliamentary Budget Office (PBO)* 24 November 2017

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Note 3 of 2018 *The Multiannual Financial Framework of the EU* 9 February 2018

Note 2 of 2018 *Note on Revaluation of the Local Property Tax base* 15 January 2018

Note 1 of 2018 *Note on Ireland's budgetary process and the European Semester 2018* 15 January 2018

Note 3 of 2017 *Note on rainy Day Fund Proposals* 19 December 2017

Note 2 of 2017 *Note on Public Service Performance Report 2016* 17 November 2017

Note 1 of 2017 *Note on Gender Budgeting* 17 November 2017

Infographics

Budgetary Cycle 2018 10 January 2018

Exchequer revenue – Significant months 6 December 2017

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