



Health (Vote 38) in the Revised Estimates for Public Services PBO Note 28 of 2018

Introduction

This Note is the third in a short series addressing technical issues in respect of specific Votes as set out in the *Revised Estimates for Public Services* (the REV). It should therefore be read in conjunction with the [REV 2018](#).

This Note provides an overview of how Health expenditure (Vote 38) is set out in REV2018 and also summarises the treatment of this Vote in the [Mid-Year Expenditure Report 2018](#) and the [Expenditure Report 2019](#). In the context of the relationship between Vote 38 and the Health Service Executive's (HSE) National Service Plan (NSP), it also refers to the NSP and provides an overview of the HSE budget.

In 2018, the gross current allocation for Vote 38 was approx. €14.84 billion (26.5% of total gross current allocation). **€14.56 billion (98.1%) of the Gross current allocation was granted to the HSE.** This allocation is added to by the HSE's own income and will, subject to approval by Dáil Éireann, be further increased by a Supplementary Estimate of €645 million gross (€655 million net).¹

The Health Vote has an atypical structure as a consequence of two key features. These are:

1. The Vote is not programme based; and
2. The majority of the Health Vote budget is allocated to the HSE (98%).²

The absence of programmes in the Vote, and the relationship between Voted expenditure and the HSE's National Service Plan (NSP) complicate analysis of Health expenditure.

1 [Supplementary Estimates for Public Services 2018](#) (November 2018). All additional current expenditure is in relation to the HSE including €46 million for the State Claims Agency.

2 The net determination (current) of the HSE and the capital funding provision together are €15.035 billion. This is approximately 98% of the Gross Voted Allocation set out in the REV 2018.

Box 1 - Purpose of HSE Vote dis-establishment

Prior to 2015 the HSE had its own Vote. As a result of the *Health Service Executive (Financial Matters) Act 2014* (the 2014 Act) the HSE Vote was disestablished and subsumed within the Health Vote.

The 2014 Act was intended to rectify perceived issues arising from the *Health Act 2004* (the 2004 Act). This included an intention to increase the accountability of the HSE to the Department by reversing a provision in the 2004 Act which stipulated that the Minister for Health had no legal role in setting the budget of the HSE.³

The dis-establishment of the HSE Vote (then Vote 39) in 2015 was seen as a transitional step within a broader process of Health Service reform which included plans, amongst others, for the dissolution of the HSE, the establishment of hospital trusts, and the introduction of Universal Health Insurance.

The PBO has previously addressed the relationship between the Health Vote and the HSE's NSP.⁴ The PBO explained that "the relationship between the Health Vote and the National Service Plan is highly complex. The allocations set out in the Health Vote...and [its] indicative appendices...do not map onto the National Service Plan, even when the different accounting methods (accruals vs. cash-based) used are allowed for."⁵

Health Expenditure in the REV

Within the *Revised Estimates for Public Services* Votes are typically structured in three parts:

- I. Estimate of the amount required;
- II. Programmes under which the Subheads for this Vote will be accounted for; and
- III. Details of Programmes - Objectives, Outputs and Financial & Human Resources.

However, the **Health Vote has an atypical structure.** Unlike other Votes, it is not organised along Programme lines; rather, all expenditure is categorised under an extensive list of subheads grouped under eight headings (Cost Groups). The Department of Health stated in 2014 that it was working towards Programme Budgeting and

3 Minister for Health, '[Health Service Executive \(Financial Matters\) Bill 2013: Second Stage](#)' (3 July 2014).

4 The PBO discusses this relationship in detail in PBO, [The HSE National Service Plan and its Relationship with the Health Vote](#) (2018) p.3.

5 *Ibid* p.3.

that this process required reform of financial systems in the HSE.⁶ The HSE established the ‘Finance Reform Programme’ in 2014 to further this goal.⁷ **However, the PBO has previously noted that the “alignment of the programmes in the Vote has been a recommendation for reform since at least the Considine Report in 2008.”**⁸

Within the REV, Part I (a) of Vote 38 sets out the net Voted allocation to be approved by the Dáil; any unspent capital allocation brought forward from the previous year is stated under Part I (b).

Part II sets out the Gross Voted allocation of Vote 38 across eight headings (Cost Groups).⁹ These Cost Groups and their respective contribution to Gross Total expenditure in REV2018 are set out in Figure 1.

It also sets out the projected Appropriations-in-Aid (A-in-A)¹⁰ and the Net Voted allocation (the amount to be approved by Dáil Éireann), and detail in respect of pay, pensions (and corresponding staff numbers). The functional split of the administrative budget is **not** provided as in other Votes.

The intended financial allocation for the year are compared to the allocation (including any Supplementary Estimates) of the previous year.

Part III sets out, in greater detail, the subheads of the eight Cost Groups identified in Part II. Not all Cost Group subheads are detailed in Part III e.g. details are not provided in relation to subhead E.3 ‘National Treatment Purchase Fund’.¹¹ Those that are included represent approximately 85.8% of the Gross Voted Allocation.

6 PQ 234 of 16 July 2014, answered by the then Minister for Health, Leo Varadkar, T.D.

7 HSE, ‘Finance Reform Programme’.

8 PBO, *The HSE National Service Plan and its Relationship with the Health Vote* (2018) p.16.

9 Administration; Grants; Other Services; Corporate Administrative; HSE Regions and other health Agencies; Other HSE Services; Care Programme; and Capital Services.

10 The A-in-A effectively form another Heading which is categorised as M in the ‘Details of Certain Subheads’.

11 The increase in the NTPF 2017-2018 was 174%. It is €55 million as of REV 2018. Consideration should be given to providing more detail in the *Revised Estimates for Public Services 2019*.

Box 2 - Implications of HSE Vote dis-establishment

The 2014 Act provided that the HSE would continue to collect “statutory charges, superannuation contributions and other miscellaneous income.”¹² The PBO has noted that the consequence of changes under the 2014 Act had the effect that “Gross Expenditure in the National Service Plan is significantly larger than the Gross Expenditure scrutinised in the estimates process.”¹³ The PBO also noted that the A-in-A reported in the REV to the Dáil excludes the “roughly €1.6 billion in direct income projected by the HSE”.^{14,15}

This has implications in terms of linking Voted monies with HSE expenditure and obscures oversight of total HSE expenditure.

Allocations in respect of the each of the five subheads of the ‘HSE regions and other Health Agencies’ Cost Group, are broken down by sub-headings under pay and non-pay. Details of the projected Appropriations-in-Aid are then provided.

Key High Level Metrics and Context and Impact Indicators are not included following these tables as in other Votes.

Performance information for the Health Vote is subsequently set out in the ‘Indicative Appendix – Objectives, Financial and Human Resource, Outputs and Context and Impact Indicators’.¹⁶ These are a series of tables which relate broadly to four HSE Operational Service Areas. These areas cannot be directly linked to the allocations to Cost Groups/subheads set out in Part II and III of the Vote with the exception of K.1 ‘Primary Care Reimbursement Services’ and K.2 ‘Services for older people including Long Term Residential Care’.

This part of the Vote provides detail as to allocations within these service areas (approximating programme subheads in other Votes). These tables provide output indicators/targets for the year of the REV in question (x),

12 Minister for Health, ‘*Health Service Executive (Financial Matters) Bill 2013: Second Stage*’ (3 July 2014).

13 PBO, *The HSE National Service Plan and its Relationship with the Health Vote* (2018) p.23

14 *Ibid*, p. 19.

15 Hospital income, a portion of HSE own income, is discussed further in IGEEES, *Hospital Income – 2013-2017* (October 2018).

16 The first table in each appendix sets out the ‘Financial & Human Resource Inputs’, i.e. staff numbers and financial allocations. The following tables provide the performance metrics.

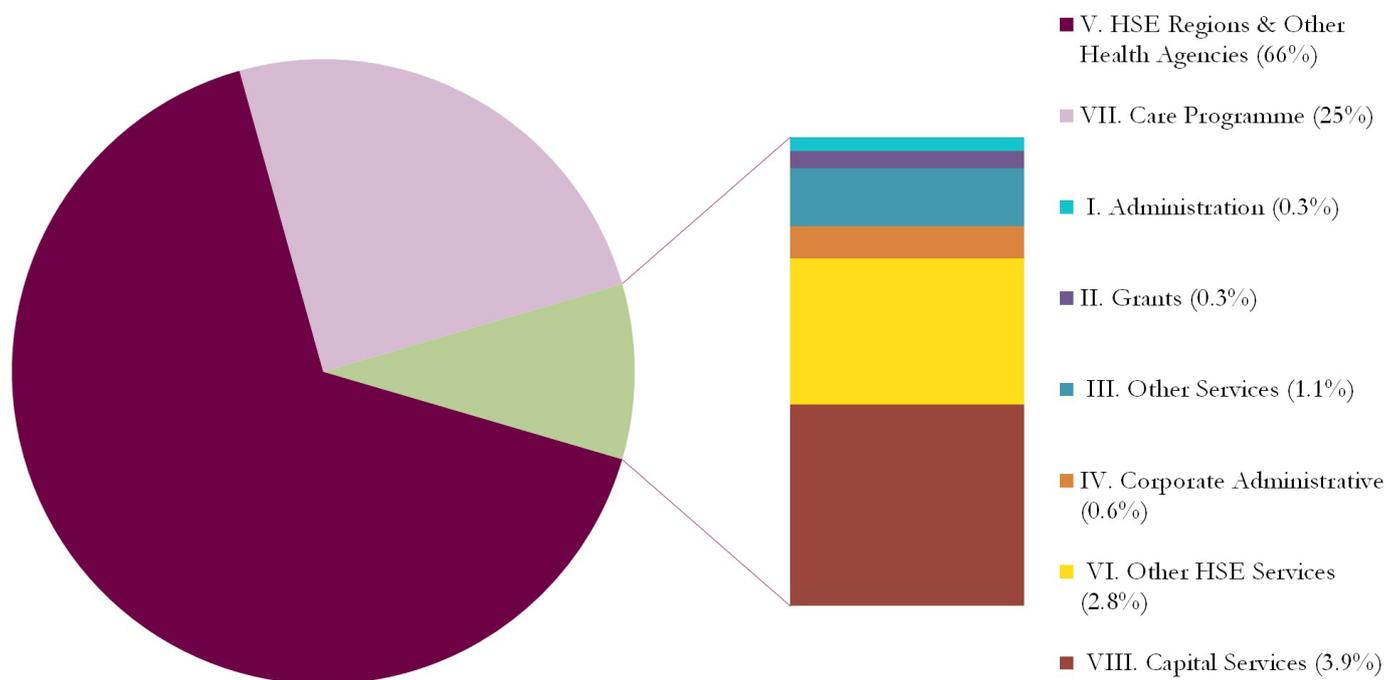
the previous year (x-1) and the year before that (x-2).¹⁷ It also provides the final outturn for year x-2. Part III also includes a limited range of 'Equality Budgeting Objectives & Performance Indicators'.¹⁸

Based on the data set out in the REV it is not possible, in most cases, to directly link expenditure with specific output targets/outturn.

Voted Expenditure 2018 and 2019

The REV sets out total expenditure for the Health Vote. In 2018's *Revised Estimates for Public Services*, net Voted expenditure in this Vote was €14.87 billion. Gross expenditure (including Appropriations-in-Aid) was €15.33 billion. Gross Health expenditure is the second largest area of current Voted expenditure (27%), and fifth largest in capital (9%).¹⁹ These rankings remained static following Budget 2019.

Figure 1: Gross Total Expenditure by Cost Group - REV2018 (%)



Source: PBO based on *Revised Estimates for Public Services 2018* (2017)

17 i.e. for REV 2018 (published in December 2017) it shows output targets for 2018/2017 and outturn 2016.

18 For further context see PBO, *The Gender and Equality Budgeting pilot in the Revised Estimates for Public Services 2018* (2018).

19 *Revised Estimates for Public Services 2018* (2017).

In REV 2018, two areas combined represented approximately €13.95 billion (91%) of the gross current total of the Health Vote:

- I. HSE Regions and Other Health Agencies (66%); and
- II. Care Programme (25%).

These areas also comprised almost 96% of the HSE's net determination (€14,556.5 million in 2018).²⁰

A graphical representation of the allocation to the Cost Groups in REV2018 is provided in Figure 1.

Vote 38's gross expenditure, as set out in the Estimates for Public Services 2019, will increase over the 2018 allocation set out in the REV2018 (December 2017) by €1,695 million (11.1%). This increase comprises:²¹

- A demographic adjustment (€123 million);

20 The HSE's net determination relates to current expenditure. See Box 4 for more detail.

21 *Budget 2019: Expenditure Report* (2018) p.112; Mid-Year *Expenditure Report 2018* (July 2018) pp.5-6; and See PBO, *Budget 2019 - Analysis of Voted Expenditure Allocations* (November 2018) pp.11-12.

- A Supplementary Estimate in 2018 (€645 million Gross). See Box 3;
- An additional allocation of current resources in 2019 (€554 million);
- An additional allocation of capital resources in 2019 (€154 million);
- An allocation in 2019 from the central pay agreement provision (PSSA and New Entrants) (€169 million); and
- Carryover of Budget 2018 measures into 2019 (€50 million).

Box 3 - Supplementary Estimate 2018

A Supplementary Estimate was referred to the Joint Committee on Health on 28 November 2018. If approved by Dáil Éireann, this will amount to €655 million (Net). The Supplementary Estimate comprises:²³

- An additional allocation of €625 million current;
- An additional allocation of €20 million capital; and
- €10 million in respect of lower than anticipated Departmental Receipts (Appropriations-in-Aid/A-in-A).

The Supplementary Estimate provides for an increase of €645 million in gross expenditure in 2018. The balance (€10 million) relates to a shortfall in A-in-A under Vote 38. This shortfall is due to reductions in costs recovered from the UK under 'Recovery of cost of Health Services provided under regulations of the European Community'.²⁴ Provision for A-in-A has been revised downward in 2019 suggesting that this reduction in income is expected to continue (see Table 1).

Functioning of the HSE Budget

The HSE has a statutory obligation to publish a National Service Plan (NSP). The 2004 Act, as amended by the 2014 Act, provides that the NSP must be consistent with the determination for the HSE (see Box 4). The NSP must meet a number of statutory requirements; however, an IGEES Spending Review paper published alongside Budget 2019 noted that failures to comply with all legislative requirements in respect of the NSP had negative impacts on transparency and performance monitoring processes.²⁶

Box 4 - HSE Determination (Net Determination)

The Minister for Health, in accordance with Section 30A. (1) of the 2014 Act, determines the net non-capital expenditure which the HSE may incur for a financial year (or part thereof). The Minister informs the HSE of this determination no later than 21 days following Budget Day. The Minister's determination is communicated by means of a letter of determination. **This letter is not published.**

The HSE has considerably greater freedom to manage its allocations than is generally the case with Voted expenditure. The PBO has noted that the NSP is not definitive and that budget allocations may move between service areas during the course of a year.²⁷

Table 1 - Development in Voted Expenditure (Vote 38) (€million)

	Current (€m)	Capital (€m)	Gross	A-in-A (€m)	Net
Revised Estimates 2018	14,839	493	15332	-460	14872
2018 Adjusted ²⁵	15,464	513	15,977	-450	15,527
Estimates 2019 ²⁶	16,360	667	17027	-405	16,577
Estimates 2019 compared to Revised Estimates 2018					
Change (%)	+1,521 (10.3%)	+174 (35.3%)	+1695 (11.1%)	+55 (-12%)	+1,750 (+11.8%)
Estimates 2019 compared to '2018 Adjusted'					
Change (%)	+896 (+5.8%)	+154 (+30%)	+1,050 (+6.9%)	+45 (-9.8%)	+1,095 (+7.1%)

Source: *PBO based on the Revised Estimates for Public Services 2018* (2017); and *Estimates for Public Services 2019* (2018)

22 Department of Public Expenditure and Reform, *Budget 2019: Expenditure Report* (October 2018) p.37.

23 *Parliamentary Question [43914/18]* from Stephen S. Donnelly, T.D., to Minister for Health, Simon Harris, T.D., on 23 October 2018.

24 *Estimates for Public Services 2019* (2018).

25 *Ibid.*

26 Health Budget Oversight & Management: Alignment of Health Budget and National Service Plan (October 2018).

27 PBO, *The HSE National Service Plan and its Relationship with the Health Vote* (2018) p.9.

Table 2, using Acute Hospitals as an example, illustrates the in-year developments in HSE expenditure. In each year for which information is available the initial allocation set out in the NSP increases by year end.

Typically, with other Voted Expenditure, the transfer of funds from one service area to another requires virement or a token supplementary estimate.²⁸ This ultimately means that the relationship between the REV and actual HSE allocations and expenditure is highly complex. **This increases the reliance on HSE performance reporting to illustrate how Voted expenditure is utilised.**²⁹

During the course of the year the HSE publishes detailed Management Data Reports which include expenditure to date across a range of service areas. **These reports were not published expeditiously in 2018.**

HSE Budget

The HSE Gross Budget³⁰ (Current) comprises the net determination plus HSE income. In 2018 the HSE Gross Budget (Current) was €16,527.3 million. The PBO has previously noted that this figure should be adjusted downwards by approximately €400 million in 2018 to reflect that some of the HSE's income comprises "payments from one area of the health system to another".³¹

The Gross Budget of the HSE (including capital of €478m) is approximately €16.6 billion; however, this figure will increase if Dáil Éireann approves the Supplementary Estimate currently under consideration. Box 5 illustrates the calculation of the Gross Budget.

Box 5 - HSE Budget Calculation

Gross Budget (Current) =	HSE Net Determination
	+ HSE Income
Gross Budget =	Gross Budget (Current)
	+ Gross Budget (Capital)
	- Internal Market Costs

Table 2 - Acute Hospital Expenditure

	NSP 2015	NSP 2016	NSP 2017	NSP 2018
Acute Hospitals Net Allocation (€m)	3,999.9	4,248.6	4,367	4,656.2
Increase over preceding year (€m)		+248.7	+118.4	+289.2
Acute Hospitals (Actual Expenditure) (€m)	4,226	4,441	4,733	
Increase over NSP Allocation (€m)	226.1	192.4	366	
Increase over NSP Allocation (%)	5.7%	4.5%	8.4%	

*Rounding may affect totals.

Source: HSE, [National Service Plan 2016](#) (December 2015) p.113; [National Service Plan 2017](#) (November 2016) p.55; HSE, [National Service Plan 2018](#) (December 2017) p.97; HSE, [Health Service Performance Report December 2015](#) p.52; HSE, [Health Service Performance Report October - December 2016](#) p.83; HSE, [October – December 2017 Quarterly Report](#) p.65.

28 [Public Financial Procedures: An Outline](#) (2008)

29 HSE, 'Performance Reports'.

30 The HSE, in referring to its Gross Budget (see National Service Plan 2018 p.95), actually refers to its gross current budget. The PBO uses the HSE's terminology supplemented with a clarification, in parentheses, where required.

31 PBO, [The HSE National Service Plan and its Relationship with the Health Vote](#) (2018) p.5.

Conclusion

The Health Vote has an atypical, and complex, structure as a consequence of two key features. These are:

1. The Vote is not programme based; and
2. The majority of the Health Vote is allocated to the HSE.

Performance information for the Health Vote is set out in a series of tables which relate generally to a selection of HSE Operational Services Areas. Most of this performance information cannot be directly linked to subheads thereby reducing its utility.³²

The non-alignment of the financial allocations in the Vote and in the indicative appendices in the REV with the HSE's National Service Plan makes meaningful analysis of Voted Expenditure in relation to public sector Health allocations very challenging.

As such, the HSE's data management reports can be informative in scrutinising health expenditure; however, as these are generally published several months following the period to which they refer timely scrutiny may not be possible. In addition, the format of the data management reports does not relate to the structure of the REV making overall analysis difficult.

As there are different potential baselines for health expenditure, this can obscure the scale of expenditure growth. Accordingly, where Government analysis refers to an adjusted baseline rather than the Voted allocation set out in the REV, this should be explicitly stated and the differences explained.

³² See [PBO Note 25 of 2018](#) for an explanation as to the importance of linking expenditure (inputs) to services (outputs).



Publications

Budget 2019

[Budget 2019 - Analysis of Voted Expenditure Allocations](#)
14 November 2018

[Budget 2019 – Issues for Members of the Houses of the Oireachtas](#) 22 October 2018

[PBO Preliminary review of Budget 2019](#) 09 October 2018

Commentaries

[Pre-Budget 2019 Commentary](#) 01 October 2018

[Quarterly Economic and Fiscal Commentary \(Q3 2018\)](#)
08 October 2018

[Quarterly Economic and Fiscal Commentary \(Q2 2018\)](#)
10 July 2018

[Quarterly Economic and Fiscal Commentary \(Q1 2018\)](#)
16 April 2018

[Quarterly Economic and Fiscal Commentary \(Q4 2017\)](#)
23 January 2018

Briefing Papers

Briefing Paper 16 of 2018 [Supplementary Estimates 2018](#) 06 December 2018

Briefing Paper 15 of 2018 [Budgetary Issues in the Finance Bill 2018](#) 07 November 2018

Briefing Paper 14 of 2018 [The HSE National Service Plan and its Relationship with the Health Vote](#) 24 September 2018

Briefing Paper 13 of 2018 [Tax Expenditures in Ireland: Key Issues for Consideration](#) 21 September 2018

Briefing Paper 12 of 2018 [An Approach to Better Incorporate Climate-related Considerations into the Budget Process](#) 18 September 2018

Briefing Paper 11 of 2018 [Analysis of Spending Review 2018](#) 17 September 2018

PBO Notes

Note 27 of 2018 [The European Commission's Opinion on Ireland's Draft Budgetary Plan 2019](#) 27 November 2018

Note 26 of 2018 [General Government Debt: Key Issues to Consider](#) 23 November 2018

Note 25 of 2018 [Performance Information and the Revised Estimates for Public Services](#) 21 November 2018

Note 24 of 2018 [An Overview of the Green Budgeting Initiative](#) 13 November 2018

Note 23 of 2018 [The Local Government Fund and Vote 34 in the Revised Estimates for Public Services](#) 12 November 2018

Note 22 of 2018 [The National Training Fund](#) 12 November 2018

Note 21 of 2018 [The Social Insurance Fund and Vote 37 in the Revised Estimates for Public Services](#) 07 November 2018

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