

An overview of the *Revised Estimates for Public Services 2019*

PBO Publication 9 of 2019 - Expenditure Analysis series

Key Messages

- The **proposed gross Voted allocation**, set out in the *Revised Estimates for Public Services 2019*, referred by Government to Dáil Select Committees for scrutiny and to Dáil Éireann for approval **amounts to €66.6 billion**. Approximately **€52.3 billion (78%) of this amount relates to four Votes**; the balance being distributed amongst thirty-eight Votes;
- The total expenditure proposed for 2019 provides for an increase of €4.9 billion on the *original* allocation set out in the Revised Estimates 2018, and an increase of €3.4 billion on what was *ultimately* approved by the Dáil for 2018;
- Arising from the *National Development Plan 2018-2027*, a significant increase is proposed in the capital allocation for 2019 (€1.3 billion; 22%). **There is a case for re-establishing a Capital Reserve** (as was previously the case) rather than allocating all monies automatically to Votes, i.e. unless it is clear that funds will be drawn down in-year they should be placed in a Capital Reserve until a draw-down is approved by Government. This would improve transparency in relation to the distribution of *committed* Capital expenditure within any particular year;
- The Revised Estimates 2019 project **the recruitment of 9,644 Exchequer-paid public servants and an increase in the net paybill of €862 million**. The Health Vote will be allocated more than half of the share of the total change in numbers and pay in 2019;
- **The role of the Revised Estimates in the annual budgetary process is unclear:**
 - » The total gross Voted allocation set out in the Revised Estimates usually shows an increase on what was set out in the Expenditure Report on Budget Day;
 - » Allocations are then subject to several subsequent changes;
 - » This makes it challenging to track increases in expenditure and ceilings;
 - » What those increases relate to is also difficult to track, i.e. policy changes, pay agreements, demographic adjustments etc.
- **The structure of the Revised Estimates makes it difficult to use** when scrutinising the proposed financial allocations for Votes, the performance achieved with that expenditure or to illustrate trends over time;
- The **importance of developing Performance Budgeting** has been acknowledged by Government. However, important questions remain as to how the Revised Estimates are being developed in this regard. The potential improvements cited in relation to last year's Revised Estimates have not, generally, been progressed (although there have been some potentially useful changes to programmes and subheads);
- **The Revised Estimates 2019** builds upon the Expenditure Report 2019 published on Budget day and the Supplementary Estimates 2018 (as they increase the base for the following year). **It should be possible to use it for ongoing monitoring of expenditure and performance (against profile / targets) during the year**. This would also assist Committees, more generally, when discussing Departments' policies. The fact that **it is not possible to do so** is a consequence of a lack of data (in relation to performance metrics) and the level of data (in relation to financial allocations at Programme and subhead level). The documents *subsequently* published during the year should be consistently aligned with the Revised Estimates in a way that would facilitate ongoing scrutiny;
- **Alternative ways of presenting the proposed Voted expenditure allocations** currently set out in the Revised Estimates could be considered;
- **Officials from the PBO and the Department of Public Expenditure and Reform have agreed to meet during 2019 to discuss this Office's observations on the Revised Estimates and explore to what extent these observations can be taken into account in future versions of this publication.**

Introduction

Following scrutiny of the individual Votes by the relevant Select Committees, the *Revised Estimates for Public Services 2019* (the Revised Estimates 2019) will be referred back to Dáil Éireann for approval. The Business Committee of Dáil Éireann scheduled a Motion regarding the Presentation, Circulation and Referral to Committee of Further Revised Estimates for 20 February. This Motion relates to the *re-allocation of €75 million in Capital allocation* from various Votes to that of Vote 38 (Health) in order to address the additional National Children's Hospital costs for 2019.¹ As this Note was drafted prior to the consideration of that Motion, it does not take account of those proposed changes.

The *Revised Estimates for Public Services 2019* is a substantial document, amounting to two hundred and seventy-eight pages and encompassing forty-two Votes and €66.6 billion in gross Voted expenditure. It also includes a summary analysis of expenditure (including tables), non-commercial State Agency statements and a total of eleven appendices.

Between November 2018 and January 2019, the PBO published a series of Notes focussing on the *structure* of Votes in the Revised Estimates. As set out in the 'key messages' of the latest of these Notes ([PBO publication 4 of 2019](#)):

- Even the smallest Vote Group in the Revised Estimates would, in the context of the private sector, be considered a large company in budgetary terms;
- Dáil Éireann's Select Committees have an accountability and oversight role in scrutinising the Votes in the Revised Estimates. This scrutiny role aims to promote the more effective and efficient use of public resources;
- Most Votes in the Revised Estimates are set out in a relatively uniform manner;
- The Revised Estimates Volume is, however, a high level and summary document;
- It provides the baseline for scrutiny which should continue throughout the year; and
- Effective scrutiny of the Revised Estimates therefore requires recourse to other documents, information and resources.

A forthcoming PBO publication responds in detail to the Revised Estimates 2019 and provides a detailed analysis of the four most fiscally significant Votes (accounting for approximately 78% of the proposed total gross allocation for 2019).²

This Note, by contrast, provides an *overview* of the Revised Estimates 2019. It aims to provide a brief analysis of:

- The overall allocation in the Revised Estimates 2019 and of the four most fiscally significant Votes;
- The way in which allocations for expenditure are continually changing making it difficult to track the evolution of allocations or their purpose;
- The issues that obscure budgetary control, for example in relation to Capital carryover, Capital allocations and expenditure;
- Public pay and pensions – how they have evolved between 2018 and 2019;
- The high level issues that arise in 2019 in the four most fiscally significant Votes;
- The issues that hamper effective scrutiny of the Votes in the Revised Estimates – these relate especially to performance budgeting and the current programme subhead structure, i.e. how the monies allocated (the inputs) relate to the services provided (the outputs);
- The role of the Revised Estimates, being the detailed plan for the implementation of public services as initially set out on Budget day – and the ways in which the data in other documents produced from this point on in the year fail to align with the data in the Revised Estimates thus rendering it a stand-alone document rather than a base for consistent scrutiny of Voted expenditure during the annual budgetary cycle; and
- Possible ways in which the Revised Estimates could be improved or fundamentally changed.

¹ For details of the €75 million re-allocation, see Department of Public Expenditure and Reform press release of 12 February 2019 entitled, '[Minister for Finance and Public Expenditure and Reform announces details of capital reallocations and project delivery reforms](#)'.

² The four Votes are: Vote 26 - Education and Skills (including the National Training Fund); Vote 34 - Housing, Planning and Local Government; Vote 37 - Employment Affairs and Social Protection (including the Social Insurance Fund); and Vote 38 - Health.

The PBO previously made it clear in the Office's analysis of the Revised Estimates 2018 that this document is difficult to use when scrutinising Voted expenditure. The PBO's subsequent analysis of other Voted expenditure issues / publications³ and now the Revised Estimates 2019 brings this Office to the conclusion that the role of the Revised Estimates is unclear, and its structure makes it difficult to access; this issue should be addressed. In that context, officials from the PBO and the Department of Public Expenditure and Reform have agreed to meet during 2019 to discuss this Office's observations on the Revised Estimates and explore to what extent these observations can be taken into account in future versions of this publication.

Overall gross Voted allocation

The overall *gross* Voted allocation presented in the *Revised Estimates for Public Services 2019* amounts to €66.6 billion – this is an increase of €4.9 billion (+7.9%) on what was *originally* approved for 2018.⁴ During 2018 an additional €1.5 billion of expenditure was approved including Supplementary Estimates 2018 and Social Insurance Fund expenditure. The increase for 2019, from the *final* allocation in 2018, is €3.4 billion (+5.3%).

The *net* Voted allocation for 2019, which requires the approval of Dáil Éireann, is €54 billion; an increase of 8.7% on what was originally sought for 2018, and 5.9% on what was ultimately approved.

The difference between the gross and net Voted allocations is accounted for by Appropriations-in-Aid (receipts accruing to a Vote) which are *projected* to increase (+3%) from €12.4 billion to €12.7 billion in 2019. This data is presented in Table 1 for ease of reference.

Table 1: Summary of changes in overall Voted allocations 2018 v 2019.

Change in <i>Gross</i> Voted allocation 2019 versus <i>original</i> allocation 2018	Change in <i>Gross</i> Voted allocation 2019 versus <i>final</i> allocation for 2018	Change in <i>Net</i> Voted allocation 2019 versus <i>original</i> allocation 2018	Change in <i>Net</i> Voted allocation 2019 versus <i>original</i> allocation 2018	Change in Appropriations-in-Aid 2019 over 2018
€4.9 billion ↑ 7.9%	€3.4 billion ↑ 5.3%	€4.3 billion ↑ 8.7%	€3 billion ↑ 5.9%	€0.3 billion ↑ 3%

Source: PBO based on *Revised Estimates for Public Services 2018*, and 2019.

When scrutinising year-on-year comparisons between 2018 and 2019, there are two main approaches that can be used:

1. Including Supplementary Estimates 2018, i.e. using the Revised Estimates 2019 only; or
2. Excluding Supplementary Estimates 2018, i.e. comparing the Revised Estimates 2018 to the Revised Estimates 2019.

Unless otherwise stated, the first approach outlined above is the default used within the analysis presented by the PBO.

The figures for budget allocations are subject to several changes from those originally set out on Budget Day (Estimates).⁵ This makes it difficult to reconcile over the year and to track the actual increases in spending. It also detracts from the usefulness of the expenditure ceilings. **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 Estimates. **It also indicates that expenditure can increase in an *ad hoc* and non-transparent fashion with the release of subsequent forecasts/Estimates making it difficult to track and explain why changes occurred.**

³ Those issue/publications include Exchequer Pay and Pensions, the relationship between the Health Vote and the HSE National Service Plan and the relationship between Voted expenditure and Demographics, the *Mid-Year Expenditure Report 2018*, the *Spending Review 2018*, and the *Supplementary Estimates 2018*.

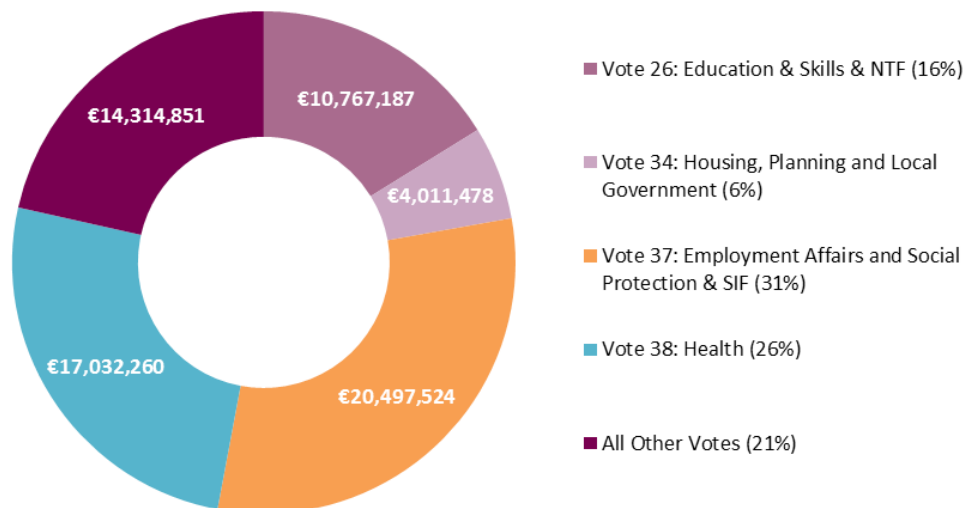
⁴ As set out in the *Mid-Year Expenditure Report 2018*, it was originally intended that the expenditure ceiling for 2019 would be set at €64.333 billion; an increase of €2.6 billion - the increase in expenditure as set out in the Revised Estimates 2019 therefore reflects a further increase in allocation of €2.3 billion.

⁵ Analysis set out in a forthcoming PBO publication, responding to the Revised Estimates 2019 in detail, illustrates this complexity.

Allocations by Vote

The Revised Estimates 2019 comprises 42 individual Votes. The four most fiscally significant Votes together comprise approximately 79% of the gross Voted allocation (€66.6 billion) as set in the *Revised Estimates for Public Services 2019* (see Figure 1).

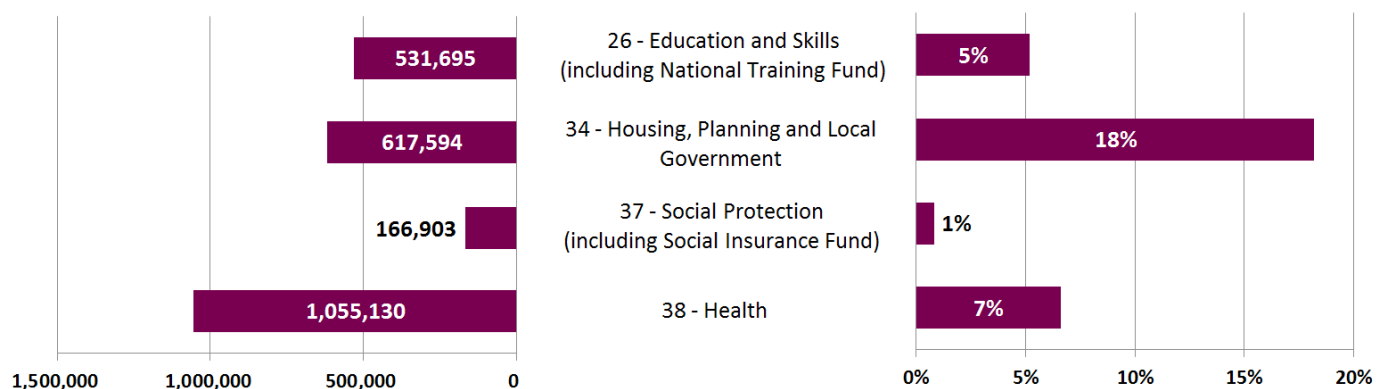
Figure 1: Revised Estimates 2019 - Breakdown of the gross allocation (€000s) as set out in the Revised Estimates 2019.



Source: PBO based on the *Revised Estimates for Public Services 2019*.

All four of these votes also received substantive Supplementary Estimates in 2018. Cumulatively these four Votes accounted for €1.1 billion of the €1.3 billion provided by way of Supplementary Estimate in 2018. Figure 2 illustrates the change in adjusted gross allocation⁶ for each of the four largest Votes between 2018 and 2019.

Figure 2: Summary of the adjusted gross allocations (€000s) for four Votes in the Revised Estimates 2019 – 2018 v 2019.



Source: PBO based on the *Revised Estimates for Public Services 2019*.

⁶ The adjusted gross allocation includes capital carryover from 2018 into 2019.

Capital allocation 2019

Within the overall increase in the gross Voted allocation for 2019, the percentage increase for Capital is significant – an increase of €1.3 billion over 2018, which equates to a 22% increase. This reflects the implementation of the National Development Plan (NDP) over the period 2018 to 2027, which makes provision for public capital expenditure of nearly €116 billion.⁷

In that context, the re-establishment of a Capital Reserve within the overall capital envelope should now be considered.⁸ A Capital Reserve is an amount of capital expenditure within the Capital ceiling not allocated to any specific Vote. Capital expenditure involves long-term planning, staged payments, capital carryover, contract negotiations etc., and is therefore vulnerable to changes in relation to which year expenditure will be incurred in. The previous use of the Capital Reserve would suggest that, rather than allocating all monies to individual Votes which may not ultimately expend it in that year, a central Capital Reserve could provide more certainty and transparency as to the likely actual expenditure for individual Votes in any given year.

Exchequer pay and pensions

Table 2 provides the projected increases in staff numbers and pay in the four most fiscally significant Votes and in all other Votes. The overall number of employees is increasing by 9,644 (+3.2%) while the net⁹ pay is increasing by €862 million (+5%).

Table 2: Change in Exchequer pay (net) and staff numbers in 2019 over 2018.

Vote	Change in Exchequer pay – 2019 over 2018 (€ 000s)	Share of total change in Exchequer pay	Change in Public Service (Exchequer) staff numbers 2019 over 2018	Share of total change in staff numbers
Vote 26 (Education and Skills)	158,486	18%	1,951	20%
Vote 34 (Housing, Planning and Local Government)	16,416	2%	350	4%
Vote 37 (Employment Affairs and Social Protection)	2,964	<1%	(189)	-2%
Vote 38 (Health)	479,294	56%	5,149	53%
<i>Sub-total</i>	<i>657,160</i>	<i>76%</i>	<i>7,261</i>	<i>75%</i>
All other Votes	205,046	24%	2,383	25%
Total	862,206		9,644	

Source: PBO based on *Revised Estimates for Public Services 2018*, and 2019

The number of employees has grown by approximately 3,000 since Budget 2019 was announced (i.e. in Q4 2018); this relates almost entirely to the Health Vote. Similarly, the increase in Exchequer pay and numbers in the Health Vote is very significant in 2019 (as is the *share* of the increase in 2019 allocated to that Vote).

Even in the case of Employment Affairs and Social Protection, where the number of staff are set to decline between 2018 and 2019 (-3%), staff pay remains set to increase by €3 million (+1%) reflecting the unwinding of previous pay cuts, increments etc.

⁷ Further analysis of the *National Development Plan 2018-2027* is provided in the [PBO Quarterly Economic and Fiscal Commentary \(Q1 2018\)](#), Box 5, p31.

⁸ The use of such a Capital Reserve would involve a Government decision prior to any drawdown.

⁹ The individual Vote chapters in the Revised Estimates provide staff numbers in the context of net pay. Gross pay is provided only in a summary table at the beginning of the Revised Estimates.

Overall, the *Revised Estimates for Public Services 2019* (pp.17-18) sets out that the *gross* Exchequer pay bill will increase by 5.1% in 2019 to €18.7 billion, and that pensions will decrease by 3% to €3.2 billion. **This decrease in pensions relates almost entirely to accounting changes implemented in the Health Vote** thereby reducing the pensions bill reported under Vote 37 in 2019, by €158 million (-24%). This accounting change has implications for transparency (trends over time) and therefore the scrutiny of that Vote.

Following an agreement on 12 February, between the Government and the Irish Nurses and Midwives Organisation (INMO), pay agreement proposals are subject to an INMO ballot.

It is unclear at this stage whether this agreement (if ratified) will have implications for the Public Services Stability Agreement (PSSA). It is also unclear whether or not it increases the likelihood that a Supplementary Estimate will be required for the Health Vote in November/December 2019.

PBO analysis of the four most fiscally significant Votes in the Revised Estimates 2019

High level issues identified by the PBO for the four Votes in the Revised Estimates 2019 are set out in Table 3. A more detailed analysis will be made available in a forthcoming PBO publication addressing the *Revised Estimates for Public Services 2019* in greater detail.

Table 3: High-level issues identified by the PBO in relation to four Votes in the Revised Estimates 2019.

Vote title and no.	
Education and Skills (26)	<ul style="list-style-type: none"> The gross Voted allocation proposed for Vote 26 in 2019 is €10.8 billion (including the National Training Fund - NTF). Programme A (First, Second and Early Years Education) continues to make up the majority of this allocation in 2019 – 75% (€8.1 billion). Capital expenditure in this Vote is projected to rise by €196 million (+26%) in 2019 over 2018 (to €941 million). However, the former Programme D (Capital Services) no longer exists. The capital increase is largest in absolute value under First, Second and Early Years Education (€112 million), while the proportional increase is largest under Programme B (Skills Development, +112%). The most notable aspect of the increase in 2019 is a substantial increase in capital expenditure under Programme C (Higher Education, +€77 million). However, no key high level metrics are provided for capital projects under either programmes B or C. Pay and Pensions are a very significant component of this Vote. Issues around the modelling of Education sector retirement costs has been an ongoing issue, resulting in Supplementary Estimates each year since 2014. Between the Revised Estimates for 2018 and 2019 there has been a slight re-prioritisation to Further Education - mostly as a result of increases in the proposed expenditure of the National Training Fund (NTF).
Housing, Planning and Local Government (34)	<ul style="list-style-type: none"> The gross Voted allocation proposed for Vote 34 in 2019 is €4 billion. Substantial additional funding (€353 million) has been provided in 2019 to Programme A (Housing) which involves a slight re-prioritisation of capital expenditure; this has been accompanied by a very significant re-structuring and expansion of the subheads in this programme. Such reform is welcome <i>if</i> it leads to subheads based on specific objectives linked to good-quality output metrics. Programme B is principally dedicated to providing funding to Irish Water. This programme saw an increase of over €100 million in the proposed allocation for 2019 but issues remain relating to the metrics provided in the Revised Estimates 2019. Voted monies will account for almost 75% of all Irish Water expenditure in the period 2019-2024.
Employment Affairs and Social Protection (37)	<ul style="list-style-type: none"> When taken together, Vote 37 and the Social Insurance Fund (SIF) remains the largest area of expenditure presented in the Revised Estimates 2019 - €20.5 billion. Within the SIF, the ongoing and increasing cost of Pension payments is projected to continue in 2019 – The Revised Estimates 2019 set out increases in the SIF which include €280 million for Pensions.

Health (38)	<ul style="list-style-type: none"> • The gross Voted allocation proposed for this Vote in 2019 is €17 billion (+6.6%). • The net Voted allocation proposed for this Vote is €16.6 billion (+4.5%). • Over the period 2000-2019, the average year-on-year growth in Health Vote expenditure was 7.5%, while average GNP growth was 4.3%. • The Health Vote <i>itself</i> as set out in Revised Estimates 2019 does not contain either: <ul style="list-style-type: none"> » The full amount of the gross expenditure spent on Health services, i.e. does not include HSE own income; or » The full detail on the services being provided by bodies under the aegis of the Department of Health. • The <i>Revised Estimates for Public Services 2019</i> state that “Department of Health were unable to supply 2019 targets as the National Service Plan 2019 was not finalised in time for the publication of Revised Estimates 2019.” As a result, the Key High Level Metrics presented for 2019 simply restate the output targets set for 2018. This breaks the link between expenditure (input) and services provided (output) in the Revised Estimates 2019. This has consequences with regard to how effectively scrutiny of the Vote can be carried out. • Between 2010 and 2018, a Supplementary Estimate (or additional funding in the case of 2016) was sought in every year for the Health Vote (or the HSE Vote up to 2015). • In terms of the total size of the financial challenge the HSE has identified at the beginning of 2019, it is only €22 million less than that identified in 2018. While this fact, <i>in and of itself</i>, does not <i>at this point of the year</i> constitute evidence that a Supplementary Estimate will be sought in 2019, it <i>does</i> emphasis the importance of in-year budgetary control of this Vote to avoid repeating last year’s pattern of overspending. • No increase in pay, beyond those announced during 2018, is financed within the Revised Estimates 2019. Any upwards movement in the paycales for staffing groups within the health sector may therefore contribute to a Supplementary Estimate in 2019. • The ‘HSE Regions and Other Health Agencies’ Programme has been renamed ‘HSE Health and Social Care Services’ in the Revised Estimates 2019. The five subheads previously within this Programme have now been combined into one subhead. This single subhead now accounts for 16.6% of all Gross Voted Expenditure across the entire public sector. The rationale for this change is unclear. • Pension costs are now recorded under the ‘Corporate Admin’ subhead in the Revised Estimates 2019. This allocation is (in 2019) net of pension income, while 2018 pension costs were not. As a result, an accurate year-on-year trend analysis is not now possible.
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The Revised Estimates and Performance Budgeting

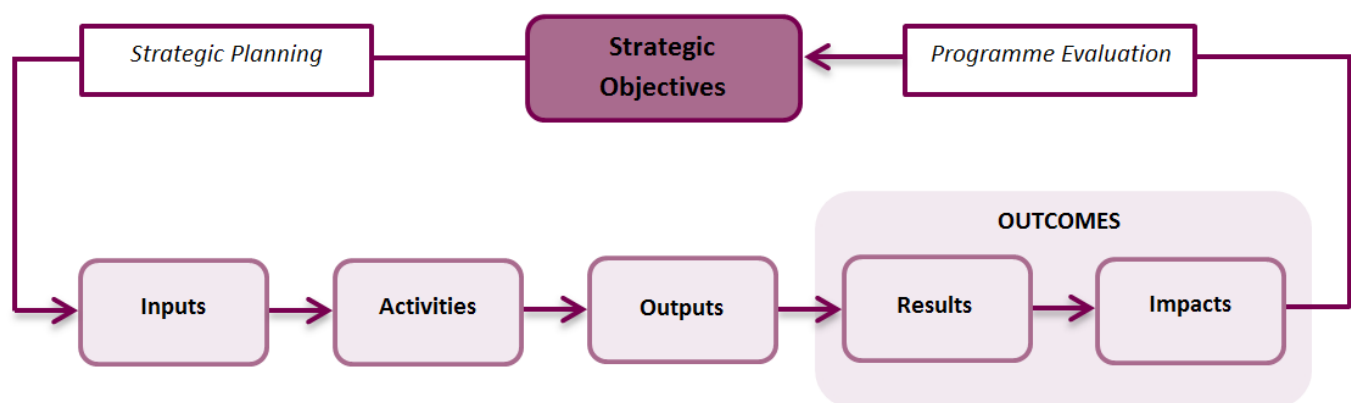
The Minister for Public Expenditure and Reform has previously indicated that the performance budgeting initiative provides a single, coherent organising principle for public service information funded by the Exchequer.¹⁰ The reformatting of the Revised Estimates for Public Services to include performance information has been highlighted as one of the most significant 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.”¹¹

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 note¹² 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. **It is of particular concern therefore that, in relation to the Health Vote for 2019, the metrics for 2018 are the same as for 2019 despite the fact that the financial allocation for that Vote has increased very significantly.**

Essentially, **the financial inputs set out in the Vote programmes and subheads of the Revised Estimates 2019 should be linked to the outputs those resources produce** – at present the outputs are supplied in the Revised Estimates but are *not* linked to the subheads or allocations. **If this flaw in the Revised Estimates for Public Services was rectified**, such analysis could be represented graphically with a focus on trends over time, i.e. matching the financial resources used over several years with the targets and against actual outputs.¹³

Scrutiny of the performance information set out in the Votes can be approached within the framework of the **Programme Logic Model (PLM)**. Figure 3 outlines how the Programme Logic Model operates and [PBO Note 25 of 2018](#) provides a primer for this approach.¹⁴

Figure 3: The Programme Logic Model.



Source: *Value for Money and Policy Review Manual* (2007, p.28)

¹⁰ Response to Parliamentary Question No. 44 of 6 July 2016, available [here](#).

¹¹ Department of Public Expenditure and Reform, [Public Service Performance Report 2016](#) (2017, p.5).

¹² These Guidelines are not available publicly and were formally requested by the Director of the PBO from the Minister for Public Expenditure and Reform on 14 January under section 14 B(7) of the *Houses of the Oireachtas Commission Act 2003* (as amended by section 5 of the *Houses of the Oireachtas Commission (Amendment) Act 2018*). The relevant Guidance Note was received from the Department on 14 February.

¹³ It is not necessarily the case that there is always a direct association between metrics and specific subheads in the Revised Estimates, which calls the validity of those metrics and/or the subheads into question.

¹⁴ In advocating the value of the Programme Logic Model in scrutinising the Revised Estimates, the PBO is recognising the system currently in place.

A change to this year's Revised Estimates is the number of Votes where Programme subhead structures have been altered. **Where** these changes provide greater clarity in relation to the objectives for which Voted monies are being spent and the performance of those monies, this is to be welcomed.¹⁵

Integrating the data provided in the Revised Estimates and that provided in other documents related to Voted expenditure scrutiny

From the viewpoint of the PBO, it is important that Committees and Members have access to the most useful and accessible information, provided in a timely manner. Having the right information in a format that is easy to access will facilitate more effective scrutiny and accountability.

The Revised Estimates 2019 builds upon the *Expenditure Report 2019* published on Budget day and the Supplementary Estimates 2018 (as they increase the base for the following year). It is also the basis for Dáil Select Committee scrutiny and Dáil Éireann approval of Voted expenditure. It should therefore be possible to use it for ongoing monitoring of expenditure and performance (against profile / targets) during the year. This would also assist Committees, more generally, when discussing Departments' policies. The fact that it is *not* possible to do so is a consequence of a lack of data (in general, in relation to performance metrics) and the level of data (in relation to alignment of financial allocations), in the documents subsequently published during the year that should be facilitating ongoing scrutiny.¹⁶

Those subsequently published documents include:

- Spending Review papers;¹⁷
- Value for Money and Policy Reviews (VfMPRs) / Focussed Policy Assessments (FPAs);
- Departmental publications such as [Rebuilding Ireland](#); and
- The Mid-Year Expenditure Review

At present, it is *challenging* to link such publications with the Revised Estimates due to a lack of consistency (or alignment) with the financial allocations and metrics employed. Publications produced during the year, following on from the Revised Estimates, do not generally refer to the programmes, subheads and metrics set out in the Revised Estimates.¹⁸ This is particularly so in relation to subheads and metrics. Also, in the context of consistency and the importance of **performance budgeting**, there is potential to provide updates during the year for some *metrics*; in the Department of Public Expenditure and Reform Mid-Year Expenditure Report, in particular.

¹⁵ Programme A (Housing) of Vote 34 (Housing, Planning and Local Government) provides such an example.

¹⁶ It also relates to the fact that metrics are not linked to subheads in Part III of the Vote chapters in the Revised Estimates. This omission calls into doubt the utility of the current subhead structure, i.e. if the subheads clearly relate to the output metrics, in particular, why this linkage is not provided. If the subheads do not clearly relate to the metrics then should they not be reformed with this aim in mind?

¹⁷ The PBO's review of the Spending Review process and 2018 papers is set out in [Briefing Paper 11 of 2018](#).

¹⁸ Of the thirty Spending Review papers for 2018 set out [here](#) – only eight have references to the *Revised Estimates for Public Services 2018*, few of which are at Programme or subhead level and none of which appear to refer to the key high level metrics set out in the Revised Estimates 2018.

An alternative way of presenting the proposed Voted expenditure allocations currently set out in the Revised Estimates

If consideration were to be given by the Department of Public Expenditure and Reform to alternative methods of presenting the Revised Estimates, the PBO suggests that one alternative would be to structure it in accordance with the following high-level principles:

- Initially, set out what each Vote, and programme within the Vote, is intended to achieve and link that objective back to the Department's Statement of Strategy;
- Then set out the actions by which those objectives will be achieved – programmes will be devised, schools will be funded, infrastructural needs will be assessed;
- Define the outputs that flow from those mechanisms – payment of grants, construction of roads, children educated etc.;
- Set targets for those outputs; and
- Estimate what inputs (monies) are required to achieve those targets.

Related to the above would be a categorisation and quantification of what is driving changes in the inputs and targets such as demographics,¹⁹ new policy initiatives, staff pay agreements, etc.

This would necessitate a complete change to the way in which the Revised Estimates is presented. In the interim, it should be recognised that the current subhead system is clearly not fit for purpose as illustrated by the fact that:

- Departments do not link key high level metrics to subheads;
- Administrative costs, save those directly related to Departments themselves,²⁰ are 'submerged' in subheads preventing scrutiny of how much of subhead expenditure actually relates to public services (or metrics); and
- Pension payments are 'submerged' in subheads which means that some subheads are in part used to pay for the legacy costs of public services and partly used to pay for current public services.²¹

19 See PBO publication 1 of 2019, *Demographics and Voted Expenditure*, p.4.

20 i.e. the functional split of administrative expenditure in respect of programme allocations is summarised in Part II of Votes – this represents the Department's own administrative expenditure only. Where the Department funds an agency through a subhead no disaggregation is provided of how much of that funding goes towards public services and how much towards the Agency's administrative costs.

21 PBO Note 19 of 2018, *Public Sector pensions in the Revised Estimates for Public Services* (p.1), states that "In Defence, a separate Vote exists for Army Pensions – this increases transparency regarding the financial cost of the core activities in relation to Defence. This model could be followed by rationalising the pension elements of 18 Votes from which pensions are currently paid from (and twelve of which superannuation are paid into), into one Vote."

Notes

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Publications

Publication 8 of 2019 [The impact of a disorderly or no-deal Brexit](#) 14 February 2019

Publication 7 of 2019 [An overview and analysis of the Ireland Strategic Investment Fund](#) 14 February 2019

Publication 6 of 2019 [The Role and Functions of the Parliamentary Budget Office](#) 25 January 2019

Publication 5 of 2019 [Quarterly Economic and Fiscal Commentary – Q4 2018](#) 25 January 2019

Publication 4 of 2019 [Scrutiny of Votes in the Revised Estimates for Public Services 2019 - An Analysis of Vote 33 as a model](#) 17 January 2019

Publication 3 of 2019 [A Primer on Economic Overheating: What it means and how to measure it](#) 17 January 2019

Infographic series

Publication 2 of 2019 [Budgetary Cycle 2019](#) 11 January 2019

Expenditure Analysis series

Publication 1 of 2019 [Demographics and Voted Expenditure](#) 03 January 2019

PBO working paper series

No. 1 of 2019 [Examining the Volatility of Ireland's Tax Base in the Paradigm of Modern Portfolio Theory](#) 12 February 2019

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