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Parliamentary Budget Office

Revised Estimates for Public Services 2019

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Introduction

On 19 December 2018, the Minister for Communications, Climate Action and Environment moved (and it was agreed) that the *Revised Estimates for Public Services 2019* (the 'Revised Estimates'), be presented to Dáil Éireann, circulated to Members and referred to Dáil Select Committees for scrutiny. 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 anticipated cost overrun in the National Children's Hospital costs for 2019.[1] As this paper was drafted prior to the consideration of that Motion, it does ***not*** take account of those proposed changes.

This is the second year in which the PBO has prepared a Briefing Paper for Members of the Houses of the Oireachtas and its Committees on the Revised Estimates. PBO analysis of this year's Revised Estimates is built on that of last year's, as well as Papers and Notes published since then addressing both Budget 2019 and specific aspects of Voted expenditure (Demographics, Public Service Pay and Pensions, and the Relationship between the Health Vote and the National Service Plan, for example). All PBO publications are available *here*. 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.

On 20 February, the PBO published a Note (9 of 2019) entitled, *An Overview of the Revised Estimates 2019*.

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'.*

This Briefing Paper has the following objectives, to provide:

- An update as to what extent the Revised Estimates has been developed with regard to utility and transparency since the PBO's detailed exposition (in the context of the Revised Estimates 2018) as to how it could be improved;
- An overview of what is contained in the *Revised Estimates for Public Services 2019*; and
- A more detailed analysis of the four most fiscally significant Votes –
  - Education and Skills;
  - Housing, Planning and Local Government;
  - Employment Affairs and Social Protection; and
  - Health.

These four Votes[2] account for almost €4 out of every €5 (€52.3 billion of €66.6 billion) in Gross Voted Expenditure allocation which the Government presented in the Revised Estimates 2019. These Votes are also structured in a more complex way than the other 'standard' Votes in the Revised Estimates. A chart providing an overview of the remaining 38 Votes is provided in Appendix 1.

The PBO has assisted the staff of all of the Select Committees in preparing for the scrutiny of the Votes in the Revised Estimates. Transcripts of those scrutiny meetings, held by Committees with Ministers, will be available on the *website* of the Houses of the Oireachtas and constitute an essential output of the current scrutiny process.

This paper is laid out as follows:

- Executive Summary;
- Voted Expenditure 2018 and 2019;
- Four separate chapters addressing the most fiscally important Votes:
  - Education and Skills;
  - Housing, Planning and Local Government;
  - Employment Affairs and Social Protection; and
  - Health.
- Appendix 1 – illustrates the change in the (adjusted) gross allocation for each of the thirty-eight Votes in the Revised Estimates 2019 not treated in detail in this paper; and
- Appendix 2 – sets out the role of the Revised Estimates for Public Services in the budgetary process as matters currently stand. It also sets out some suggested ways in which the Revised Estimates could be revised or amended.

2 *Including the Social Insurance Fund (SIF) and the National Training Fund (NTF).*

Executive Summary

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. This paper aims to provide a(n):

- Update as to what extent the Revised Estimates has been developed with regard to utility and transparency;
- Overview of what is contained in the Revised Estimates 2019; and
- More detailed analysis of the four most fiscally significant Votes:
  - Education and Skills;
  - Housing, Planning and Local Government;
  - Employment Affairs and Social Protection; and
  - Health.

In the context of the objectives of this paper and the length and complexity of the Revised Estimates, it is inevitable that this briefing paper should be quite long. It is intended that the structure of the paper should address the length and complexity of the Revised Estimates. In addition, the PBO has previously published *short* Notes in relation to the structure of specific Votes (and how Votes are generally structured) in the Revised Estimates which are available on our *webpage*.

Overall allocation

The *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.[3] During 2018 an additional €1.5 billion of expenditure was approved including Supplementary Estimates 2018 and Social Insurance Fund expenditure. The increase 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 below for ease of reference.

3 *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 annual 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.*

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

Change in *Gross* Voted allocation 2019 versus *original* allocation 2018	Change in *Gross* Voted allocation 2019 versus *final* allocation for 2018	Change in *Net* Voted allocation 2019 versus *original* allocation 2018	Change in *Net* Voted allocation 2019 versus *original* 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.
Note: The allocations set out in Table 1 do not include the €93 million in Capital carryover from 2018.

A more detailed analysis of the composition of the changes in Voted allocations between what was *originally* approved for 2018 (€61.767 billion)[4] and what is set out in the Revised Estimates for 2019 (€66.623 billion) is provided in Table 5 of this paper. Table 5 and Box 1 illustrate, however, the complexity and lack of transparency currently surrounding increases to Voted allocations.

The Revised Estimates 2019 provided for only relatively modest increases in Voted expenditure (+€62 million) compared to Budget 2019 (see Table 6 of this briefing paper).

Capital allocation 2019

Within the overall increase in the gross Voted expenditure 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.[5]

It was reported on 12th February that a capital expenditure overrun of €99 million on the National Children's Hospital was now expected in relation to 2019.[6] Actions amounting to €75 million were announced to address this overrun and these include changes to the capital allocations of other Votes than that of Health.

In that context, the re-establishment of a Capital Reserve within the overall capital envelope should now be considered.[7] 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.

4 *i.e. as set out in the Revised Estimates for Public Services 2018.*
5 *Further analysis of the National Development Plan 2018-2027 is provided in the PBO Quarterly Economic and Fiscal Commentary (Q1 2018), Box 5, p31.*
6 *Irish Times, 12th February 2019, 'New national forensic science lab impacted by cost overrun at children's hospital'.*
7 *The use of such a Capital Reserve would involve a Government decision prior to any drawdown.*

Capital carryover from 2018 into 2019

Many Votes have recurring recourse to this facility – in particular Vote 30 (Agriculture, Food and the Marine) and Vote 31 (Transport, Tourism and Sport) which have both carried forward capital allocations into each year from 2015 to 2019; an average *per annum* of €20 million and €17 million respectively (see Table 7). In the case of Vote 31, the Supplementary Estimate for 2018 included an additional Capital allocation of €5.6 million in respect of subhead B.6 (Public and Sustainable Transport Investment Programme). It is unclear why this was required if a capital allocation exceeding that amount is now to be carried forward unspent into 2019, i.e. rather than having recourse to the Supplementary Estimate, savings could have been found within the Vote's 2018 capital allocation.

Exchequer pay, employee numbers and pensions

The Revised Estimates 2019 provides the projected increases in staff numbers and pay in the four most fiscally significant Votes and in all other Votes (see Table 2). The overall number of employees is projected to increase by 9,644 (+3.2%) while the net pay is projected to increase by €862 million (+5%).

Table 2: Change in Exchequer pay (net) and staff numbers in 2019 over 2018 (four most fiscally significant Votes)

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%
Sub-total	657,160	76%	7,261	75%
All other Votes	205,046	24%	2,383	25%
Total	**862,206**	**100%**	**9,644**	**100%**

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

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

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 the scrutiny of this Vote.

The analysis set out above (and elsewhere in this paper, and in other PBO publications[8]) addressing pay and pensions should be viewed in the context that the recruitment of additional staff equates to the State incurring future pay liability, in return for the potential to provide public services. Pensions equate to the legacy cost of historical public service provision. That is not to say that the ongoing recruitment of staff may not be necessary – PBO publication 1 of 2019, *Demographics and Voted Expenditure*, illustrates that the demographic trends in certain cohorts and the population overall suggest that the demand for public services is likely to grow over time. However, it is important that such recruitment be carried out with a view to the need to prioritise services and to facilitate the effective use and re-deployment of staff resources where possible.

Finally, it was reported on 12 February[9] that a draft agreement had been reached between the Government and the Irish Nurses and Midwives Organisation (INMO) which would result in additional pay costs of €10-20 million in 2019 and between €25-30 million in the first full year (2020). These proposals are subject to a ballot of the members of the INMO; it is unclear at this stage whether this agreement 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.**

Scrutiny of the individual Votes in the Revised Estimates and potential for improvement

Before approaching the individual Votes in the Revised Estimates 2019 it is useful to understand that scrutiny of the Votes set out within it can be approached within the framework of the **Programme Logic Model** (PLM). *PBO Note 25 of 2018* provides a primer for this approach.[10]

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 (Key High Level Metrics) are supplied in the Revised Estimates but are *not* linked to the subheads or allocations.

8 *See PBO Briefing Paper 8 of 2018, Public Sector Pay and Pensions: Features and Key Determinants and Budget 2019 - Analysis of Voted Expenditure Allocations.*

9 *Irish Times, 12 February 2019, 'Nurse proposal places big questions over public sector pay accord'.*

10 *In advocating the value of the Programme Logic Model in scrutinising the Revised Estimates, the PBO is recognising the system currently in place. An alternative system is posited in Appendix 2 to this Briefing Paper.*

Revised Estimates for Public Services 2019

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.[11] **This analysis of the Revised Estimates could then be integrated** with in-depth analyses such as Spending Review papers,[12] Value for Money and Policy Reviews (VfMPRs)/Focussed Policy Assessments (FPAs) and resources such as *Rebuilding Ireland* to inform the priorities and relative resources applied to different programmes and schemes.[13] The Revised Estimates could then be used to:

- Help identify the Spending Reviews/VfMPRs/FPAs etc. which should be carried out in future;
- Monitor in-year expenditure versus profile; and
- Clarify whether the necessary incremental shifts in allocations to deal with demographic pressures are being progressed.

At present, it is *challenging* to link those in-depth reviews with the Revised Estimates due to a lack of consistency in relation to the financial allocations and metrics referred to, i.e. 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.[14] This is particularly so in relation to subheads and metrics.

The approach outlined above is one which would facilitate and assist Committees and Members in their scrutiny of the outcomes stemming from the public services funded from the €66.6 billion in financial resources set out in the *Revised Estimates for Public Services 2019*.

Also, in the context of consistency and the importance of **performance budgeting**, there is potential to provide updates during the year for *metrics*; in the Department of Public Expenditure and Reform's Mid-Year Expenditure Report, in particular. Issues relating to improving the accessibility of the Revised Estimates and the budgetary process are dealt with in more detail in Appendix 2 of this paper. This includes an alternative approach to the current structure of the Revised Estimates.

The PBO previously made it clear in the Office's analysis of the Revised Estimates 2018 that that document is difficult to use when scrutinising Voted expenditure. Our subsequent analysis of other Voted expenditure issues/publications[15] and now the Revised Estimates 2019 brings this Office to the conclusion that the role of the Revised Estimates is unclear and should be addressed. Officials from the PBO and the Department of Public Expenditure and Reform have therefore 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.

11 The PBO notes however that 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 subhead classifications into question.

12 The PBO's review of the Spending Review process and 2018 papers is set out in Briefing Paper 11 of 2018.

13 The PBO has previously recommended that the titles (at least) of the Spending Review papers to be drafted should be announced at the beginning of each year. This would assist the Houses of the Oireachtas in planning for that year's Budget and could facilitate work programme planning by Committees.

14 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 Revised Estimates 2018.

15 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.

Scrutiny of the four most fiscally significant Votes

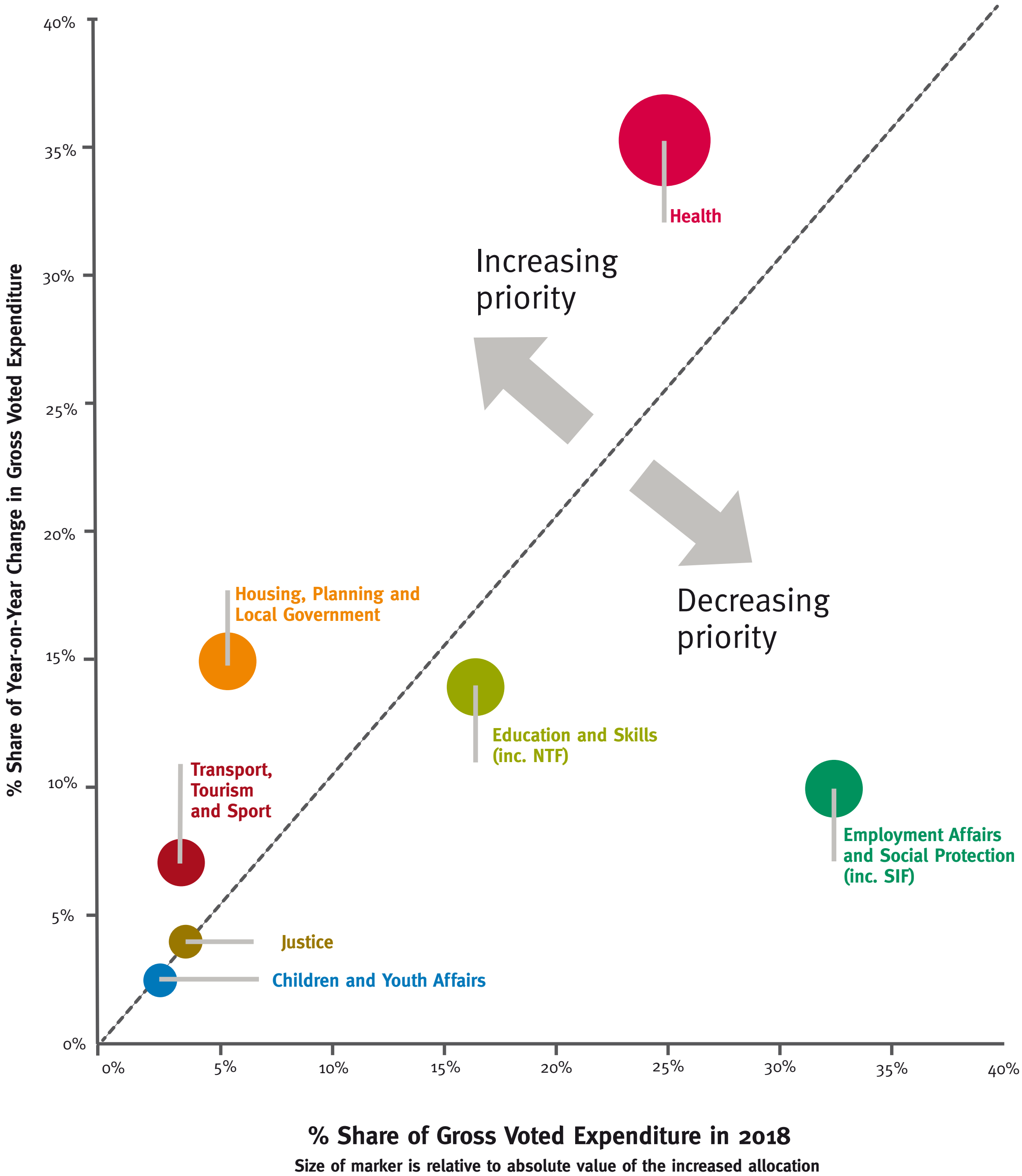
For year-on-year comparisons, there are two main approaches that can be used in scrutinising Votes:

1. Including any Supplementary Estimate for 2018, i.e. the allocations set out in the Revised Estimates 2019 which includes the final allocation for 2018; or
2. Excluding any Supplementary Estimate for 2018, i.e. comparing the original allocation for 2018 set out in the Revised Estimates 2018 to that set out in the Revised Estimates 2019.

Unless otherwise stated the default approach taken in this paper is the first set out above. Before considering the Revised Estimates 2019 in detail, reference should be made to *PBO Infographic 5 of 2018* which shows the total allocation for each *Vote Group*. It also provides a figure (reproduced below as Figure 1) comparing the relative significance of the expenditure increases of selected Votes in Budget 2019 (based on the PBO's analysis). Figure 1 illustrates, as a % of Gross Voted Expenditure, that:

- Health, and Housing, Planning and Local Government are increasing in priority; and
- Education and Skills (including the National Training Fund) and Employment Affairs and Social Protection (including the Social Insurance Fund) are decreasing in priority.

Figure 1: Gross Current and Capital Expenditure Ceilings in Budget 2019 – Comparison of Expenditure shares for selected Votes



Source: PBO Infographic 5 of 2018.

The approach required for analysis of each of the four Votes[16] is quite different because the:

- Structure of each of the Votes is different; and
- Relevant additional sources of data vary.

For some Votes it is difficult to use the financial and performance information provided in the Revised Estimates 2019 or from other sources, and this highlights the limitations of the Revised Estimates and the importance of consistent alignment of information across different Government publications.

Table 3 summarises the main issues identified by the PBO analysis for the four most fiscally significant Votes. These issues relate to significant changes from 2018, and emerging trends over time.

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)	■ 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 expenditure of the National Training Fund (NTF).
Housing, Planning and Local Government (34)	■ The gross Voted allocation proposed for Vote 34 in 2019 is €4 billion. ■ Substantial additional funding (€353 million) has been provided 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 ***if*** it leads to subheads based on specific objectives and directly 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)	■ 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.

16 i.e. Health, Housing, Planning and Local Government, Education and Skills (including the National Training Fund) and Employment Affairs and Social Protection (including the Social Insurance Fund).

Vote title and no.	
Health (38)	■ 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 *itself* as set out in Revised Estimates 2019 does not contain either: ● 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 *Revised Estimates for Public Services 2019* 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, *in and of itself*, does not *at this point of the year* constitute evidence that a Supplementary Estimate will be sought in 2019, it *does* 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 payscales 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.

Performance Budgeting

As set out above, scrutiny of the Votes set out within the Revised Estimates can be approached within the framework of the Programme Logic Model (PLM). On that basis, the Director of the PBO wrote, on 14 January, to the Ministers responsible for the four most fiscally significant Votes seeking the linkage between performance metrics and programme subheads.[17] The Director also sought, and received on 14 February, a copy of the Department of Public Expenditure and Reform's Guidance Note on enhancing the Quality of Performance Information presented under the Performance Budgeting Initiative.[18] It is difficult to establish a direct linkage between the 'key high level metrics' and the financial allocations for most Votes in the Revised Estimates.

It is particularly problematic 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 to that Vote has increased very significantly.

In relation to performance budgeting and Vote 37, the then Minister for Health stated (2012) that, [19]

> "…the Department of Health is working towards the development of programme budgeting and changing the structure of its Vote group to reflect this change. However, owing to the fact that the financial systems in the HSE have been set up to account on a regional basis, they will have to be adapted in order to account along programme lines, which will take some time. The HSE's financial systems operate on a regional basis and have not been configured to manage expenditure on a programme basis."

The reply to the Director of the PBO (in relation to the linkage between expenditure and metrics in the Revised Estimates 2019) received from the Office of the Minister for Health dated 5 February 2019 stated that,[20]

> "The Department of Health is working towards the development of Programme Budgeting, but this will take some time as the financial systems in the HSE will have to be adapted to allow for this in the context of the financial reform programme currently underway. Currently, the cash systems within the HSE are still configured under the regional health board structures."

It would appear therefore, with regard to the Health Vote, that there has been little progress towards implementing programme budgeting between 2012 and 2019. The fact that the metrics for 2019 remain the same as those stated for the *original* allocation for 2018 is a cause for concern in relation to how any effective scrutiny of this Vote can be carried out of the Revised Estimates 2019.

17 Replies were received from all four Ministers; Employment Affairs and Social Protection on 21 January, Education and Skills on 24 January, Housing, Planning and Local Government on 4 February, and Health on 5 February.

18 Guidance Note to Enhance the Quality of Performance Information presented under the Performance Budgeting Initiative (undated).

19 Select Sub-Committee on Health debate – consideration of the Revised Estimates 2012 (Vote 38 – Department of Health and Vote 39 – Health Service Executive) – Thursday, 17 May 2012.

20 Letter from the Office of the Minister for Health to the Director of the PBO, 5 February 2019.

Scrutiny of the remaining thirty-eight Votes in the Revised Estimates 2019

While this Briefing Paper does not treat the other thirty-eight Votes in Revised Estimates 2019 in detail, Figure 29 provides an overview of the financial changes (at Vote level) between 2018 and 2019 (see Appendix 1). This illustrates that slightly over half of these Votes have been allocated significant increases in their gross allocations, i.e. 5% or more. A total of twelve Votes have increases greater than 10%; only three Votes have reductions in their allocations. The amount of the financial increase proposed for Vote 31 (Transport, Tourism and Sport) is by far the most significant set out in Appendix 1 – a total of €303 million.

Changes to the Revised Estimates 2019

One of the most significant changes to this year's Revised Estimates is the number of Votes where Programme subhead structures have been altered:

- In Vote 26 (Education), the number of programmes has been reduced from four to three (Programme D has been split up);
- In Vote 34 (Housing, Planning and Local Government), the number of subheads within Programme A (Housing) has increased overall from ten to twenty-five;
- In Vote 38 (Health), the five 'subheads' formerly under 'HSE Regions and other health Agencies' have been consolidated into one 'subhead' ('HSE Health and Social Care Services'); this now being the largest in the entire Revised Estimates with a value of €11.1 billion.

Some of the changes provide greater clarity in relation to the objectives for which Voted monies are being spent and the performance of those monies, and this is to be welcomed. Programme A (Housing) of Vote 34 (Housing, Planning and Local Government) provides such an example.

Innovations in this edition of the Revised Estimates are limited; a potentially significant innovation in the Revised Estimates 2018 was the introduction of the Equality Budgeting pilot. The number of Votes included in the Equality Budgeting pilot in the Revised Estimates 2019 has increased to thirteen and the range of metrics has therefore increased. However, the treatment of the metrics is inconsistent – the metrics are now provided in nine categories in Appendix 10 to the *Revised Estimates for Public Services 2019* and also clearly displayed in a separate table within each of nine Votes. However, in four other Votes, the metrics identified in the appendix form part of the standard Key High Level Metrics – a table common to most Votes.[21]

A new appendix (Appendix 11) has been introduced to the Revised Estimates 2019 to address climate-related expenditure. It is limited however; simply providing a list of subheads which relate to such expenditure.[22]

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21 The PBO's initial evaluation of the Equality Budgeting pilot in Revised Estimates 2018 is analysed in Briefing Paper 4 of 2018.

22 In Note 24 of 2018, the PBO welcomed the Government initiative to join the Paris collaborative on green budgeting and to publish a list of Exchequer climate-related expenditure in the Revised Estimates. Previously, in PBO Briefing Paper 12 of 2018 the PBO highlighted that the tracking and monitoring of climate related spending is a pre-requirement for any initiative aimed at incorporating climate related considerations into the budget process. The Department of Public Expenditure and Reform staff paper, An Introduction to the Implementation of Green Budgeting in Ireland, outlines the methodology used to quantify Exchequer climate-related expenditure.

Voted Expenditure 2018 and 2019

This section discusses the overall expenditure in 2018 and 2019 as presented in the Revised Estimates 2019, 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 2019 that Members should be aware of when making comparisons between these two years.

Overall estimated expenditure 2018 and 2019

Public expenditure, on a General Government basis, is expected to be €85.3 billion in 2019 (+5.1% on 2018).[23] Of this, approximately €75 billion is Exchequer expenditure (+4.5% on 2018),[24] with €66.6 billion proposed as gross Voted expenditure (+5.3% on 2018) – as set out in the Revised Estimates 2019. Of this €66.6 billion, gross current expenditure is projected to be €59.3 billion (+3.5% on 2018) and gross capital expenditure is €7.3 billion (+22% on 2018). The net current expenditure, i.e. the amount approved by the Dáil, is projected to be €46.6 billion (+3.8% on 2018) and net capital expenditure is €7.3 billion (+22% on 2018).

Non-Exchequer General Government expenditure comprises of; the local Government sector; non-commercial state bodies which generate some of their own income; plus adjustments for 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 Gross Voted Expenditure, as set out in the *Revised Estimates 2018,* is illustrated in the table below:

Table 4: Total Public Expenditure 2019

	€ billion	%
Gross Voted Expenditure	66.6	78
Non-Voted Exchequer Current Expenditure	8.4	10
Non-Exchequer General Government Expenditure	10.3	12
Total Public Expenditure	**85.3**	**100**

Source: PBO based on Budget 2019 Economic and Fiscal Outlook and Revised Estimates for Public Services 2019.

23 *Budget 2019 Economic and Fiscal Outlook, Table 11, p.22.*

24 *Budget 2019 Economic and Fiscal Outlook, Table 10, p.20.*

Therefore, Gross Voted expenditure constitutes nearly €4 of every €5 of total public expenditure (€66.6 billion of €85.3 billion) in 2019 and, of that, four Votes (Employment Affairs and Social Protection (including the Social Insurance Fund), Health, Education and Skills (including the National Training Fund), and Housing, Planning and Local Government constitute nearly €4 out of every €5 of that Voted expenditure (€52.3 Billion of €66.6 Billion).

Table 3 reconciles the pre-Budget 2019 position with the position now – as set out in the *Revised Estimates for Public Services 2019*.

Table 5: Reconciliation of Gross Voted Expenditure, pre- and post-Budget 2019, for years 2018 and 2019 – updated for the Revised Estimates for Public Services 2019 (€ million)

	2018	2019	Change	% Change
Gross Current Voted Expenditure as per Mid-Year Expenditure Report	**55,941**[25]	**57,064**[26]	**+1,123**	**+2%**
Indicative Supplementary Estimates 2018	872[27]			
2018 Christmas Bonus (100%)	265			
2018 Unallocated underspend	-175			
Budget 2019 re-allocation from Capital		50[28]		
Budget 2019 – Resources to fund medical consultant costs in relation to prior years		104		
2018 'adjustments' to 2019 ceiling		820[29]		
Budget 2019 – Resources for underlying expenditure		1,230		
Gross Current Voted Expenditure as per Budget 2019	**56,900**	**59,268**	**+2,368**	**+4.2%**
Gross Capital Voted Expenditure per Mid-Year Expenditure Report 2018	**5,823**	**7,269**	**+1,446**	**+24.8%**
2018 'adjustments'	85[30]	30[31]		
Gross Capital Voted Expenditure as per Budget 2019	**5,908**	**7,302**	**+1,394**	**+23.6%**

25 *Source: Revised Estimates for Public Services 2018.*

26 *Source: Mid-Year Expenditure Report 2018; Total Gross Current Expenditure in respect of 2019 less €231 million unallocated resources (Table 1.4, p.6 refers).*

27 *i.e. indicative Supplementary Estimates for 2018 relating to five Votes and amounting to a €872 million increase in Gross Voted allocation in 2018 (Expenditure Report 2019, Table 3). Ultimately, the increase in the gross Supplementary Estimates related to ten Votes and amounted to €1,266 million; €392 million higher than originally forecast.*

28 *Ibid.*

29 *At the time of Budget 2019, the expenditure ceiling for 2019 was increased by €820 million, Expenditure Report 2019, Table 9, p.45.*

30 *i.e. indicative Supplementary Estimates for 2018 relating to three Votes; Housing – €60 million; Health – €20 million; and DTTAS – €5 million.*

31 *An additional allocation of €80 million to the Housing Vote, less a reallocation to fund additional current expenditure in Transport and Justice (Expenditure Report 2019, section 1.3, p.45).*

	2018	2019	Change	% Change
Gross Voted Expenditure as per Budget 2019	**62,809**	**66,571**	**+3,762**	**+6%**
Difference between indicative Supplementary Estimates 2018 (SE2018) and actual SE2018 net of A-in-A, Contingency, and Social Insurance Fund*	449			
Policy adjustments	–	62		
Gross Voted Expenditure as per Revised Estimates 2019**	**63,258**	**66,623**	**+3,365**	**5.3%**
Memo item: Provisional Outturn 2018 (Revised Estimates 2019) excluding Capital carryover into 2018	63,118			

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

Note: The above table does not include Capital Carryover for which see Table 7 of this paper.

**This includes both Capital and Current – see Box overleaf.*

***Including Supplementary Estimates 2018.*

Box 1: Supplementary Estimates 2018 and Appropriations-in-Aid

As noted in Table 5 above, there was an increase of €449 million in the Gross Voted Expenditure allocation for 2018, between Budget 2019 and the publication of the *Revised Estimates 2019*. This amount is made up of an increase of €351 million related to the **difference** between the actual gross allocation related to the Supplementary Estimates for 2018 less the indicative Supplementary Estimates 2018 (as signalled in the *Expenditure Report 2019)*, and a deduction for an expenditure Contingency (i.e. unallocated funds) of €90 million (*Expenditure Report 2019*, p.162), and an increase in expenditure in the Social Insurance Fund of €188 million. These three amounts, when netted, amount to €449 million as highlighted in the green cell in Table 3:

Supplementary Estimates 2018:	+€ 351million
Contingency:	–€ 90 million
Social Insurance Fund:	+€188 million
	+€449 million

The above calculation further illustrates the complexity of the Estimates process. In addition, the language used in the Expenditure Report in relation to the indicative Supplementary Estimates could be clearer, referring as it does to “2018 adjustments”.

Table 5 shows how expected Voted expenditure for both 2018 and 2019 changed between the *Mid-Year Expenditure Report 2018* (July 2018) and the *Revised Estimates 2019* (December 2018).

Comparing 2018 and 2019, the *Mid-Year Expenditure Report 2018* provided for an increase of 2% in Gross Voted Current Expenditure. However, the expected increase post-Budget 2019 was 4.2%. Overall, growth in gross voted expenditure between 2018 and 2019 announced in Budget 2019 was 6%. Included in Budget 2019 (the *Expenditure Report 2019)* were '2018 adjustments' totalling €872 million in respect of six Votes – these 'adjustments' are another term for the anticipated Supplementary Estimates in 2018. Subsequent to Budget 2019 there was an additional amount added to the '2018 adjustments', i.e. the actual Supplementary Estimates were €351 million higher than indicated in the *Expenditure Report 2019* – this additional amounted related to thirteen Votes. There were also policy changes post-Budget 2019 leading to further expenditure of €62 million in Revised Estimates 2019.

Thus, ultimately the Voted allocation increase between 2018 and 2019 as presented in the *Revised Estimates for Public Services 2019* is €3,365 million (+5.3%). It should be noted that, according to the *Mid-Year Expenditure Report 2018,* the gross Voted allocation for 2018 was €61,764 million and for 2019 is €66,623 million (this figure does not take account of the Christmas Bonus 2019 which, if paid as a 100% Bonus, could amount to approximately €260 million[32]). **The increase between what was initially approved for 2018 and the allocation for 2019 therefore amounts to €4.9 billion (+7.9%). This is before any Supplementary Estimates are sought for 2019.**

The figures for budget allocations are subject to several changes from those originally set out on Budget Day (Estimates). 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 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 2018

Table 1 of the *Revised Estimates for Public Services 2019*[33] provides the 2018 forecast outturn; this may differ from the Estimate for 2018 for individual Votes.

Overall, the Revised Estimates 2019 gross total forecast outturn for 2018 (exclusive of the Capital carryover of €93 million) is €63,118 million – a saving of €140 million over the final 2018 Estimate of voted expenditure.

However, the *Fiscal Monitor (Incorporating the Exchequer Statement) December 2018*, contains more up to date data as it was published on 31 December 2018. The PBO *Quarterly Economic and Fiscal Commentary (Q4 2018)* focusses on the Fiscal Monitor and shows that the gross total forecast outturn now stands at €63,066 million – a saving of €52 million. This is a significantly smaller saving, or underspend, than in 2017 when savings exceeded €0.4 billion.

32 *Voted and SIF.*

33 *Revised Estimates for Public Services 2019, Table 1, p.12.*

The Revised Estimates 2019 and technical changes to the Budget 2019 allocations

The Ministerial expenditure ceilings provide a top-down approach to the management of Voted expenditure. The Ceilings are revised in the Budget and the Mid-Year Expenditure Report, with a trend of upwards revisions each year. Budget 2019 saw the largest upwards revisions over the three-year period for ceilings since they were introduced.

By contrast, 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. **Making such additional adjustments in the context of the current significant increases in allocations for most Votes is questionable, i.e. this facility reduces the incentive for Departments to re-prioritise the expenditure already made available on Budget day.**

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

Compared to the Estimates published on Budget Day 2019, the *Revised Estimates 2019* record an increase in gross Voted allocation of €62 million for a range of Votes. These allocations, *additional* to Budget 2019, are summarised in Table 6 below. The sums involved are relatively insignificant in the context of the Vote allocations concerned save in the case of Vote 29 (Communications, Climate Action and Environment) where it amounts to an additional 3.1% of the 2019 Vote allocation and Vote 24 (Justice and Equality) where the allocation has been reduced by 2.5% (as compared to the allocation set out in the *Expenditure Report 2019*).[34]

34 *The Expenditure Report 2019 was presented to Dáil Éireann on Budget Day 2019 and set out the Government's voted expenditure allocations and measures for 2019. It also provided the expenditure ceilings for 2020 and 2021.*

Table 6: Additional allocations in the Revised Estimates 2019 v Budget 2019

Vote	Additional gross allocation in Revised Estimates 2019 – € millions
Taoiseach – Vote 2	1.84
Central Statistic Office – Vote 4	0.3
Public Expenditure and Reform – Vote 11	0.765
Office of Public Works – Vote 13	0.5
Justice and Equality – Vote 24	-13.15
Education and Skills – Vote 26	3.288
National Training Fund (NTF)	1.19
Communications, Climate Action and Environment – Vote 29	21.359
Transport, Tourism and Sport – Vote 31	1.25
Culture, Heritage and the Gaeltacht – Vote 33	2
Housing, Planning and Local Government – Vote 34	24
Defence	13.2
Health – Vote 38	5
Children and Youth Affairs – Vote 40	-0.25
Rural and Community Development – Vote 42	1
Total	62.292

Source: PBO based on Revised Estimates for Public Services 2019 and Expenditure Report 2019.

Capital Carryover

The gross total of €66.623 billion allocation for the *Revised Estimates 2019*, shown in Table 3 (p.4) of this paper, does not include a sum of €93 million in capital savings from 2018 which is available for spending in 2019 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 2019. Table 7 below shows the capital carryover allocations for the period 2015 to 2019.

Table 7: Capital Carryover Allocation for 2015-2019

Vote No.	Service	2019 €000's	2018 €000's	2017 €000's	2016 €000's	2015 €000's
7	Office of the Minister for Finance			227	115	
9	Office of the Revenue Commissioners			2,000	2,000	
11	Public Expenditure and Reform		685			
13	Office of Public Works			2,000	7,000	
17	Public Appointments Service		60			
18	Shared Services	1,168	1,429		1,248	998
20	Garda Síochána	3,581	8,907	9,344	6,644	
21	Prisons		2,233	2,833		
22	Courts Service	2,500	6,000			
23	Property Registration Authority	56				
24	Justice and Equality	942	741			
28	Foreign Affairs and Trade				475	
29	Communications, Climate Action and Environment	15,000	6,000	12,128	5,250	4,600
30	Agriculture, Food and the Marine	22,000	23,800	21,700	12,000	18,000
31	Transport, Tourism and Sport	18,366	10,950	10,969	16,100	29,105
32	Business, Enterprise and Innovation	27,600			10,000	20,000
33	Culture, Heritage and the Gaeltacht	700	700	13,548	6,158	6,216
34	Housing, Planning and Local Government				41,078	
37	Employment Affairs and Social Protection	1,000	1,000			
39	Office of Government Procurement	96	100	110	200	125
40	Children and Youth Affairs			1,640	3,500	
42	Rural and Community Development		7,700			
	Total	**93,009**	**70,305**	**76,499**	**111,768**	**79,044**

Source: PBO, based on Revised Estimates for Public Services 2015-2019

Notes: Capital Carryover allocation that was listed in the Revised Estimates for Public Expenditure 2018 for 2018 has been included in the above table.

Vote 29 was 'Communications, Energy and Natural Resources' for 2015 and 2016.

Vote 32 was 'Jobs, Enterprise and Innovation' for 2015 and 2016.

Vote 33 was 'Arts, Heritage and the Gaeltacht' for 2015 and 2016.

Vote 34 was 'Environment, Community and Local Government' for 2016.

Table 7 illustrates that five Votes annually carry forward Capital allocation. This raises questions in relation to the management of the Capital budgets of these Votes.

Revised Estimates for Public Services 2019

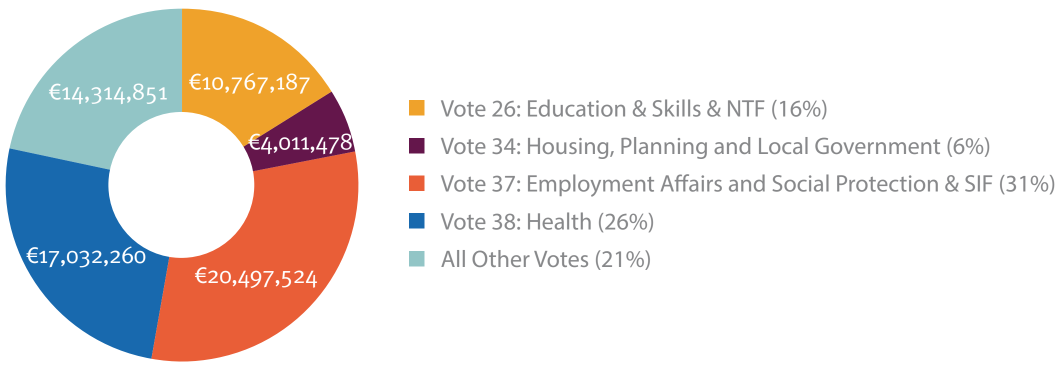
The PBO's analysis of selected Votes in the *Revised Estimates for Public Services 2019*

Following scrutiny of the individual Votes by the relevant Select Committees, the *Revised Estimates for Public Services 2019* will be referred back to Dáil Éireann for approval (see Appendix 2 in PBO *Briefing Paper 3 of 2018* for a detailed overview of the role of the *Revised Estimates for Public Services* in the Budget process). *PBO publication 4 of 2019* provides a guide to the scrutiny of most 'standard' Votes (in terms of their structure) in the Revised Estimates while individual PBO Notes (published in 2018) address the structure of the Health, Housing, Planning and Local Government and Education and Skills Votes.

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 2019, as set out in the Revised Estimates 2019, with those for 2018 (i.e. including changes effected by the Supplementary Estimates 2018).

The Revised Estimates 2019 comprises 42 individual Votes. This paper provides summaries and analysis of four Votes on the basis of the size of their contribution to the proposed overall Voted expenditure as set out in the Revised Estimates 2019. The four selected Votes together comprise approximately 78% of the Gross allocation as set in the *Revised Estimates for Public Services 2019* (see Figure 2).

Figure 2: Revised Estimates 2019 – Breakdown of gross allocation (€000s) as set out in the Revised Estimates 2019



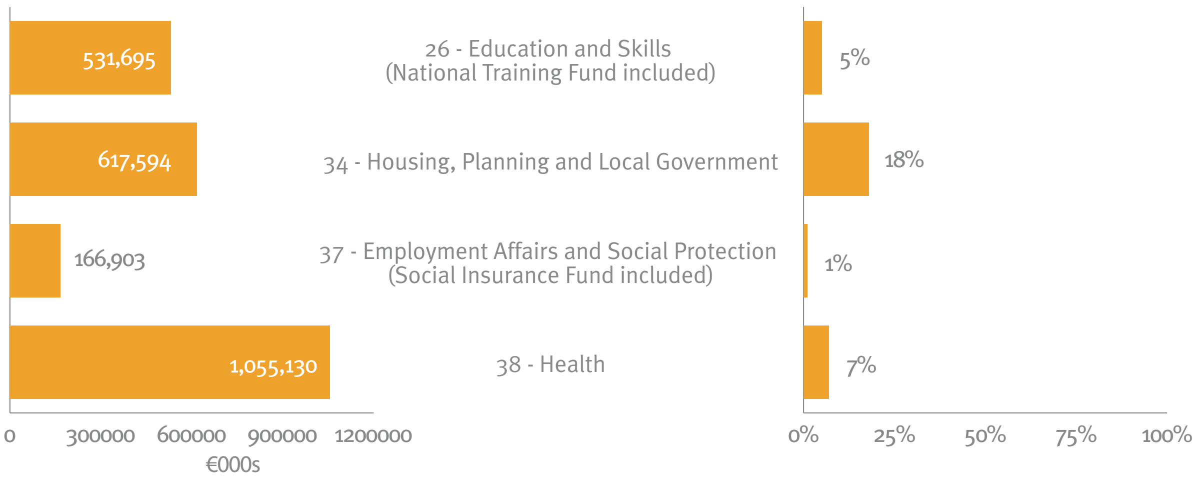
Source: PBO based on the Revised Estimates for Public Services 2019

It should be noted that all four of these votes were also the subject of Supplementary Estimates in 2018.[35] Cumulatively these four Votes accounted for €1.1 billion of the €1.3 billion provided by way of the Supplementary Estimate 2018.

35 *All of these Supplementary Estimates were substantive.*

The following figure illustrates the change in adjusted gross allocation for each of these Votes between 2018 and 2019.

Figure 3: Summary of the adjusted gross allocations for 4 Votes analysed in detail in this paper – 2018 v 2019



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

Appendix 1 provides a figure in the same format as Figure 3 (above) for the thirty-eight Votes not analysed in detail in this paper.

Vote 26 Education and Skills

Gross Allocation for Vote 26 in the Revised Estimates for Public Services 2019 ***is €10.8 billion.***

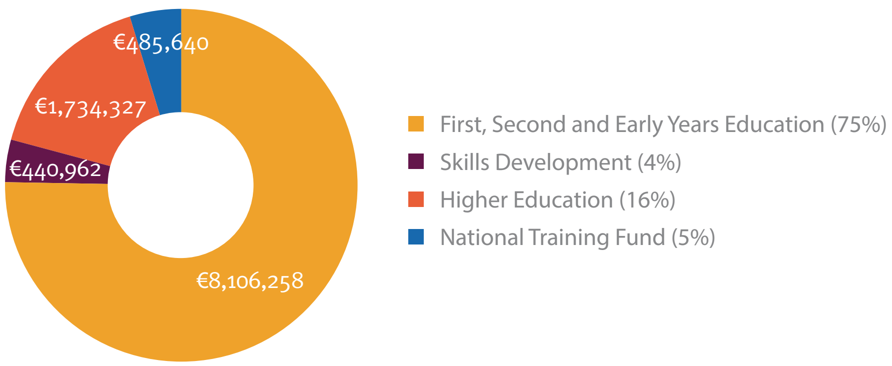
Vote 26 – Education and Skills

The **gross** Allocation for the Education and Skills Vote in the *Revised Estimates for Public Services 2019* is €10.8 billion, including:

- €9.3 billion in gross voted current expenditure;
- €0.9 billion in gross voted capital expenditure; and,
- €0.5 billion of current expenditure under the National Training Fund.

€481 million in Appropriations-in-Aid is the offset against this, resulting in a **net** allocation of €10.3 billion. Figure 4 illustrates the allocation, by Programme, under Vote 26. Notably, 'First, Second and Early Years Education' makes up the vast majority of expenditure under Vote 26, which is not surprising given that this is also where the vast majority of students' educations are funded from.

Figure 4: Vote 26 Programme Allocations and National Training Fund 2019 (€000s)



Source: Revised Estimates for Public Services 2019.

However, as Figure 5 and Figure 6 show, the change between 2018 and 2019 shows a slight prioritisation of further education. This prioritisation is mostly a result of increases to the expenditure of the National Training Fund (NTF). The NTF has two main areas of expenditure:

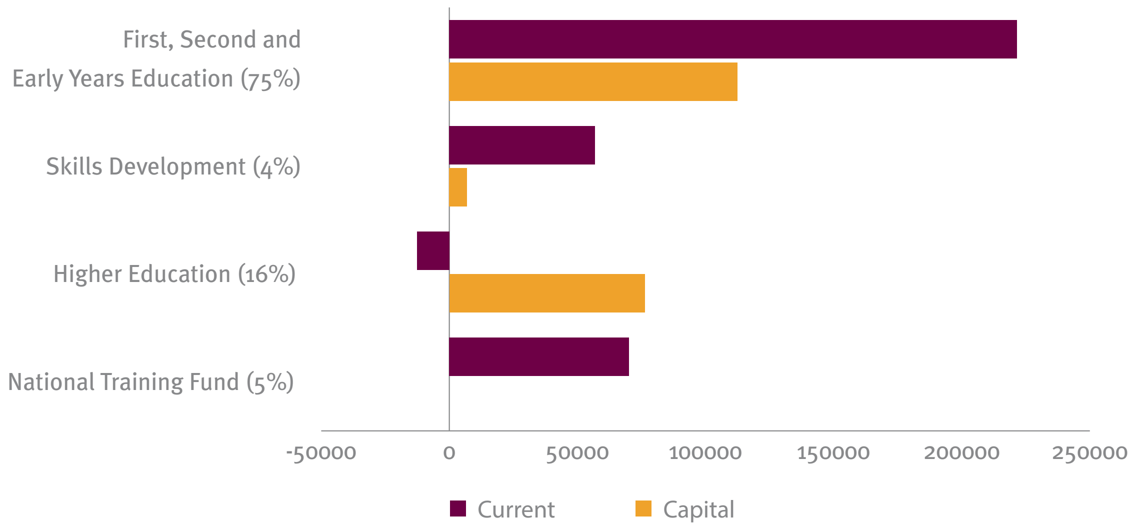
- Programmes for those in Employment
- Skills acquisition for the purposes of taking up Employment

The recommendations of the *Indecon Review of the National Training Fund,*[36] stated that the NTF should focus on utilising its surplus to increase its focus on supports for those *in employment*.

Programmes for those in Employment are therefore an obvious priority area for 2019; the Revised Estimates 2019 shows this area of expenditure under the NTF rising by 30% from €154 million to just under €200 million. The largest area under the NTF (Skills acquisition for the purposes of taking up employment) targets those out of employment; this is rising 9% from €260 million to €284 million.

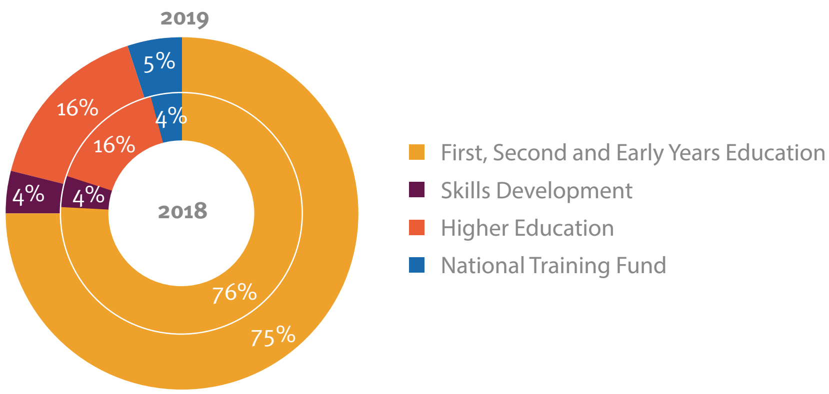
36 *Indecon Review of the National Training Fund*, p. 88.

Figure 5: Change in Programme Allocations and the National Training Fund 2018 v 2019 (€000s)



Source: Revised Estimates for Public Services 2019.

Figure 6: Share of Expenditure by Programme (and NTF), 2018 and 2019



Source: Revised Estimates for Public Services 2019.

Supplementary Estimate 2018 - Recurring Issues

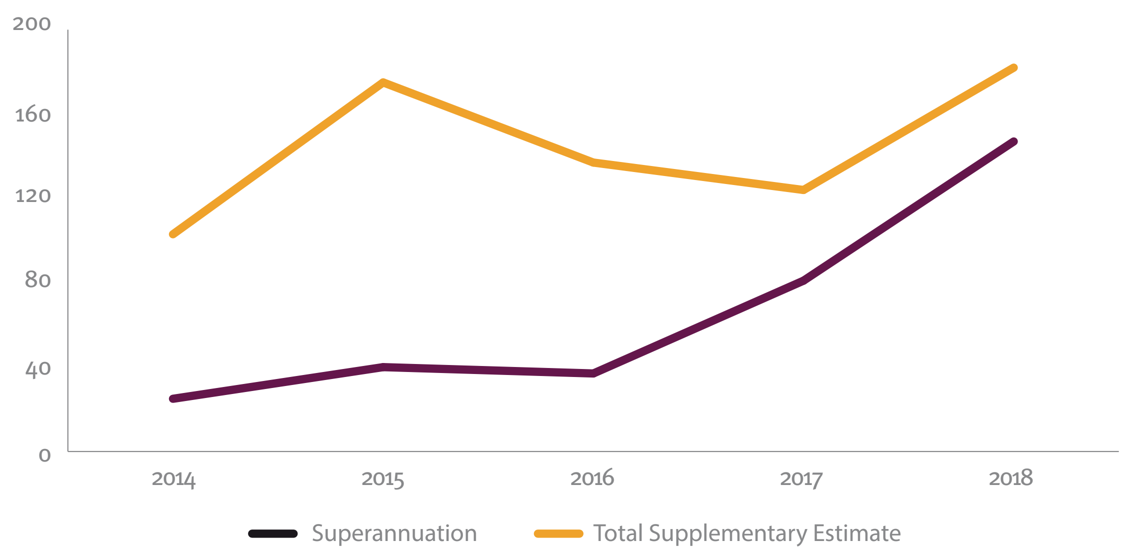
The Supplementary Estimate in 2018 was a result of two recurring issues within the Education Vote:

- Teacher retirements above profile; and
- Timing of claims under the European Social Fund.

Retirements at first, second and third level

The modelling of retirements from the Education sector has been an ongoing issue, requiring Supplementary Estimates in each year since 2014. Figure 7 illustrates the trend between 2014 and 2018 for Supplementary Estimates, and superannuation within them. Since 2014, a Supplementary Estimate has been required to meet retirements beyond profile, and the amount of additional funding needed has grown. In 2014, superannuation made up 24% of the Supplementary Estimate, while in 2018 it made up 81%, while the overall size of the Supplementary Estimate required increased. However, while the number of retirees has consistently exceeded the profile set in the *Revised Estimates for Public Services*, it could not be described as an unexpected number of retirees. In 2017, then Minister Bruton said "this is not new. There is no unusual outflow. There were 1,114 last year and 1,168 this year"[37] and Minister McHugh said of the 2018 Supplementary Estimate that "the trend [in retirements] has been broadly constant for a number *[of]* years."[38] Based on Figure 7 below, it appears that the trend has been significantly upward since 2016, but the current level of Supplementary Estimate required is a substantial increase from just five years ago.

Figure 7: Supplementary Estimate required to fund retirements above profile (€ millions)



Source: Supplementary Estimates 2014-2018.

37 *Select Committee on Education and Skills debate – Tuesday 5 Dec 2017.*

38 *Select Committee on Education and Skills debate – Tuesday 4 Dec 2018.*

In 2018, the Supplementary Estimate related to 1,462 additional retirements beyond those allowed for in *Revised Estimates 2018*.[39] However, as Table 8 shows, the number of pensioners for 2018 under Vote 26 did not change. When the additional pensioners funded by Supplementary Estimate 2018 are added to the total from *Revised Estimates 2018*, the total is above the estimated profile for 2019. In addition, the year-on-year change in pensioner number allowed for by the *Revised Estimates 2019* is significantly lower than the change between 2017 and 2018, when the Supplementary Estimate is included.

Table 8: Change in estimated Pensioners under the Education and Skills Vote

	2018	Year-on-Year Change	2019	Year-on-Year Change
Revised Estimates 2018	47,442	962	N/A	N/A
Revised Estimates 2019	47,442	962	48,869	1,427
Supplementary Estimate 2018	+1,462	2,424	N/A	N/A
Including Supplementary Estimate	48,904	2,424		

Source: Revised Estimates for Public Services 2018, Revised Estimates 2019 and Select Committee on Education and Skills debate – Tuesday, 4 Dec 2018.

It does not appear that the change in the number of retirees that necessitated the Supplementary Estimate in 2018 has been reflected in the statistics included in the *Revised Estimates for Public Services 2019*. However, the Departments of Public Expenditure and Reform and Education and Skills have tried to resolve the issue by including the Supplementary Estimate and allowing for a larger year-on-year change in 2019. However, it appears the disagreement between the two Departments about how to forecast retirements has not been resolved. **The solution used in *Revised Estimates 2019* will not resolve the underlying difficulties with agreeing a method for forecasting retirements in the education sector.**

European Social Fund

In 2018, a timing issue with receipts from the European Social Fund (ESF) required a Supplementary Estimate of €34.7 million for the Education and Skills Vote. At the time, this was described as a contingency position, and there was a possibility that instead of a shortfall in receipts from the European Social Fund, the Department may actually end up with an excess of receipts in 2018. This was because the claim for payment from the European Social Fund was submitted in November[40] for €109 million in ESF co-funding (i.e. an excess of €74 million above estimate).[41] It is not clear whether this funding was received. The *Revised Estimates for Public Services 2019* records ESF receipts for 2018 as €325,000, and forecasts €35 million of receipts in 2019. Under the National Training Fund, a further €5 million is recorded as received in 2018, with €59 million forecast for 2019. Thus, over 2018 and 2019, receipts from the ESF to Vote 26 and the NTF are expected to be about €99 million in total.

39 *Select Committee on Education and Skills debate – Tuesday 4 Dec 2018.*

40 *Which raised the risk that it would not be paid by the end of the year.*

41 *Select Committee on Education and Skills debate – Tuesday 4 December 2018.*

The European Social Fund (and all of the European Structural and Investment Funds) remain a source of uncertainty in the budgeting framework – as the accounting year of the funds is not aligned with the budget year (running from July to June instead of January to December). In addition, the deadline for making claims without losing any of Ireland's allocation is 31st December of each year – meaning that the payments from the fund will be received in the following year. **Alignment of the timing of claims for EU funds with the budget cycle would remove some of this uncertainty.** This would involve:

- Timing claims earlier in the year; and
- Including claims to be made in December in spending plans for the following year at budget time.

National Training Fund

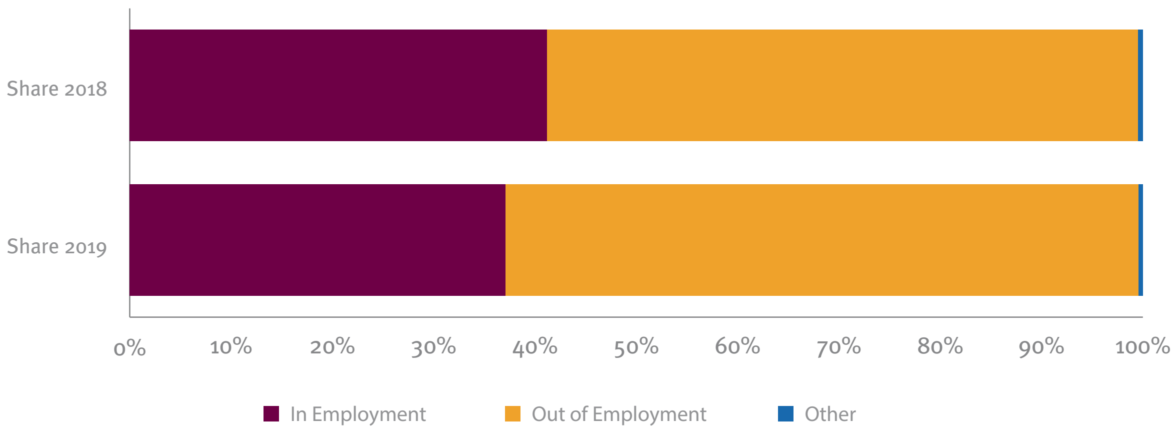
The PBO has previously published a note on *The National Training Fund*, which gives more detail about the Fund itself.

In 2018, the National Training Fund was reviewed by Indecon on behalf of the Department of Education and Skills, leading to a number of recommendations covering:

- Reform of the Future Direction of the NTF;
- Utilising the NTF to Support Investment in Higher Education;
- Enhancing Enterprise Engagement and Input to NTF Priorities; and
- Improvements in Monitoring/Evaluation of the NTF.

The effect of these recommendations can be seen in the Revised Estimates 2019. As Figure 8 shows, the allocations for 2019 include a slight re-prioritisation from supports for those seeking employment to those already in employment – in line with the recommendations of the Indecon Report.

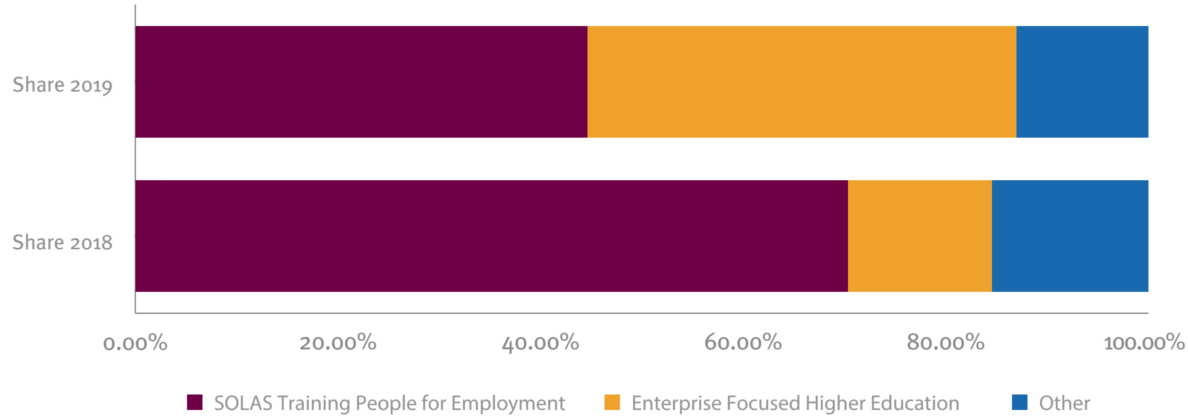
Figure 8: National Training Fund Allocations 2018-2019



Source: Revised Estimates for Public Services 2019.

In addition, as Figure 9 shows, within the supports for those Out of Employment, there has been a large re-prioritisation away from SOLAS. This is largely a result of courses under Level 5 of the NFQ being reallocated to the Exchequer (now under the Skills Development Programme in Vote 26). Within the NTF, this expenditure is being replaced with €83.1 million of additional funding for Enterprise Focused Higher Education. In 2018, this funding was focused on three areas: Medical Devices, Tourism and Food and Languages.[42] However, given the scale of the increase in 2019, this funding may expand the range of courses funded by Labour Market Focused Higher Education Provision.

Figure 9: Allocations within National Training Fund interventions for those seeking employment



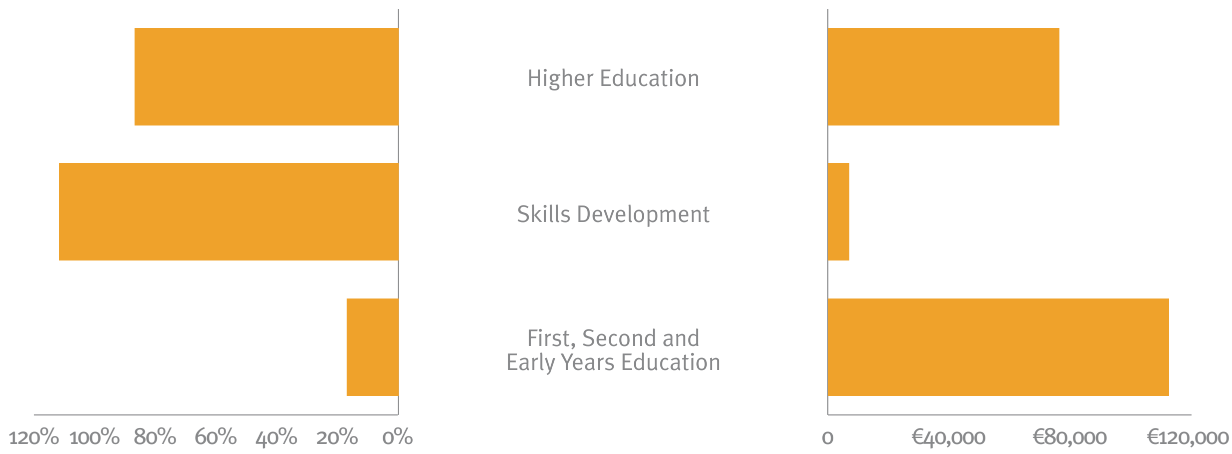
Source: Revised Estimates for Public Services 2019.

Capital Expenditure

In 2019, capital expenditure is projected to rise by €196 million (to a total of €941 million), which equates to an increase of 26% over 2018. As Figure 10 shows, the increase in capital expenditure is largest in absolute value under First, Second and Early Years Education (€112 million), while the largest proportional increase is in Skills Development (112%). The most notable aspect of the increase in 2019 is a substantial increase in capital expenditure under Higher Education. However, the performance metrics do not reflect this changing priority for capital expenditure – **there are no *key high level metrics* for capital projects under either Skills Development or Higher Education, despite the substantial increase in allocation.**

42 *National Training Fund Expenditure Report 2018*, *Department of Education and Skills (2018), p. 23 – 24.*

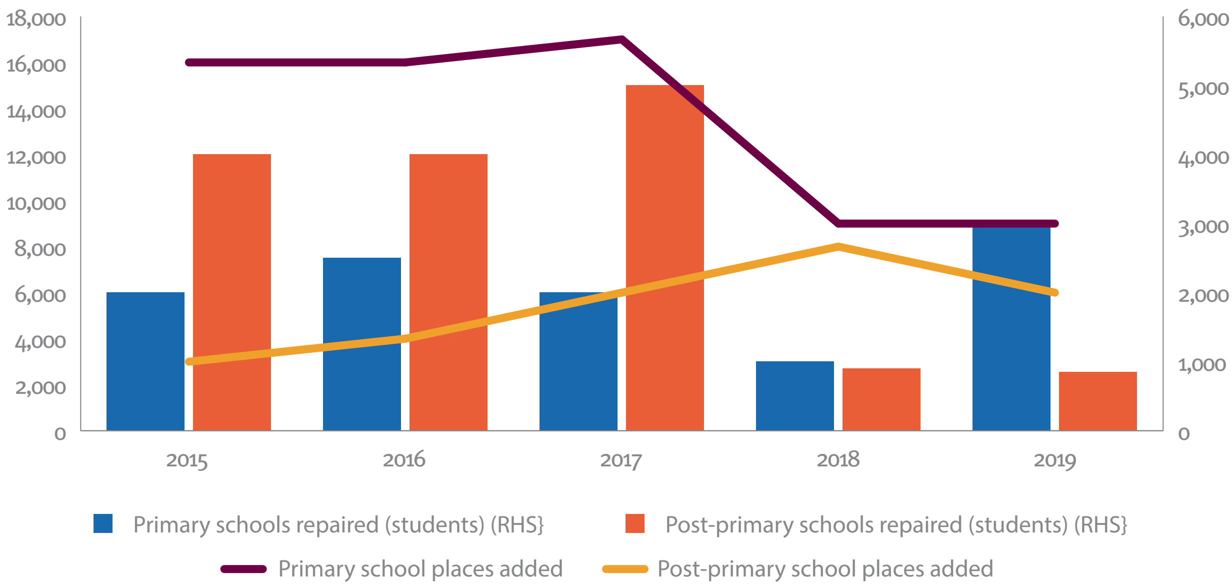
Figure 10: Change in Gross Voted Capital Expenditure, 2018-2019, % and €000s



Source: Revised Estimates for Public Services 2019.

In addition, Figure 11 shows that the change in the level of expenditure does not seem to be reflected in the targets for school places to be added. It's not clear whether the increase in repairs for primary schools is the main driver for the increased capital expenditure, or whether the metrics in the Revised Estimates do not capture the capital activities of the Department.

Figure 11: Capital Services Target Output Metrics 2015-2019



Source: Revised Estimates for Public Services 2016-2019.

Vote 34 Housing, Planning and Local Government

Gross Allocation for Vote 34 in the Revised Estimates for Public Services 2019 is €4 billion.

Vote 34 – Housing, Planning and Local Government

Introduction

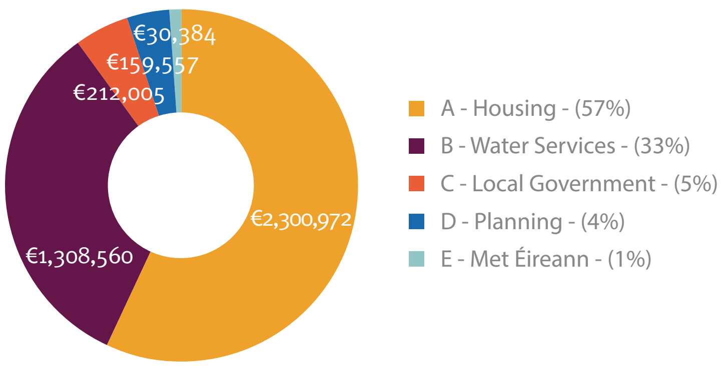
This Vote is the smallest of the four Votes which are being analysed in detail in this Briefing Paper. However, as illustrated by Figure 1, Vote 34 emerged as one of the leading priorities in Budget 2019 and comprises over 6% of the Gross Voted Allocation proposed for 2019.[43] The PBO provides a detailed examination of how this Vote is structured in the Revised Estimates in *The Local Government Fund and Vote 34 in the Revised Estimates for Public Services* (2018). The PBO's analysis suggests a number of issues to be addressed including:

- Changes to Programme A's structure;
- Lack of clarity in 'Key High Level Metrics';
- The difficulties in linking the allocations and performance data set out in the Revised Estimates with other reporting by the Department of Housing, Planning and Local Government; and
- The potential challenge facing the Department in relation to unit cost of capital funded social housing units in 2019.

Overview of the 2019 Voted allocation for Vote 34

The **gross allocation** for Vote 34 (Housing, Planning and Local Government) in 2019 is €4,011.5 million; an increase of €617 million (+18%) on 2018. The gross allocation is distributed across the five programmes comprising the Vote as illustrated in Figure 12. Appropriations-in-Aid are projected to be €61.2 million; a reduction of own income of €2 million (-3%) on 2018. Appropriations-in-Aid are offset against expenditure and as a result, the **net allocation** to be approved by Dáil Éireann for 2019 is €3,950.3 million.

Figure 12: 2019 Gross Voted Allocations (€000's) for programmes in Vote 34



Source: PBO, based on the Revised Estimates for Public Services 2019 (2018).

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43 *PBO Infographic 5 of 2018, Gross Current and Capital Expenditure Ceilings 2019 by Ministerial Vote Group (2018).*

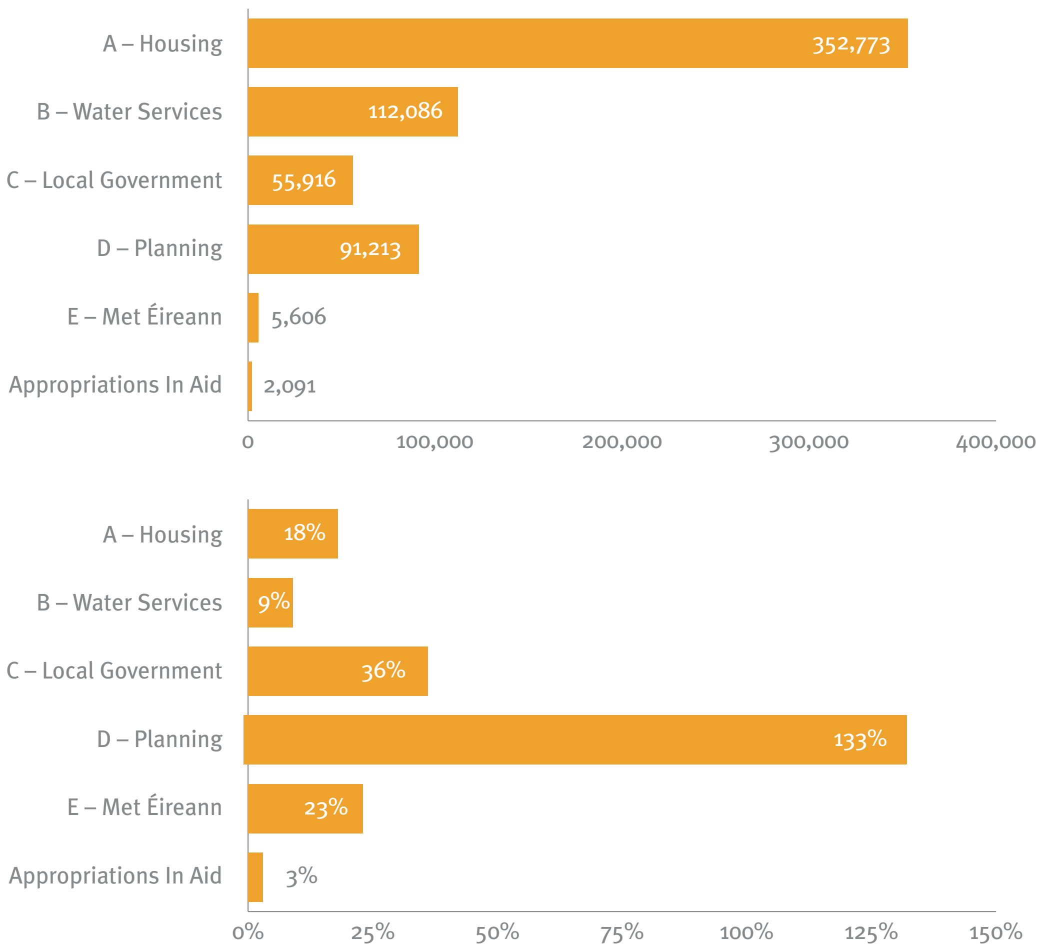
€2,137 million (53%) of the gross Voted *total* programme allocation is for capital expenditure with the balance composed of a current allocation of €1,875 million. 50% (€2,020 million) of the gross Voted total allocation is the combined *capital* allocation of *programme A 'Housing'* (€1,336 million) and *programme B 'Water'* (€685 million). Similarly, 40% of the combined current allocation relates to programme A 'Housing' (€965 million) and programme B 'Water' (€624 million).

Changes in the Gross Allocations for programmes, 2018 v 2019

As illustrated in Figure 12, the gross allocation of the Vote in 2019 is primarily (90%) concerned with just two programmes; Housing and Water Services. Notwithstanding the increase in the Vote allocation overall in 2019 over 2018 – this is a slight % reduction in the combined allocations of Programme A 'Housing' and Programme B 'Water Services' over 2018.

Figure 13 illustrates the scale and percentage of change in the programme allocations from 2018 to 2019.

Figure 13: Vote 34, Changes in Expenditure and Income Projections, 2018 v 2019



Source: PBO based on the Revised Estimates for Public Services 2019 (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 the chart above is therefore shown as a positive figure/percentage.

The changes in expenditure and income projections illustrated in Figure 13 are:

- Programme A 'Housing' has grown substantially both nominally and relative to its 2018 allocation. €353 million (18%) additional has been allocated over the end-year 2018 allocation; however, compared to the allocation set out in Revised Estimates 2018 the increase is €473 million (26%);
- Programme B 'Water's allocation has grown by €112 million. This is due to a large increase in its capital allocation of €153 million. This has been offset by a reduction in its current allocation of €41 million;
- Programme C 'Local Government's allocation has grown. This Programme, like Programme B, has been affected by the *Water Services Act 2017*.[44] Programme C's allocation has grown in 2019 by 45.1% over the allocation set out in the Revised Estimates 2018; however, it remains at 55% of the 2017 end-year programme expenditure;[45]
- Programme D 'Planning's allocation has grown by a greater proportion than any other Programme in this Vote (133%). 72% (€66 million) of this increase is attributable to one subhead 'D.9 – Urban Renewal/Regeneration'; and
- Programme E 'Met Éireann' has an increased allocation of 23% (€5.6 million). The majority of this increase is attributable to subhead 'E.2 – Administration – Non-Pay'. Met Éireann's staffing is projected to increase from 181 to 194 (+13); however, the allocation to 'E.1 – Administration – Pay' is just €48,000 for 2019. This may suggest that the increased staffing is projected to occur towards year-end 2019.

Expenditure Trends 2015-2019

Figure 14 illustrates the expenditure for Vote 34 by programme from 2015 to 2019. Figures for 2018 and 2019 are gross allocations; all other years are actual expenditure. Technical changes to the structure of the Vote, particularly as a result of the *Water Services Act 2017*, significantly distort the picture of Programme B and C. It will therefore be a number of years before meaningful trend analysis based on the data in the Revised Estimates for Public Services can be illustrated. Figure 14 does clearly illustrate that:

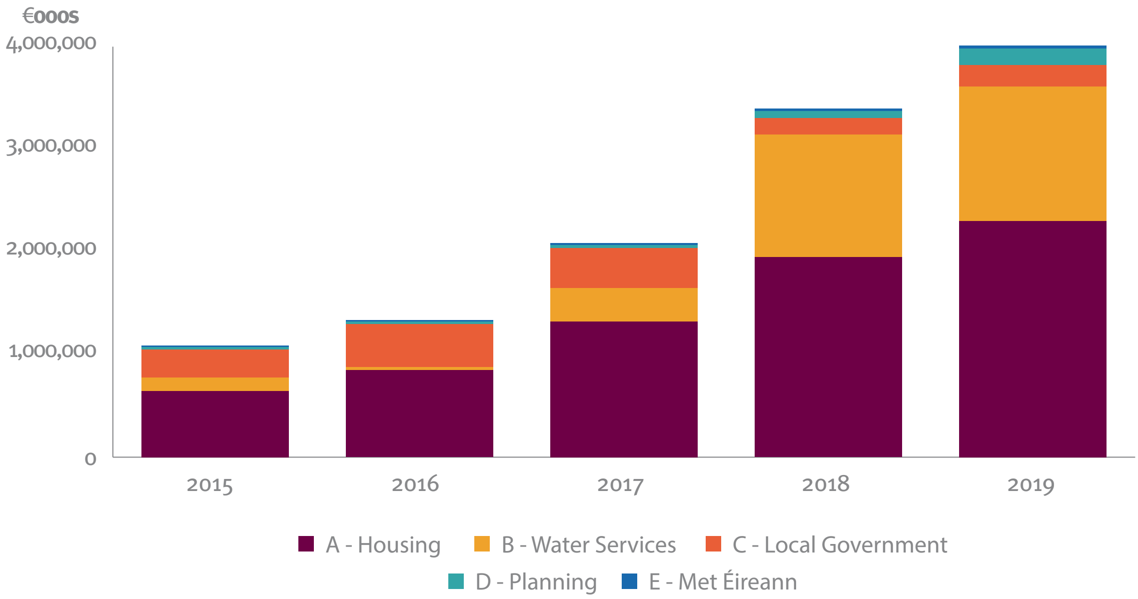
- Funding for Programme A 'Housing' has seen a very significant increase between 2015 and 2019;
- Funding for Programme B 'Water Services' initially contracted; however, it has rapidly increased since the Water Services Act 2017;
- Programme C 'Local Government' contracted in 2018 but has grown somewhat in 2019. This corresponds to structural reforms of the Local Government Fund;[46]
- The allocation of Programme D 'Planning' has doubled in 2019 over 2018; and
- Programme E 'Met Éireann' has grown by 23% in 2019; however, it still accounts for just 1% of the allocation of Vote 34.

44 *See PBO, The Local Government Fund and Vote 34 in the Revised Estimates for Public Services (2018).*

45 *Revised Estimates for Public Services 2019 (2018) and DPER Databank.*

46 *See PBO, The Local Government Fund and Vote 34 in the Revised Estimates for Public Services (2018).*

Figure 14: Vote 34 Expenditure Analysis 2015-2019



Source: PBO based on data sourced from the DPER databank.

Notes: The Programme 'Community' with an allocation of €80.6 million 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 – €15.6 million in 2018, and €15.8 million in 2019) was transferred from the Department of Justice and Equality to the Department of Housing, Planning and Local Government with effect from 1st January 2018.

Programmes B and C were significantly affected by the Water Services Act 2017. The impact of the Act upon these Programmes is summarised by the PBO in The Local Government Fund and Vote 34 in the Revised Estimates for Public Services (2018).

Programme A – Housing

The Revised Estimates 2019 set out an allocation of €2,301 million for Programme A 'Housing', representing 57% of the gross Vote allocation. The 2019 allocation for Programme A is an increase on 2018 of €203 million (26.6%) current and €151 million (12.7%) capital. The *Revised Estimates for Public Services 2018* set out an allocation of €1,828 million for Programme A 'Housing'. However, changes arising from the *Supplementary Estimates for Public Services 2018* means that the final programme allocation for 2018 was €1,948 million.[47]

There are significant changes to the presentation of information in Programme A in the Revised Estimates 2019, in particular, there has been an expansion in the number of subheads from ten to twenty-five. Four subheads appear to be discontinued in Revised Estimates 2019 while a further six of Programme A's subheads in 2019 are unchanged from 2018. The six 'Shared' subheads, which appear in both the *Revised Estimates 2018* and *2019*, are set out in Table 9. In some cases these subheads are renumbered (but retain the title and presumably therefore the purpose they served in the *Revised Estimates 2018*).

47 *The analysis set out below and in Table 1 and Figure 5 does not make reference to the allocations set out in the Supplementary Estimates 2018.*

Table 9: Shared Subheads – Programme A, 2018 v. 2019

2018	2019
A.1 Administration – Pay	A.1 Administration – Pay
A.2 Administration – Non-Pay	A.2 Administration – Non-Pay
A.3 Local Authority Housing	A.3 Local Authority Housing
A.7 Private Housing Grants	A.18 Private Housing Grants
A.9 Infrastructure Fund	A.21 Infrastructure Fund
A.10 Other Services	A.25 Other Services

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

In the Revised Estimate 2018, these six 'Shared' subheads were allocated approximately €1.3 billion (71%) of the Gross Voted Allocation of Programme A for 2018; however, in the Revised Estimates 2019 these subheads accounted for €958 million (42% of the gross allocation) for 2019. **It would appear that the range of current funded schemes represented by the 'other' subheads introduced in the Revised Estimates 2019 provide detail for schemes and programmes which were previously aggregated under the current allocation of subhead A.3. This greater level of detail provides a more accurate representation of the objectives served by particular subheads and is to be welcomed.** The full range of metrics for the Housing Programme are set out in Table 11.

Approximately 80% of the increased capital allocation in Programme A (in 2019 over 2018) occurs in two subheads:

- A.3 Local Authority Housing: +€65.8 million; and
- A.21 Infrastructure Fund: +€55 million.

Notwithstanding increased allocations in excess of 25% for both current and capital (over the allocations in the Revised Estimates 2018), two key high level metrics, in particular, set out in the Revised Estimates 2019 raise questions as to the targeted outputs of these allocations:

- Total no. of social housing units to secure through Current Funded Programmes; and
- Total no. of social housing units to secure through Social Housing Capital Programmes.

Together these metrics equate to the additional number of Social Housing units secured, represented by a third metric 'Total no. of social housing needs met'. The output targets for each of these metrics have been modified from 2018; with a reduction of 0.6% (-110) in the output target for units secured through Current Funded Programmes and an increase of 34.1% (+2,001) units secured through capital programmes. This suggests that an increased capital allocation of 12.7% (or 25.4% over the allocation set out for 2018 in the Revised Estimates 2018) is expected to generate an additional 34.1% output.

Current and Capital Funded Housing Supply

Figure 15 and Figure 16 illustrate supplies of housing units through current and capital funded programmes respectively. This data **tracks increases in the number of housing units since a base year of 2016** i.e. these Figures track increased housing stock from 2016 onwards. The allocations are the current and capital allocations of Programme A of Vote 34 in each year, with end-year figures used where available.

Detailed analysis of the provision of Social Housing through current and capital expenditure was conducted by IGEES in July 2018.[48] Amongst other findings, this IGEES paper found that the Net Present Cost of provision of social housing was largely determined by the housing market in a given area. In areas with higher costs the more cost effective housing solution tended to be through capital funded schemes; whereas, in areas with lower costs, current funded provision tended to be associated with lower Net Present Cost. As such, how best (herein meaning most cost-effective method) to provide social housing cannot be determined at a national/aggregate level. In addition, while the Revised Estimates does provide metrics for how many social housing units have been provided through either capital or current funded programmes, they do not reflect the geographical dimension highlighted in the IGEES paper.

The PBO has used Department of Housing, Planning and Local Government, *Social Housing Construction Projects: Status Report Q3 2018* (December 2018) and Department of Housing, Planning and Local Government, *Social Housing Delivery 2018* (February 2019) as its source for the number of social housing units provided in the period 2016 to end 2018. These sources were chosen as the data therein can be easily aligned with data in the Revised Estimates.

It is possible to align figures from alternative sources with the Revised Estimates; however, this can be more challenging as, for example, figures provided in *Rebuilding Ireland – Progress against Targets* (2019) "have been revised following a review of the data presentation of delivery outputs. The revised tables [...] move away from presenting the data grouped by funding stream and programme. The revised presentation aims to provide clarity in relation to Local Authority (LA) delivery and Approved Housing Body (AHB) delivery under each delivery stream."[49] This modification places social housing units provided through leasing alongside capital funded social housing units; this requires a user to undo this modification in order to align outputs reported therein with outputs as reported in the Revised Estimates. **This makes analysis of social housing provision in the context of the Revised Estimates more challenging.**

Current Funded Programmes: Housing Supply

Current expenditure under the 'Housing' programme is projected to be €965.3 million in 2019. The non-pay element of this is €943.3 million. In the absence of clearer data in the Revised Estimates 2019, the PBO uses this figure as a proxy for the total cost of social housing units provided through current funded schemes.

The Housing Assistance Payment (HAP) is the primary method of providing additional housing stock through current expenditure – with Rental Accommodation Scheme (RAS) and Leasing supply remaining relatively static over the period. Current funding in a given year pays not only for additional units but will also be utilised to retain existing stock e.g. rent must continue to be paid on properties secured in preceding years.[50]

48 *IGEES, Spending Review 2018: Current and Capital Expenditure on Social Housing Delivery Mechanisms (July 2018).*

49 *Department of Housing, Planning and Local Government, 'Overall social housing provision'*

50 *In this Briefing Paper housing stock refers to both capital funded housing units (New builds, acquisitions, and voids) and also the social housing units funded through current schemes i.e. Housing Assistance Payment etc.*

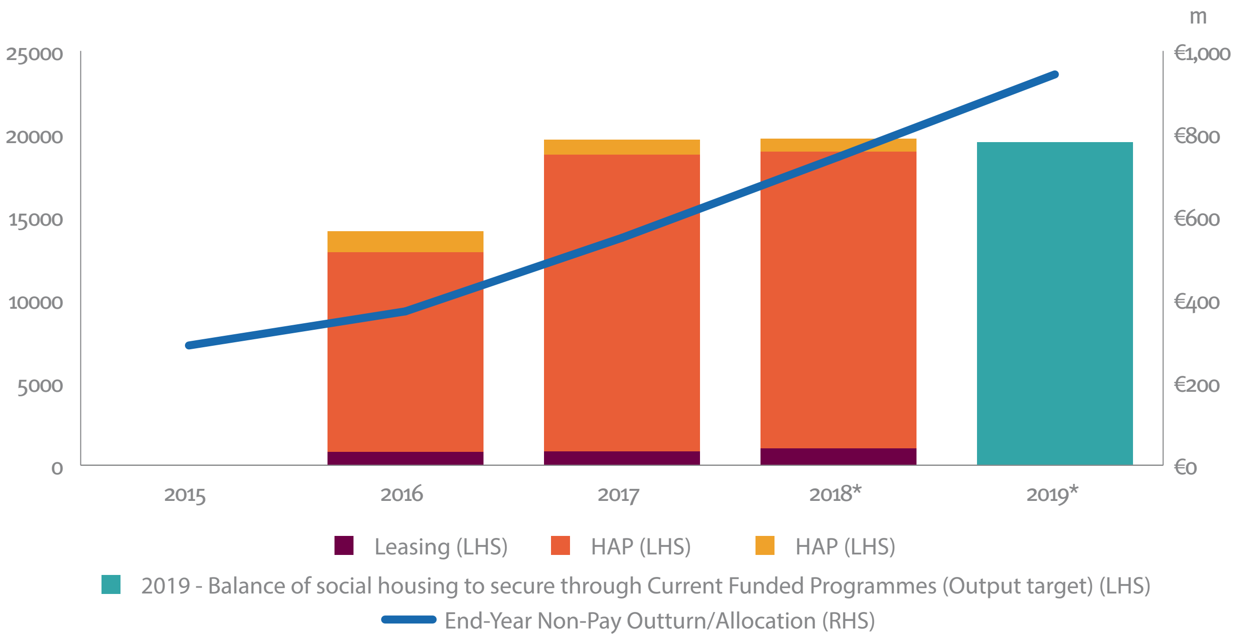
Table 10: Additional Housing Unit Delivery 2016-2019: Outturn v Target (Capital and Current)

	Capital (Outturn)	Capital (Target)	Current (Outturn)	Current (Target)
2016	4,922	4,015	14,123	13,225
2017	6,268	4,450	19,633	16,600
2018	7,421	5,869	19,682	19,600
2019		7,870		19,490

Source: PBO based on the Revised Estimates for Public Services 2018 (2017); Revised Estimates for Public Services 2019 (2018); and Department of Housing, Planning and Local Government, Social Housing Delivery 2018 (February 2019).

Table 10 illustrates targeted housing delivery targets against actual housing delivery for the period 2016 to 2019. In the period 2016-2018 output exceeded the target set for both capital and current delivery of housing units. The *Supplementary Estimates for Public Services 2018* increased Programme A's capital allocation (€120 million to A.3 'Local Authority Housing') but the associated output targets for 2018 were not subject to revision.

Figure 15: Current Funded Additional Housing Units (from 2015) and End-Year Current Outturn/ Allocations*



Source: PBO based on Department of Housing, Planning and Local Government, Social Housing Construction Projects: Status Report Q3 2018 (December 2018); Department of Housing, Planning and Local Government, Social Housing Delivery 2018 (February 2019); and the DPER Databank.

**Data for 2019 is sourced from the Revised Estimates 2019. Financial data is as set out in the Revised Estimates 2019 (for 2018 and 2019) or in PER Databank (2015-2017).*

Figure 15 illustrates the additional current funded social housing units since a base year of 2016; however, it provides the total non-pay current financial allocation for Programme A from 2015. It does so for two reasons:

I. Current funded social housing units have a recurring cost e.g. rental cost. This means that in each year the current allocation provides both for retention of some, or all, existing stock and additional stock; and

II. To illustrate the link between increased allocations and the number of additional units provided.[51]

Figure 15 illustrates that there has been a cumulative increase in housing stock funded via current expenditure programmes since the beginning of 2016 (53,438 additional units). Since 2015, the non-pay expenditure in the 'Housing' Programme has increased by €654 million (226%).

It is not clear how much of this growth relates to 'new' social housing units rather than transfers from payments administered under other Vote 37 (see discussion on p.56).

Capital Funded Housing Supply

Figure 16 illustrates that capital allocations have been increasing over the period 2015-2019. Figure 16 also illustrates that Housing unit delivery, via capital funded programmes, is broadly projected to increase year-on-year; however, the cost per unit fluctuates significantly in the period 2016 to 2019 with a low of approximately €94,300 per unit in 2016 rising to approximately €143,600 per unit in 2018 (see Figure 17).

The capital allocation for Programme A in 2019 is an increase of €871.5 million (188%) over 2016 levels; however, the number of units to be delivered has increased by 96% (from 4,015 to 7,870). These figures suggest a range of possibilities including whether or not there is:

- A possible 'timelag' effect between making funds available and completion of units;
- Geographic and other factors;
- A limited ability to scale up the number of units to be constructed; and/or
- Inflationary pressures affecting the cost of the units that are constructed.

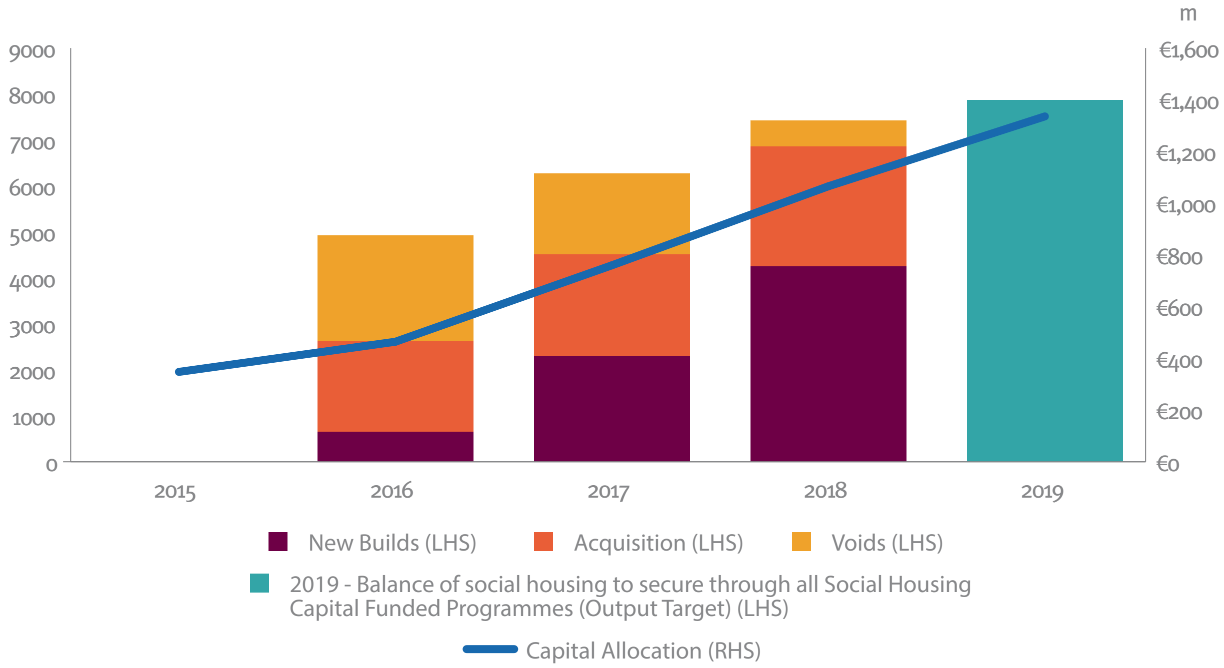
At end-Q3 2018 the number of voids is significantly lower than in preceding years. Voids are defined by the Housing Agency as "any property that doesn't have a tenant living in it for a period of time";[52] as such, the cost of refurbishment of voids, is considerably lower in many cases than the purchase or construction of a property (in the period 2014 to 2017 the average cost of refurbishing a void was approximately €12,900).[53] Effective void management processes are likely to decrease the number of properties that can be made available through this process, thereby suggesting that over time it will be necessary to provide greater proportions of capital funded units via new builds or construction. This would also imply higher per unit costs.

51 *Unlike in capital expenditure, it cannot be assumed that a direct link exists between additional allocations and increased output (more social housing units). This is because the base (existing stock) could also be subject to price inflation. This could, inter alia, occur as rental costs increase.*

52 *Housing Agency, Effective Void Management in Ireland (October 2015).*

53 *Minister for Housing Planning and Local Government Eoghan Murphy TD, 'Written Answer' (24 January 2018).*

Figure 16: Additional Housing Units Supplied via Capital Funded Programmes and End-Year Capital 2015-2019*



Source: PBO based on Department of Housing, Planning and Local Government, Social Housing Construction Projects: Status Report Q3 2018 (December 2018); Department of Housing, Planning and Local Government, Social Housing Delivery 2018 (February 2019); and the DPER Databank.

**Data for 2019 is sourced from the Revised Estimates 2019. Financial data is as set out in the Revised Estimates 2019 (for 2018 and 2019) or in PER Databank (2015-2017).*

Over the period 2015-2019 the balance between current and capital expenditure under Programme A has remained relatively stable; notwithstanding significant growth in non-pay current expenditure (+226%) and capital expenditure (+284%) over the period.

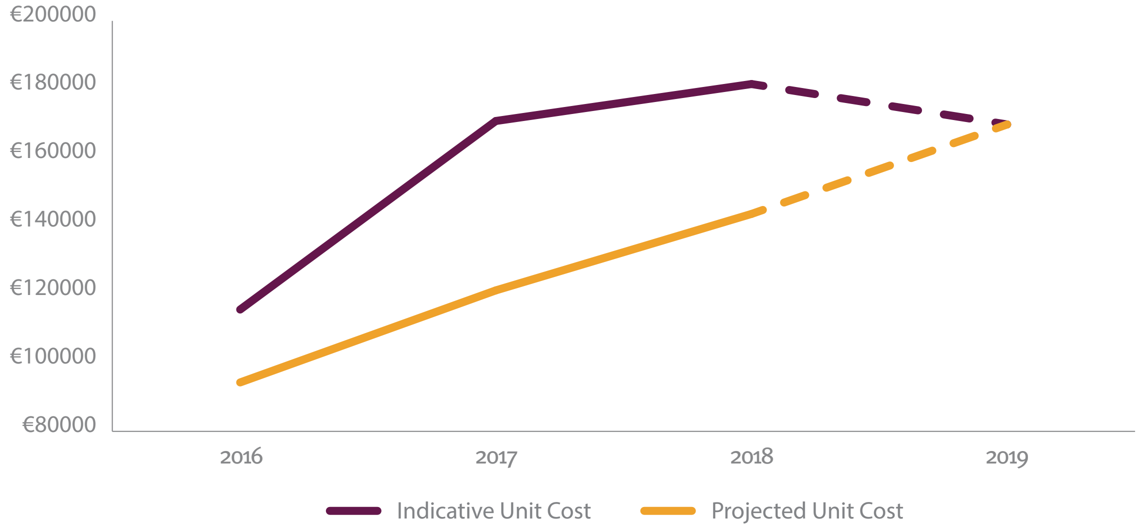
- In 2015, 45% of expenditure on housing stock was current funded and provided 74% of all additional units in that year. 55% of expenditure in 2015 was on capital schemes and provided 26% of additional units in that year.
- In 2019, 41% of expenditure on housing stock is current funded and is projected to provide 71% of all additional units. 59% of expenditure is on capital schemes and is projected to provide 29% of additional units in 2019.

Figure 16 illustrates that, since 2016, there have been significant increases in capital expenditure under Programme A. Capital expenditure delivers housing units which represent additional long-term stock (albeit necessitating maintenance expenditure). Current expenditure relies on the availability of (potentially short to medium-term) stock in the private rented sector and represents an ongoing cost which is subject to price fluctuation.

Figure 17 illustrates the fluctuation in the average per unit cost of social housing funded via capital programmes. A comparable measure for the unit cost of social housing funded via current programmes was not possible as it would require the PBO to make too wide a range of assumptions.[54]

54 *This would include an assumption that housing units secured in previous years remained at the same cost e.g. rents would not increase on previously secured properties.*

Figure 17: Indicative Average Unit Cost (Capital Funded Programmes) 2016-2019



Source: PBO based on provisional outturn of capital allocation of Programme A 'Housing' in the Revised Estimates for Public Services 2017-2019; Department of Housing, Planning and Local Government, Social Housing Construction Projects: Status Report Q3 2018 (December 2018); and Department of Housing, Planning and Local Government, Social Housing Delivery 2018 (February 2019).

Figure 17 illustrates (in purple) the unit cost based on the capital allocation set out in the Revised Estimates for the given year divided by the output target of 'Total no. of social housing units to secure through Social Housing Capital Programmes'. This reflects the average cost per unit anticipated by the Department for the coming year.

Figure 17 illustrates (in orange) the unit cost based on the provisional outturn of capital allocation and the units actually provided in-year. The trend in orange therefore reflects the indicative in-year average 'actual' cost of an average housing unit.

Figure 17 illustrates:

- The average unit cost of social housing supplied through capital funded schemes appears to have risen significantly in recent years –from €94,300 in 2016 to €143,600 in 2018. This may be due, in part, to increasing reliance on new builds and acquisitions to add to social housing stock;[55]
- There appear to have been large increases in the average unit cost of housing funded through capital schemes in the period 2016 to 2018 (+52.2%);
- It would appear that the projected average cost of units funded through capital schemes in 2018 (€181,533) is projected to decrease to €169,718 (-6.5%) in 2019. This would be a significant reversal of the trend from 2016 to 2018; and
- The projected unit cost in 2019 (€169,718) is an increase of €26,150 (+18.2%) over the indicative cost in 2018.

The PBO suggests that setting out metrics in the Revised Estimates for the unit cost of both current and capital funded social housing units provided may assist in scrutiny of this Programme. These metrics could be further disaggregated by scheme to allow for more detailed comparative analysis.

55 *Other factors such as construction inflation have been mentioned earlier.*

Housing Metrics

The key high level metrics provided in the Revised Estimates in relation to reporting Programme A's targets and, ultimately, its performance against those targets are problematic insofar as it is not possible to link individual subheads to the two aggregate metrics, namely:

- Total no. of social housing units to secure through Current Funded Programmes; and
- Total no. of social housing units to secure through Social Housing Capital Programmes.

It would be of assistance if metrics clearly indicated the subhead(s) to which they relate. Metrics could also be sorted under the relevant aggregate metric (see above). Based on the data in the Revised Estimates it is not possible to determine which metrics contribute to the cumulative outputs in the aggregate metrics above. To this end, the PBO contacted the Department of Housing, Planning and Local Government on 14 January 2019 with a request to provide data setting out the subheads to which each metric in the Revised Estimates 2019 related. The PBO received the response of the Department of Housing, Planning and Local Government on 5 February. The PBO has adapted (see Table 11) the information returned in order to structure and categorise the 'Key High Level Metrics' of Programme A according to the structure of current vs. capital funded programmes. The balance of metrics are included in a third 'miscellaneous' categorisation.

In the absence of the additional information provided by the Department of Housing, Planning and Local Government the lack of clear links between metrics and subheads and the poor linkage between metrics and either current or capital programmes results in inconsistencies. For example, metrics which clearly relate to capital funded subheads tend to overlap i.e. metrics are related to expenditure sourced from more than one subhead.

Even with the information provided in the Revised Estimates, there remain a number of issues:

- Subhead A.3 has no independent metric notwithstanding the fact that it is responsible for provision of 3,694 (47%) of all capital funded social housing units in 2019;
- Two metrics relate to the same subheads yet have different associated output targets ('Total no. of social housing units to secure through Capital Funded Programmes'; and 'Total no. of social housing units to secure through all Build Programmes');
- The subtotal of outputs for capital funded programmes is lower (7,495) than the aggregate total of capital funded social housing units (7,870). The balance (375) may partly be explained by units provided under subhead A.12 'No. of Traveller Specific Units to deliver'; and
- The metrics for current funded social housing units address only 17,360 units of 19,490 i.e. there is no metric(s) clearly linked to the supply of the balance of 2,130 social housing units.

Table 11: Key High Level Metrics (Programme A – Vote 34)

Subhead(s) 2019 (Subhead(s) 2017 and 2018)	Metric	2019 Output Target
A.4, A.5, A.6 (A.3)	**Total no. of social housing units to secure through Current Funded Programmes**	**19,490**
A.5 (A.3)	No. of additional households to transfer from rent supplement to Rental Accommodation Scheme	600
A.6 (A.3)	No. of additional households to be supported by Housing Assistance Payments (HAP)	16,760
Subtotal	PBO Note: Subheads A.5 and A.6	***17,360***
A.3, A.7, A.11, A.15, A.16 (A.3, A.4, A.6)	**Total no. of social housing units to secure through Capital Funded Programmes**	**7,870**
A.3, A.7, A.11, A.15, A.16 (A.3, A.4, A.6)	Total no. of social housing units to secure through all Build Programmes	6,545
A.3, A.15, A.16 (A3, A.4)	Total no. of social housing units to secure through Local Authority Build Programmes	4,197
A.7, A.11 (A.4)	Total no. of social housing units to secure through Approved Housing Body Build Programmes	2,348
A.7 (A.4)	No. of Special Needs Units to deliver under Capital Assistance Scheme	425
A.15 (A.6)	No. of units to deliver under the National Regeneration Programme	200
A.16 (A.6)	No. of Vacant social housing units to be refurbished and brought back to productive use	303
A.17 (A.6)	No. of properties repaired and brought into leasing under the Repair and Leasing Scheme	950
Subtotal	PBO Note: Subheads (and associated output target) A.3 (3,694); A.7 (425); A.11 (1,923); A.15 (200); A.16 (303); and A.17 (950).	***7,495***
A.3 – A.25 (A.3 – A.10)	**Total no. of social housing needs met**	**27,360**
Misc. Metrics		
Metrics for current funded subheads		
A.3 – A.25 (A.3 – A.10)	No. of sustainable Exits from Homelessness	5,000
Metrics for current funded subheads		
A.18 (A.7)	No. of grants to assist older people and people with disabilities to remain in their home for longer	11,000
A.16 (A.6)	No. of units to upgrade under retrofitting programme	3,000
A.21 (A.9)	Infrastructure works carried out to enable the delivery of affordable homes on local authority owned sites	2,000*

Subhead(s) 2019 (Subhead(s) 2017 and 2018)	Metric	2019 Output Target
A.21 (A.9)	Total no. of housing units facilitated by the provision of new public infrastructure under the Local Infrastructure Housing Activation Fund	1,200
Metrics for subheads with current and capital allocations		
A.12 (A.5)	No. of Traveller Specific Units to deliver	120

Source: PBO based on communication from the Department of Housing, Planning and Local Government (4 February 2019); and the Revised Estimates for Public Services 2019 (2018)

Programme B – Water Services

Programme B's 2019 allocation has increased by over €112 million; €108.5 million of that increased allocation is under Subhead B.5 'Irish Water'. Subhead B.5 comprises a current allocation of €562.5 million and a capital allocation of €646 million. This allocation of €1,208.5 million comprises 92.4% of Programme B's total 2019 allocation.

Irish Water is funded by a combination of sources (Exchequer and non-domestic charges). This section addresses the Exchequer funded portion of Irish Water's expenditure. The Commission for Regulation of Utilities (CRU) determines the Exchequer component of Irish Water's income. Irish Water requested €898 million in capital expenditure for 2019, with the CRU approving €872 million;[56] however, the 2019 capital allocation of Irish Water provided through the Vote is €646 million. 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). Equally overspends in other high priority projects could affect water projects. Over the period 2019-2024 Irish Water project capital expenditure of €6,119 million, an average of almost €1,020 million *per annum*.[57] The projected expenditure in 2019 is below the period average reflecting the 'lumpy' nature of capital expenditure.[58]

The PBO, in *Revised Estimates for Public Services 2018*, noted the absence of useful metrics for this programme's performance. The PBO therefore welcomes the provision of relevant metrics in the Revised Estimate 2019. The metrics provided relate to just over 7% of the allocation to Programme B**. As already stated, 92.4% of the Programmes allocation is directed to subhead B.5 'Irish Water'; the absence of any metrics and performance targets in relation to this allocation remains problematic from the point of view of scrutiny.**

56 CRU, *Irish Water Revenue Control 2019: Revenue Control 2 (2017/2018) One-Year Extension (September 2018) p.8.*

57 Irish Water, *Strategic Funding Plan 2019-2024 (2018) pp.38-40.*

58 Minister for Housing, Planning and Local Government, *Letter of Approval of Irish Water Strategic Funding Plan (November 2018).*

The impact of the Exchequer allocation to Irish Water is tracked via two Context and Impact Indicators. The Context and Impact Indicators provided relate to water compliance and water unaccounted for in public supplies (includes leakage). Irish Water's *Strategic Funding Plan* states (pp.16-7) that water compliance and reducing leakage represent c.26% (approximately €1.59 billion) of its projected capital expenditure spend of €6.1 billion (2019-2024); while wastewater treatment represents 32% (approximately €1.96 billion) of its projected expenditure (2019-2024).[59] As already indicated, the indicator 'National mean for unaccounted for water in public supplies', refers to more than just water leakage; however, there are arguments against measuring leakage in terms of percentage of system input volume as "it is misleading for comparisons because of differences and changes in consumption, and it is a zero-sum calculation which cannot identify true reductions in leakage and consumption in the same time period."[60] Instead measures such as Ml/day (millions of litres per day) are deemed more appropriate measures.

There are challenges in incorporating metrics for Irish Water due to the mixture of funding streams (Exchequer and non-Exchequer). Appropriate metrics should be considered in order to reflect the scale of the Voted allocation to Irish Water. A 'Context and Impact indicator' could be included to state the balance between Exchequer and non-Exchequer funding for the coming year.

59 *Irish Water, Strategic Funding Plan 2019-2024 (2018) pp.16-7.*
60 *Chartered Institution of Water and Environmental Management, Water distribution system leakage in the UK (2015) p.2.*

Vote 37 Employment Affairs and Social Protection (including Social Insurance Fund)

Gross Allocation for Vote 37 in the Revised Estimates for Public Services 2019 is €10.8 billion. The allocation for the Social Insurance Fund is €9.7 billion.

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

Introduction

This Vote is, when the Social Insurance Fund (SIF) is included, the largest Vote. Cumulatively Vote 37 and the SIF represent almost 31% of the gross expenditure of €66.6 billion set out in the Revised Estimates 2019. Together, the expenditure of Vote 37 and the SIF are referred to as Employment Affairs and Social Protection (EASP) expenditure, as the SIF is administered by the Department of Employment Affairs and Social Protection.[61]

The analysis of the PBO relates primarily to:

- Long-term pressures on EASP expenditure;
- The limited scope to achieve further savings; and
- A more general discussion on the impact of 'savings' under Vote 37 on other Votes (specifically Vote 34).

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.[62] In return, employees receive benefits for periods spent out of employment. The SIF is projected to comprise 48% of total Employment Affairs and Social Protection (EASP) expenditure in 2019 and an element of each of the EASP seven grouped subheads' expenditure is sourced from the SIF.[63] 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 income and expenditure are included in the Revised Estimates.

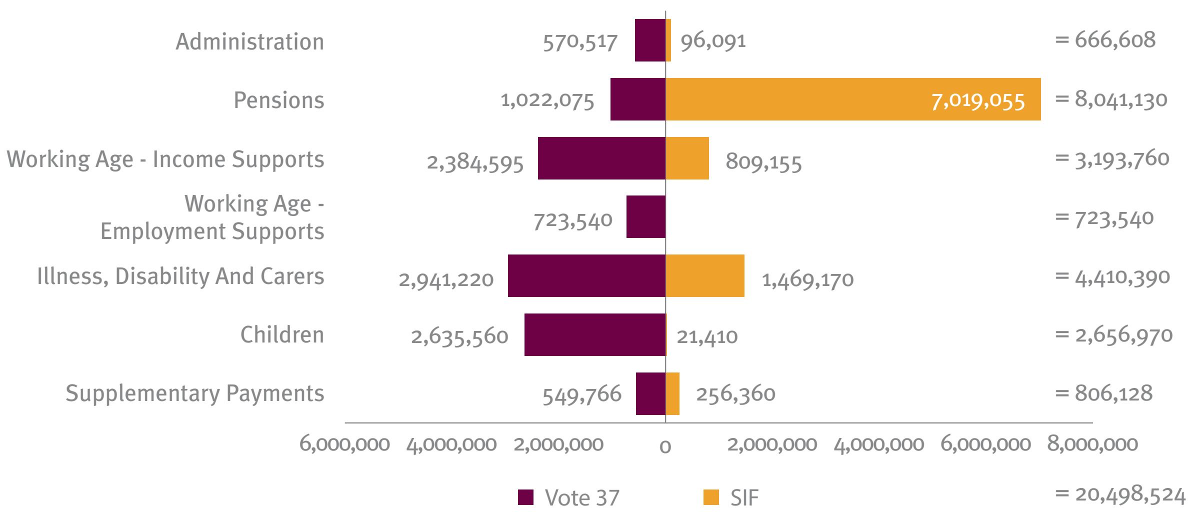
Expenditure under Vote 37 is allocated under seven headings: Administration; Pensions; Working Age - Income Supports; Working Age – Employment Supports; Illness, Disability and Carers; Children; and Supplementary Payments. Expenditure under the SIF is structured under the same headings; however, as of 2019 the SIF no longer includes 'Working Age - Employment Supports'.

61 PBO, *An overview of the Social Insurance Fund (SIF) (2018).*

62 *Ibid.*

63 See PBO, *The Social Insurance Fund and Vote 37 in the Revised Estimates for Public Services (2018).*

Figure 18: Projected EASP Expenditure 2019 (Adjusted)(€000's)

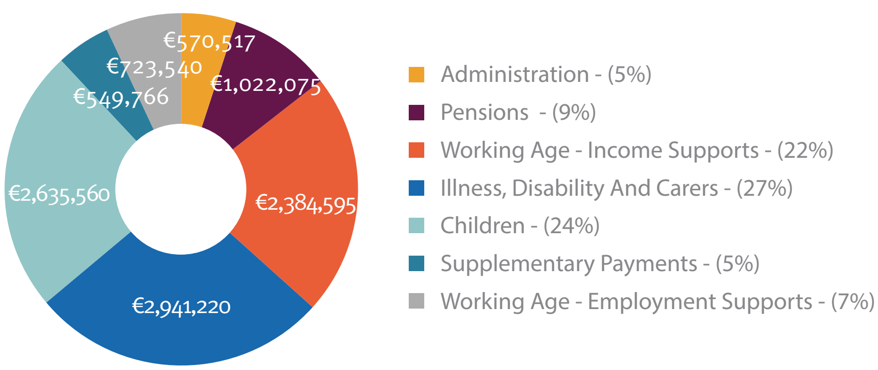


Source: PBO based on the Revised Estimates for Public Services 2019 (2018)
Note: Vote 37 includes €131.9 million in administration costs transferred from the SIF.

Vote 37 – Overview of 2019 funding

The **gross allocation** for Vote 37 (Employment Affairs and Social Protection) in 2019 is €10,826.3 million. An additional €1 million is available by way of capital carryover. The adjusted gross allocation, including capital carryover is therefore €10,827.3 million. The adjusted gross allocation is allocated across the seven grouped subheads comprising this Vote illustrated in Figure 19. Appropriations-in-Aid are projected to be €226.5 million. Appropriations-in-Aid are offset against expenditure and as a result, the **net allocation** presented for approval by Dáil Éireann for 2019 is €10,599.8 million.

Figure 19: 2019 Adjusted Gross Allocations (€000's) for Vote grouped subheads



Source: PBO based on the Revised Estimates for Public Services 2019 (2018)

The 2019 Vote allocation (adjusted gross) is broken down across a broad range of schemes and supports as illustrated in Figure 19.

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 2019:

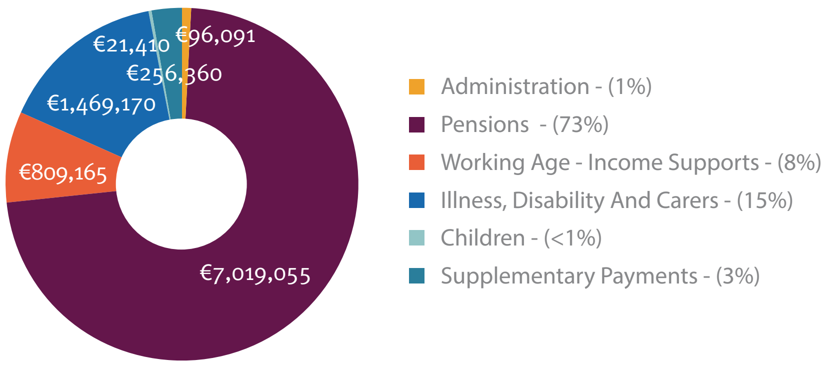
1. Illness, Disability and Carers (27%);
2. Children (24%); and
3. Working Age – Income Supports (22%).

Together these three areas represent the same proportion of Vote 37's gross adjusted expenditure as in 2018; however, growth in Illness, Disability and Carers has been offset by a decrease in Working Age – Income Supports (see Figure 21).

The Social Insurance Fund – Overview of 2019 Funding

The Department also administers schemes funded through the Social Insurance Fund (SIF). These schemes fall under six of the seven grouped subhead headings found in the Vote (no Working Age Employment Supports are funded through the SIF). The projected expenditure of the SIF for 2019 of €9,671.3 million is set out in Figure 20.[64]

Figure 20: 2019 Gross Expenditure (€000's) for SIF grouped subheads



Source: PBO based on the Revised Estimates for Public Services 2019 (2018)

As illustrated above, Pensions constitute the most significant commitment for the SIF. The PBO has previously discussed the growth of pension expenditure and the projected pressure that an ageing population will place on the Social Insurance Fund (SIF) and on the Exchequer.[65] Figure 22 illustrates that pensions are the key driver of increased SIF expenditure in 2019.

64 *When administration costs payable to Vote 37 of €131.9 million are deducted from the gross SIF expenditure 2019.*

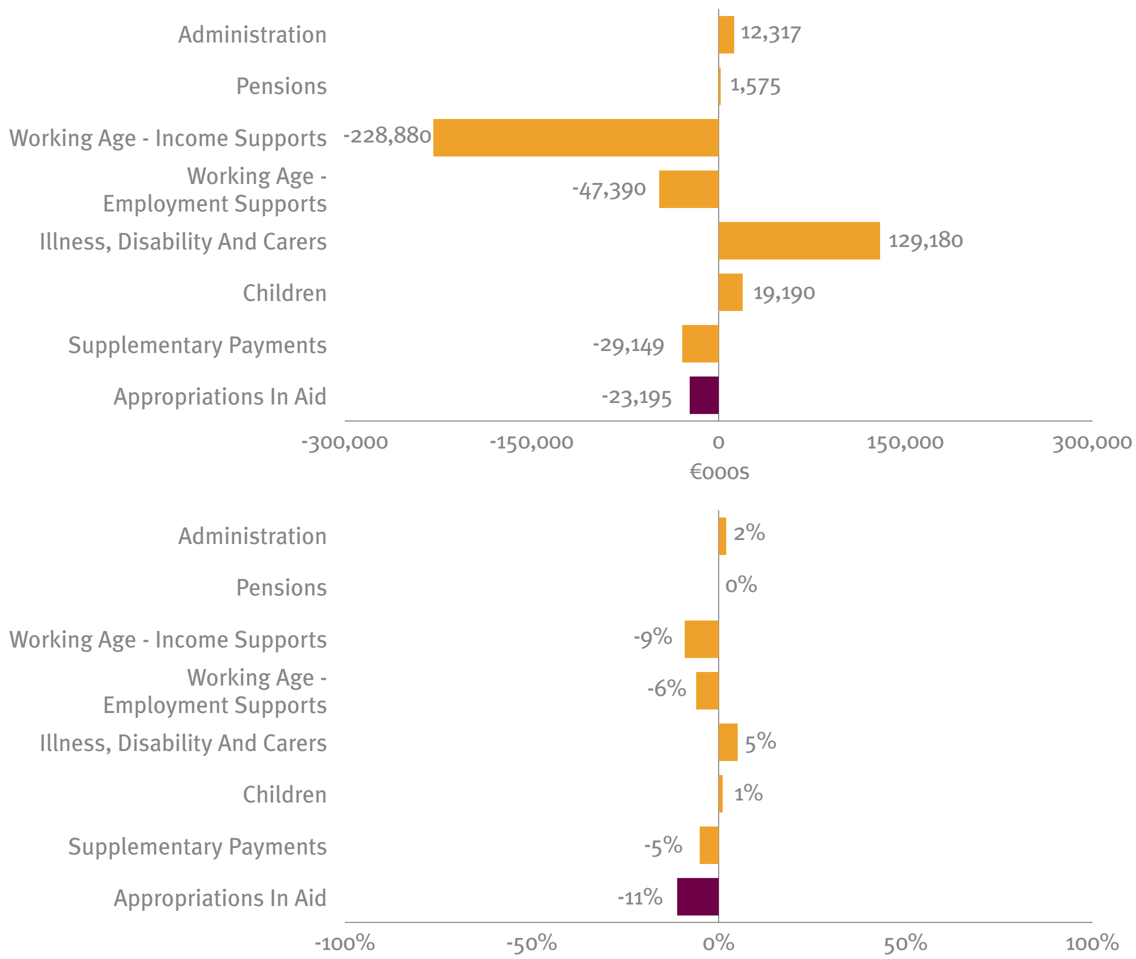
65 *See PBO, Demographics and Voted Expenditure (2018); and PBO, An overview of the Social Insurance Fund (SIF) (2018).*

Revised Estimates for Public Services 2019

Changes in the Adjusted Gross Allocations for programmes, 2018 v 2019

Figure 21 illustrates the scale and percentage of change in the Voted grouped subheads' allocations from 2018 to 2019.

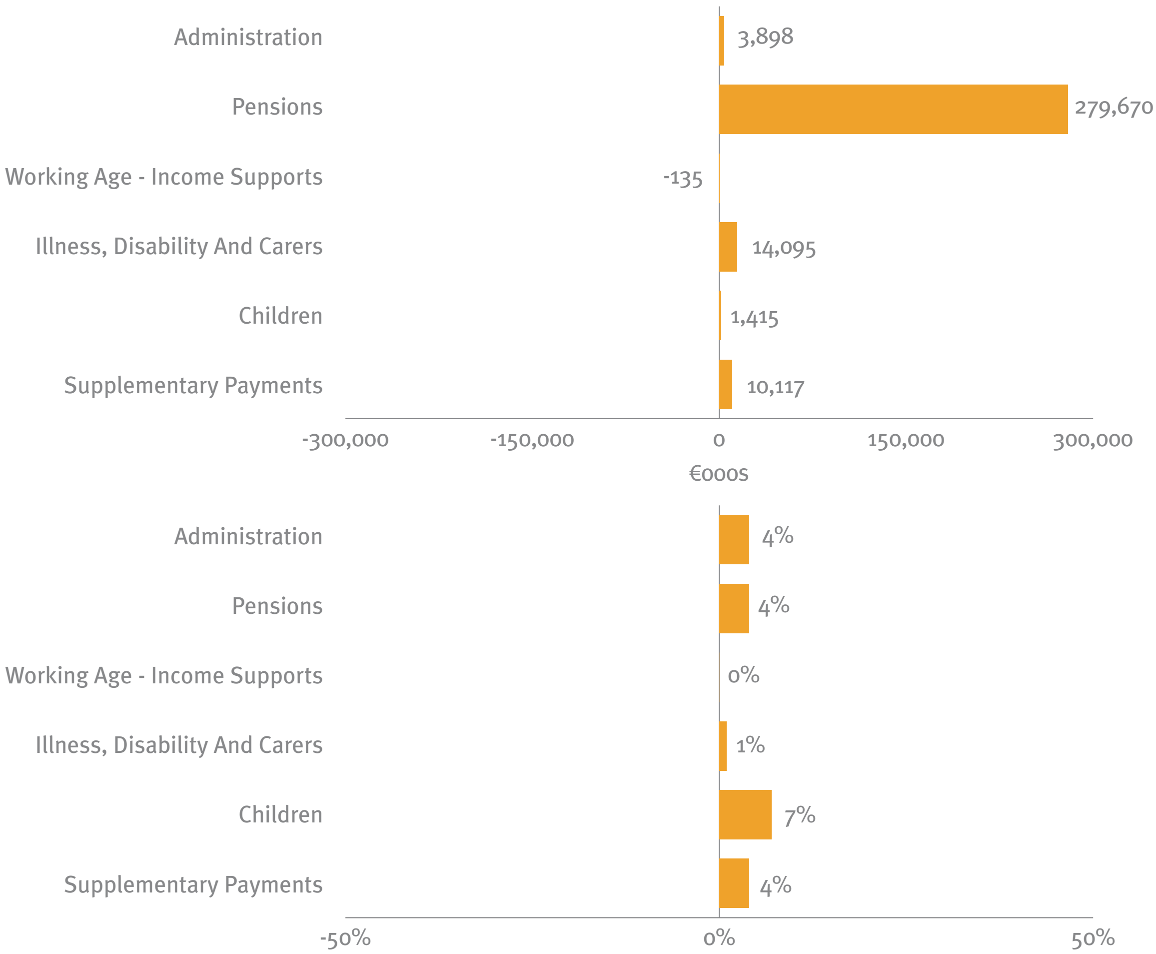
Figure 21: Changes in Allocations (Voted) 2018 v 2019



Source: PBO based on the Revised Estimates for Public Services 2019 (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 figure above is therefore treated as negative.

Figure 22: Changes in Allocations (SIF)



Source: PBO based on the Revised Estimates for Public Services 2019 (2018)

Figure 22 clarifies that significant additional financial resources are forecast to be required from the SIF in 2019 for Pensions.

Figure 21 and Figure 22 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 ('Working Age – Income Supports' only). Both Voted expenditure and SIF expenditure are expected to decrease in 2019; however, decreases in SIF expenditure are minor (€135,000) while the combined reductions in these payments through the Vote is (€276.3 million).

This may suggest that the Department expects a continued decrease in the Live Register in relation to long-term unemployment[66] (which is funded from Voted expenditure). This also suggests that decreases in SIF expenditure on Working Age – Income Supports will, in effect, reach a 'floor' in 2019. This means that short-term turnover of those entitled to SIF payments will remain broadly static in 2019 i.e. short-term unemployment claims 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 *Revised Estimates for Public Services 2018* (2018, p.18) reductions in the numbers on the Live Register cannot be achieved indefinitely. The Central Bank of Ireland forecast on 25 January that employment is expected to grow by 2.2% in 2019 and 1.7% in 2020. This would equate to an additional 90,000 people in work and overall employment levels at 2.36 million. At present, employment levels have already reached a new peak.[67] The Bank's outlook also forecasts that "[f]urther declines [in the unemployment rate] to 4.9 and 4.7 per cent are projected for 2019 and 2020 respectively."[68]

The Revised Estimates 2019 and the Supplementary Estimate 2018

The payment of the Christmas Bonus (for certain eligible social welfare payments) is subject to a Government decision and in recent years forms the main component of Supplementary Estimates.

In 2018, the total gross Christmas Bonus was estimated to cost €266 million and was paid to approximately 1.2 million people in receipt of long-term social welfare payments. The Christmas Bonus is paid for both non-contributory (Voted Expenditure amounted to €120 million) and contributory (Social Insurance Fund – SIF amounted to €146 million) payments.[69]

The net amount sought for the Supplementary Estimate in 2018 (€139 million) was based on:

- increases in expenditure (€196.7 million) across 19 subheads;
- a reduction in Appropriations-in-Aid (€6.2 million); and
- savings (€63.9 million) across 18 subheads.

As €120 million was spent on the non-contributory Christmas Bonus, it may be assumed that €76.7 million (39%) of the redistributed subhead spending did not relate to the Bonus. The single largest saving was made in A.31 Working Family Payment – of €20.4 million. This underlines the savings made in the Live Register and that those savings, in 2018, exceeded the Department's forecast.

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 decrease in Vote expenditure between 2018 and 2019 shown in the Revised Estimates 2019 may be reasonably accurate – notwithstanding the likely payment of the Christmas Bonus in 2019. However, in the context of the large number of transfers necessitated to achieve savings at the time of the *Supplementary Estimates 2018*, we cannot be confident that the subhead allocations for 2019 are likely to prove to be accurate. The changes in the SIF relate to increases in Subheads only – however, the same basic principle applies.

66 *This could also be partly explained by reductions in the number of unemployed persons who have no SIF entitlements. This may include reductions in youth unemployment.*

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

68 *Central Bank, Quarterly Bulletin: QB1 – January 2019 (25 January 2019) p.38.*

69 *Minister Regina Doherty TD, Select Committee on Employment Affairs and Social Protection (04 December 2018).*

Budget 2019 proposed an increase in social welfare payments with effect from 25 March 2019.[70] This will consist of an increase of €5 to the "maximum weekly rate for all social welfare recipients, with proportional increases for qualified adults and those on reduced rates of payment of payment".[71] This is therefore a factor in comparing allocations between 2018 and 2019 within different payment categories.

Savings

The 2019 gross Voted allocation of Vote 37 presents savings of €143.2 million from the 2018 end-year allocation; however, 2018 expenditure included payment of a Christmas Bonus which required a Supplementary Estimate of €139 million. Between the Revised Estimates 2018 and 2019 the gross Voted allocation of Vote 37 has fallen by €10.4 million. Unless significant savings can be made during 2019; a decision to pay a Christmas Bonus on the same (or similar) terms to 2018 makes a Supplementary Estimate for Vote 37 likely in 2019.

As already noted, savings cannot be achieved indefinitely; therefore Vote 37's ability to achieve further savings in future years is limited in the absence of changes to payment rates. Any savings must therefore be achieved through reductions in recipient numbers. Rent Supplement is an exception as reductions in Rent Supplement have arisen, in part, due to its replacement by Schemes under Vote 34 – Housing Planning and Local Government, in particular, Rent Supplement will eventually be replaced by the Housing Assistance Payment (HAP) under Vote 34 Housing, Planning and Local Government.[72]

Expenditure on Rent Supplement has decreased substantially since its peak in 2010. The *Revised Estimates for Public Services 2019* allocation for Rent Supplement is just 25.6% of the end-year expenditure on Rent Supplement in 2010. Reductions in Rent Supplement from end-2018 to the Revised Estimates 2019 (€43.5 million) constitute 30% of the reduction in the overall gross Voted allocation in the same period. Given that Rent Supplement is to eventually be replaced by HAP, there are potential savings of €132 million in Vote 37.

The HAP has an allocation of €422.73 million in the Revised Estimates 2019. If this were added to Rent Supplement under Vote 37 the combined sum (€555,124,000) exceeds the 2010 (End-Year) peak of Rent Supplement by approximately €38.26 million (6.9%).

Figure 23 (over) shows the evolution of the Rent Supplement payment from 2009 to 2019.

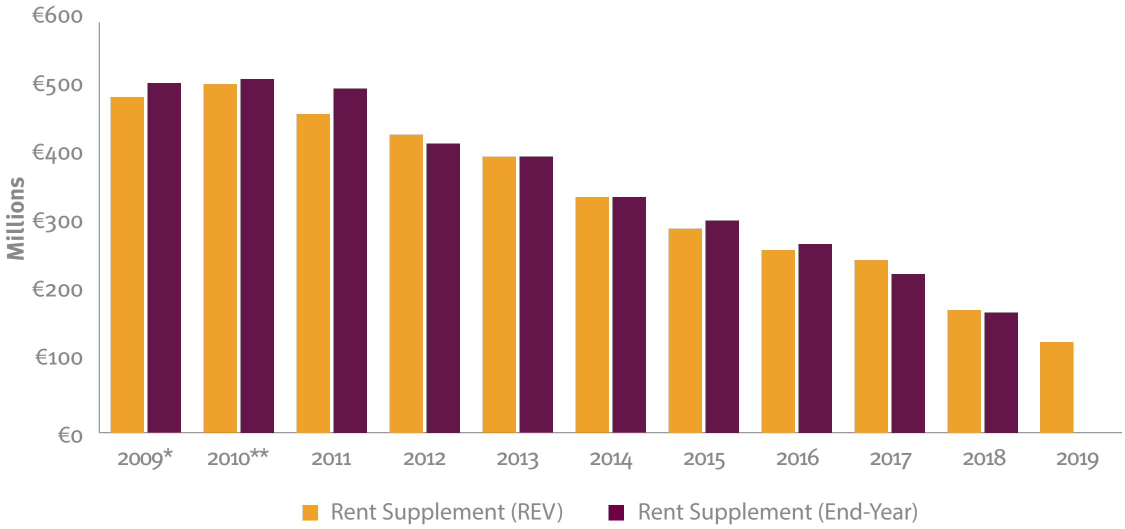
Reductions in Rent Supplement are savings under Vote 37 only, they do not represent savings to the Exchequer; in reality, the allocation is being displaced to another Vote (Vote 34).

70 Department of Employment Affairs and Social Protection, Budget 2019: Main social welfare changes and rates of payments (2018).

71 Department of Employment Affairs and Social Protection, 'Budget 2019' (October 2018).

72 See 'Rent Supplement'.

Figure 23: Rent Supplement 2009-2019



Source: PBO based on Revised Estimates for Public Services 2009 to 2019.

** €90.5 million for 2009 transferred to Vote 25 (Environment, Heritage and Local Government) for Rental Accommodation Scheme.*

*** €125 million for 2010 transferred to Vote 25 (Environment, Heritage and Local Government) for Rental Accommodation Scheme.*

Recipient Numbers – 2018 v 2019 forecast

Part III of the Vote within the Revised Estimates 2019 (p.176) provides key outputs. This provides data for the number of recipients within the different categories of payments – in the absence of rate changes, 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. Table 12 therefore compares the targets for 2018 against those for 2019.

Further to a request from the Director of the PBO on 14 January 2019 to the Minister for Employment Affairs and Social Protection, the PBO received additional information linking the key high level metrics and subheads in the Revised Estimates 2019. This information also clearly stated links to SIF areas of expenditure. The Department also provided a key to describe the SIF reference codes used (see Appendix 3). The PBO has reformatted this information and included it in Table 12 (over).

Table 12: Projected Claimant Numbers – SIF and Vote Combined (2018 v. 2019)

Subhead/SIF Reference	Key High Level Metrics	2018 Output Target	2019 Output Target	Change 2019 over 2018	% change
Pensions (SIF and Vote total: €8,041,130,000)					
A3, SE2, SE3, SE4	Average no. of weekly payments	590,190	607,960	17,770	+3%
SE2, SE3	Average no. of monthly payments	44,720	44,220	-500	-1.1%
Working Age – Income Supports (SIF and Vote total: €3,193,760,000)					
A4, A5, A6, A7, A8, A9, A10, A11.1, SE5, SE6, SE7, SE8, SE9, SE11	Average no. of weekly payments	298,380	267,520	-30,860	-10.3%
Working Age Employment Supports (SIF and Vote total:€742,910,000)*					
A12, A13, A14, A15, A16, A17, A18, A19, A23.4, SE17	Average no. of weekly payments	63,480	53,070	-10,410	-16.4%
Illness, Disability and Carers (SIF and Vote total: €4,391,020,000)*					
A24, A25, A26, SE14, SE15, SE16, SE18, SE20	Average no. of weekly payments	347,890	353,510	5,620	+1.6%
A28	Average no. of annual Carer's Support payments	112,640	118,090	5,450	+4.8%
Children (SIF and Vote total: €2,656,970,000)					
A32, A35, SE21	Average no. of weekly payments	59,420	57,400	-2,020	-3.4
A31	Average no. of monthly Child Benefit payments	1,195,390	1,202,480	7,090	+0.6%

Source: PBO based on the Revised Estimates for Public Services 2019 (2018); and Communication from the Department of Employment Affairs and Social Protection.

** In Table 12, the total allocations for each area are the combined allocations set out through both the Vote and the SIF; however, in line with the metrics provided by the Department of Employment Affairs and Social Protection, the allocation for Partial Capacity Benefit (SE17) is included under Working Age Employment Supports and is therefore deducted from Illness, Disability and Carers.*

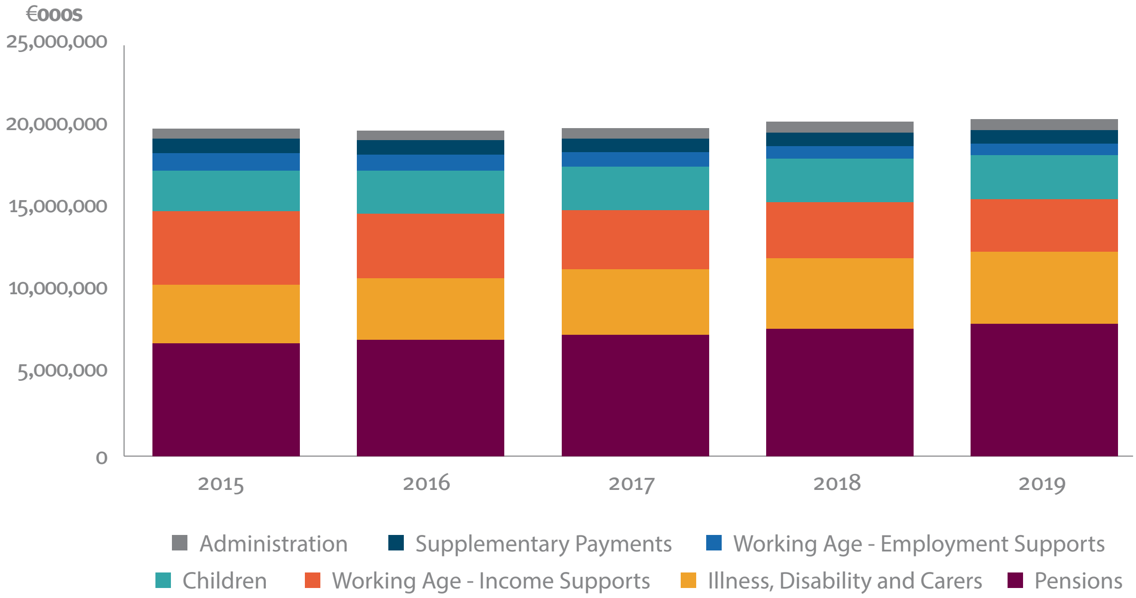
Table 12 shows that the number of recipients of 'Working Age – Income Supports' and 'Employment Supports' is expected to decline. The number of pension recipients will see an increase and there will be an increase in the number of recipients of 'Illness, Disability and Carers' payments.

As 86.6% (€8,488 million) of total SIF expenditure (€9,803 million) relates to these two latter categories the increase in overall SIF expenditure in 2019 (see Figure 22) is not unexpected. As with net Voted expenditure, the Christmas Bonus paid in 2018 obscures the scale of the increases in SIF expenditure.

Expenditure Trends 2015-2019

Figure 24 illustrates the expenditure for Vote 37 and the SIF combined by the grouped subheads from 2015 to 2019. Figures for 2018 and 2019 are adjusted gross allocations; all other years are actual expenditure.

Figure 24: Vote 37 and SIF expenditure analysis, 2015-2019



Source: PBO based on data sourced from the DPER databank.

Figure 24 shows that the ongoing and increasing cost of Pension payments are increasingly significant, as Working Age – Income Supports expenditure has fallen.

Long-term trends

The *Expenditure Report 2019* illustrates the multi-annual expenditure ceilings for this Vote, which provide for an increase in the Vote in 2020 and 2021 to respond to demographic pressures.[73]

Over the long-term, it is expected that pension expenditure, both Voted and SIF funded, will contribute to increased EASP expenditure. Demographic projections suggest a reduction in beneficiaries of schemes such as Child Benefit;[74] however, the projected scale of growth in the old age cohort is likely to generate considerable challenges.[75]

73 *Department of Public Expenditure and Reform, Expenditure Report 2019 (2018) p.42.*

74 *Table 12 above forecasts that there will be a decrease in the number of child benefit payments between 2018 and 2019. The reduction in the average number of weekly payments is only partially offset by the increase in the average number of monthly payments.*

75 *PBO, Demographics and Voted Expenditure (2018).*

The PBO has previously noted that where SIF liabilities exceed SIF income, Exchequer subventions are required to fund the difference. Given the projected growth in the old age cohort, and the duration of the period in which growth in this cohort remains substantial, it can be expected that the SIF will, in future years, require regular Exchequer subventions.[76] The Department of Finance have projected that the SIF will run significant surpluses until at least 2023.[77]

Disability Allowance was the focus of an IGEES paper which warned that continued growth in expenditure on Disability Allowance was unsustainable. This paper noted the rapid growth in the number of recipients of this payment by 25% in the period 2012-2016; it was noted that only 25% of *that* increase was directly attributable to demographic changes.[78] A subsequent IGEES paper carried out further analysis and found that growth in Disability Allowance recipient numbers is associated not only with demographic change but also policy change and other factors "some of which can be expected to feed further increases in the coming years and some of which are unlikely to continue".[79]

76 PBO, *An overview of the Social Insurance Fund (SIF) (2018).*

77 PBO based on Department of Finance, *Budget 2019: Economic and Fiscal Outlook (2018).*

78 IGEES, *Spending Review 2017: Disability Allowance Expenditure Drivers (2017) p.2.*

79 IGEES, *An analysis of Disability Allowance inflows and outflows (December 2018).*

Vote 38 Health

Gross Allocation for Vote 38 in the Revised Estimates for Public Services 2019 is €17 billion

Vote 38 – Health

Outcome of the analysis during 2018 of Vote 38 by the PBO

Throughout 2018, the PBO provided detailed analysis of the Health Vote, and the expenditure incurred in the provision of the services Vote 38 funds.

The Health Vote itself does not contain *either*:

(a) The full quantum of gross expenditure; or

(b) Full detail on the services being provided by bodies under the aegis of the Department of Health.

This is a result of the complicated management and accountability framework within which Ireland's health sector operates. This situation is discussed in detail in the PBO's briefing paper, *the HSE National Service Plan and its Relationship with the Health Vote*. In short, a number of peculiarities of the Health Vote should be kept in mind during any consideration of the estimates it contains:

- In addition to the income of €405 million reported as an Appropriation-in-Aid under Vote 38, there is an additional ca. €1.5[80] billion in income received by the HSE;
- The majority (€11 billion) of the HSE's Exchequer funding is included under the 'HSE Health and Social Care Services' programme. The indicative appendices to Vote 38 provide a more direct comparison between the Health Vote and the HSE's *National Service Plan*; and
- *The National Service Plan* is itself only indicative of the budgeted allocations for the Service Areas of the HSE. Throughout the year, budgets are transferred between areas of the HSE (for an illustration of this see Figure 7 of *The HSE National Service Plan and its Relationship with the Health Vote*).

The PBO also considered some of the pay issues that arise under the Health Vote in its Briefing Paper, *Public Sector Pay and Pensions: Features and Key Determinants*. Three significant issues have dominated debate about pay expenditure under the Health Vote during 2018 and into 2019:

1. Nursing Pay and whether there is a recruitment or retention issue related to the pay levels of nurses in Ireland;
2. Consultant contract negotiations and the *Consultant Contract 2008 Settlement Agreement;* and
3. The rising level of agency pay within the health sector.

In its analysis, the PBO concluded that the evidence, that pay discrepancies were driving the migration patterns of Irish nurses, was mixed.[81] Subsequently the Public Service Pay Commission concluded that "current pay rates do not appear to be unduly affecting the number of nurses, midwives and doctors applying to work abroad … the Commission remains of the view that remuneration is not the main issue impacting on recruitment and retention"[82] Given that no increase in pay, beyond those announced during 2018, is financed within the *Revised Estimates for Public Services 2019*, any upwards movement in the payscales for any staffing group within the health sector may result in a Supplementary

80 The National Service Plan 2019 estimates the HSE's income for 2019 to be €1.9 billion. However, this total figure includes transfers of money from one section of the HSE to another. This internal market is estimated to account for roughly €400 million of the €1.9 billion. This is subtracted from the €1.9 billion to more accurately estimate the Gross Expenditure of the Health Sector in Ireland.

81 See Public Sector Pay and Pensions: Features and Key Determinants, p. 33 – 36. Salary Scales in the UK and Ireland are highly similar, but location-based allowances for London bring salaries in that part of the UK above those in Ireland. Australian salary scales are normally higher than those in Ireland, yet numbers of verification requests for the two destinations are similar, in spite of the large difference between them.

82 Recruitment and Retention Module 1, Public Service Pay Commission (2018), p. 5.

Estimate. This is especially important in the context of the recent history of the Health Vote and its annual recourse to Supplementary Estimates (or increases to its original estimate) during the year. Between 2010 and 2018, the only year without a Supplementary Estimate for the Health Vote (or the HSE Vote up to 2015) was 2016. However, in that year an additional €500 million was provided in a second *Revised Estimate* issued in the middle of the year.[83]

Expenditure growth in Vote 38 and corresponding economic growth

While the *gross* Voted Expenditure proposed for the Health Vote in 2019 is just over €17 billion, the *net* allocation (subject to the approval of Dáil Éireann) is €16.6 billion. Appropriations-in-Aid are estimated to be €405 million; a reduction of €45 million from 2018 (which itself included a reduction of €10 million during the 2018 Supplementary Estimates). In the *Revised Estimates for Public Services 2018*, the *net* allocation for the Health Vote was €14.9 billion.

For year-on-year comparisons, there are two main scenarios that can be used:

3. Including Supplementary Estimate 2018 (€655 million in Net Voted Expenditure); or
4. Excluding Supplementary Estimate (i.e. comparing Revised Estimates 2018 to Revised Estimates 2019).

In the first scenario, the net expenditure for 2018 is €15.5 billion. The year-on-year change is €1.1 billion, or 7%. In the second, net expenditure for 2018 is €14.9 billion, and the increase is €1.76 billion, or 11%.

As the Supplementary Estimates 2018 were approved by the Dáil and as the *Revised Estimates for Public Services 2019* therefore uses the first scenario, this analysis will also use that basis for calculations.

It is also necessary to reconsider the change from 2017 to 2018, to get an impression of the cyclicality of expenditure in Ireland's health sector. In *Revised Estimates for Public Services 2018*, expenditure for 2017 was €14.3 billion. As Table 13 shows, measured by Real GDP, expenditure growth is now outpacing Irish economic growth. However, measured by GNP, an indicator still distorted by multinationals but not to the same degree as GDP, this has been the case for some time.

Table 13: Change in Net Voted Expenditure, Real GNP and Real GDP, 2017-2019

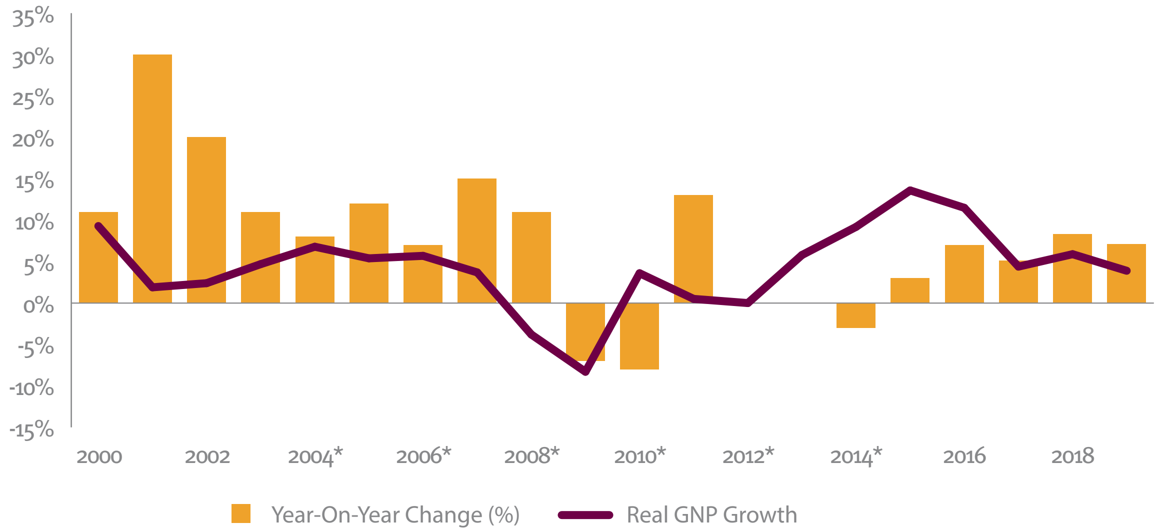
	2017	2018	2019
Net Voted Expenditure	€14.3 billion	€15.5 billion	€16.6 billion
Year-on-Year Change	€692 million	€1.19 billion	€1.1 billion
Year-on-Year Change (%)	5.1%	8.27%	7.1%
Real GDP Growth	7.2%	7.5%	4.2%
Real GNP Growth	4.4%	5.9%	3.9%

Source: Revised Estimates for Public Services 2017, 2018 and 2019. Budget 2019: Economic and Fiscal Outlook, Annex 4, p. 58.

83 *See Supplementary Estimates 2018, PBO (2018), p. 15.*

As Figure 25 shows, over a longer timeframe, Health expenditure has been highly pro-cyclical, with growth in expenditure far surpassing economic growth between 2000 and 2009. In the crisis and post-crisis period, the relationship has been less consistent. Between 2010 and 2016, the change in expenditure was largely below economic growth (barring 2011), but since 2017 this trend has reversed and expenditure is now growing faster than the economy. Notably, expenditure growth has not increased significantly since 2016, but economic growth has slowed considerably. Over the entire period, the average year-on-year growth in Health Vote expenditure was 7.5%, while average GNP growth was 4.3%.

Figure 25: Year-on-Year change in Net Expenditure compared to GNP, 2000-2019

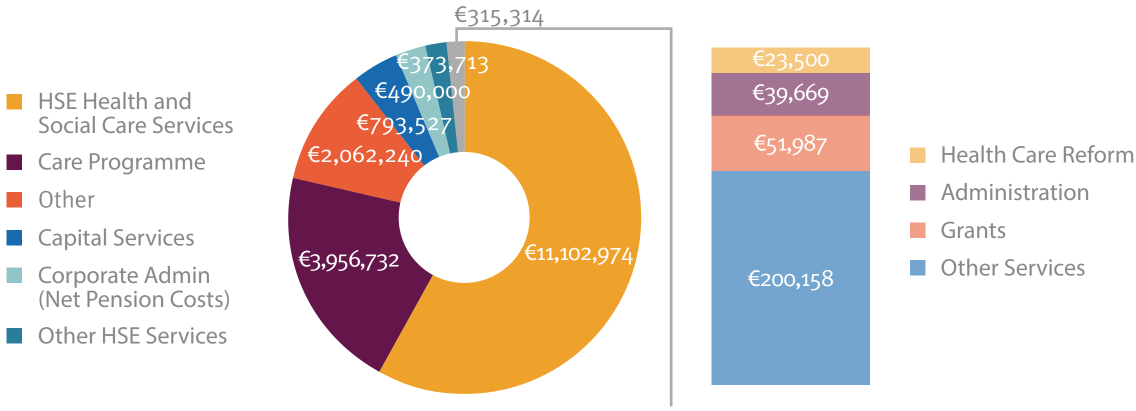


Source: CSO, DPER Databank and Budget 2019: Economic and Fiscal Outlook.
**Data from 2004-2014 includes the Health Service Executive Vote.*

Gross Allocations for 2019

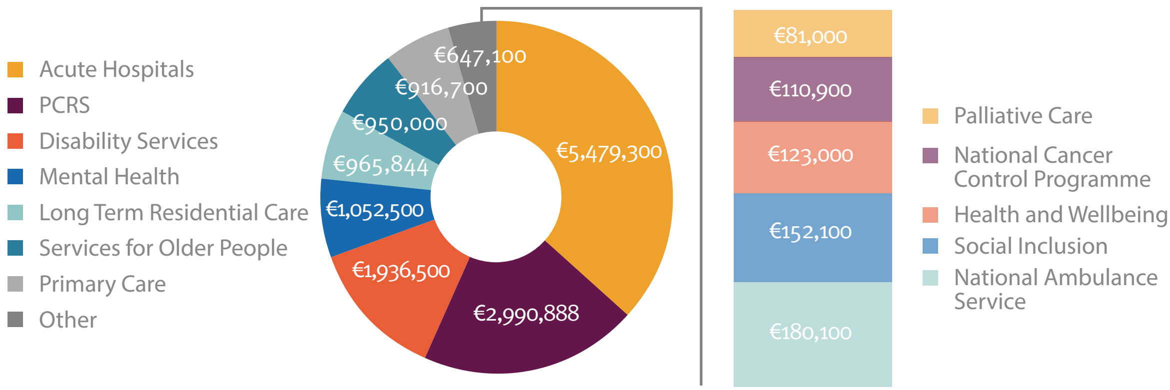
Figure 26 shows the allocations by Programme under Vote 38 for 2019. The vast majority of this funding is then granted to the HSE for the provision of services under the *National Service Plan 2019*. Of the €16.365 billion gross current expenditure, €16.05 billion (98%) makes up the net determination that funds *National Service Plan 2019*. To provide additional context, Vote 38 includes *Indicative Appendices* that are more closely aligned with the *National Service Plan*; these are set out in Figure 27.

Figure 26: 2019 Gross Allocations (€000s) by Programme



Source: Revised Estimates for Public Services 2019.

Figure 27: 2019 Gross Allocations (€000s) from indicative appendices and areas where Vote 38 aligns directly with NSP 2019

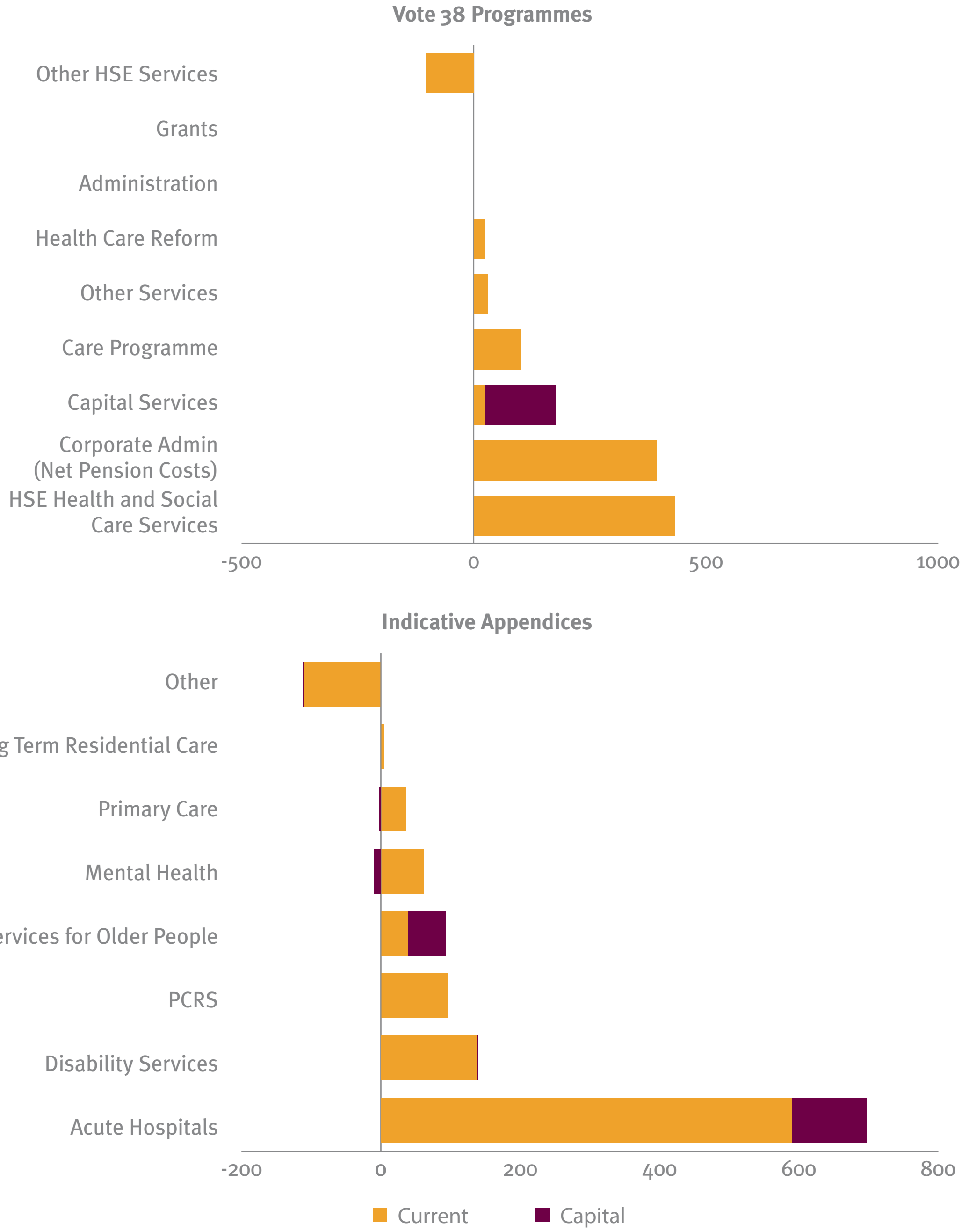


Source: Revised Estimates for Public Services 2019.

Figure 28 illustrates the year-on-year change in both these ways of presenting the Estimates of the Health Vote. The programmes of Vote 38 do *not* provide a wealth of information about the services which additional funding is intend to provide. **Under the indicative appendices, we can see that the majority of the increase is targeted at the Acute Hospitals sector.** Also, the changes made to the accounting of pension incomes means that the year-on-year change across the Vote may underestimate the actual change. In 2019, the exchequer pension figure for 2019 is net of pension incomes[84] that were not deducted in 2018. There has been no change to the appropriations-in-aid as a result of this change, so the income that is now deducted from gross expenditure was not previously deducted to arrive at the net allocation. As this income has not been quantified in the Revised Estimates, year-on-year trends are distorted by this change (the change in pensions between 2018 and 2019 was €158 million).

84 *Revised Estimates for Public Services 2019, p. 182.*

Figure 28: Change in Programmes, Vote Programmes and Indicative Appendices



Source: Revised Estimates for Public Services 2019.

Budget control issues in 2018

In 2018, the Health Vote required a net Supplementary Estimate of €655 million. This was made up of €625 million in current expenditure, €20 million in capital expenditure and €10 million as a shortfall in appropriations-in-aid.[85] In that context, both the PBO and the Irish Fiscal Advisory Council (IFAC) have commented on budget management issues in the Health Vote (i.e. the framework that governs the relationship between the Department of Public Expenditure and Reform, Department of Health and the HSE), with IFAC saying that "weak expenditure controls and an eventual upward revision of spending ceilings" created a "dangerous feedback loop".[86] **There were two indications at the start of 2018 that exposed the Health Vote to risk of expenditure pressure:**

1. €138 million of a 'first charge' carried from end-2017 into 2018;
2. A 'financial challenge' of €346 million to deliver services in 2018.

A 'first charge' is a result of the parallel cash and accrual accounting system used within Ireland's health sector. In brief, the 2018 first charge represents expenditure committed to in 2017, but only incurred as cash in early 2018.[87] €138 million was carried forward from 2017 into 2018, but the *National Service Plan 2019* does not include any first charge being carried from 2018 into 2019. **It will not be clear whether a first charge is being carried forward until the 2018 December *Management Data Report and Annual Financial Statement* of the HSE is published.**

Regarding the Financial Challenge, *National Service Plan 2018* set out the savings needed in three themes:

- Theme 1: €77 million;
- Theme 2: €119 million; and,
- Theme 3: €150 million.[88]

A counter-intuitive fact about these savings is that it does not appear the HSE intended to make these savings in 2018, but that this was a longer-term project:[89]

> Through that iterative process, we determined there was a need for savings of about €346 million. It was set out in three tranches. The first was the more immediate and urgent priority, that was about €77 million … We would expect to deliver about €60 million of that … Against that €346 million, the figure I mentioned *[€60 million]* is about what we will get.

Following on from this process in 2018, the *National Service Plan 2019* sets out the Financial Challenge in a different way. Table 14 details the financial challenge estimated by the HSE for 2019. Under the first two areas, specific measures are given specific target savings, suggesting that the €245 million is more likely to be achieved in 2019. This leaves €80 million of savings to be achieved in 2019, where the source of this saving has not been specifically identified. However, **it should be noted that in terms of the total size of the challenge the HSE has identified at the beginning of 2019, it appears to be only €22 million less than the position identified in 2018.** A question that arises therefore for 2019 is whether the HSE will be more successful in delivering the savings set out in this year's *National Service Plan* than it was in 2018.

85 *See Supplementary Estimates 2018, Parliamentary Budget Office, p. 14.*

86 *IFAC, Fiscal Advisory Report (November 2018), p. 33.*

87 *This Accounting System is discussed in more detail in the PBO Briefing Paper, The HSE National Service Plan and its Relationship with the Health Vote.*

88 *HSE, National Service Plan 2018, p. 79.*

89 *Chief Financial Officer of the HSE, Mr. Stephen Mulvaney, Joint Committee on Health debate – Wednesday, 24 October 2018.*

Table 14: HSE Financial Challenge 2019

Type of Challenge/Solution	
Lower provision, cost reduction or increased income	€210 million
Cost growth limited	€35 million
To be secured by potential opportunities	€30 million
Expenditure to carry forward as a first charge in 2020 if saving not identified	€50 million
Total Financial Challenge	**€324 million**

Source: National Service Plan 2019.

Performance Metrics in Revised Estimates for Public Services 2019

The *Revised Estimates for Public Services 2019* 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 the Revised Estimates 2019."[90] As a result, the *Key High Level Metrics* presented for *2019* simply restate the output targets set for 2018.

The PBO contacted the Department of Health on 14 January 2019 with a request to provide data setting out the subheads to which each metric in the Revised Estimates 2019 related. The PBO received a response providing data on 5 February. The response from the Department confirms that identical High Level Metric targets have been set for both 2018 and 2019.

In addition, despite the additional €645 million provide in-year during *2018*, there was no change to the output targets of the Health Vote for 2018 between Revised Estimates 2018 and 2019. The fact that such a large volume of additional funding was provided, and did not affect the *Key High Level Metrics*, suggests one of the following possibilities:

(a) The funding made available for the Health Vote in *Revised Estimates for Public Services 2018* was insufficient to fund the services set out in *National Service Plan 2018*;

(b) There were unexpected service developments in 2018, but the *Key High Level Metrics* do not track the areas where these developments occurred; or

(c) Some combination of (a) and (b).

The former would raise concerns about the way that the cost of Ireland's health service is estimated and provisioned for, while the latter would raise concerns about the ability of the Estimates process to accurately measure performance in the health sector.

90 *Revised Estimates for Public Services, p. 185.*

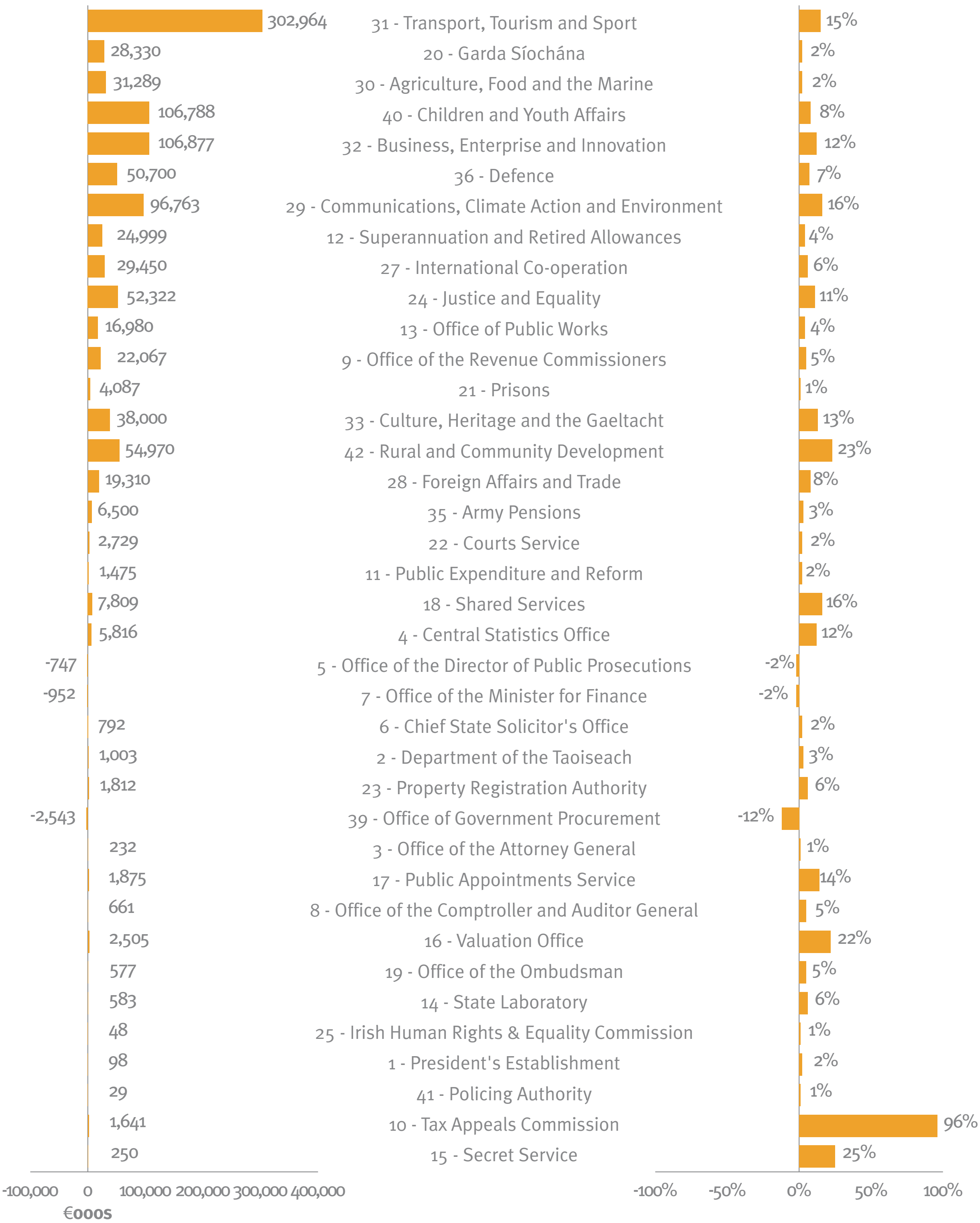
Appendix 1: Summary Chart of the thirty-eight Votes in the Revised Estimates 2019 not analysed in detail in this paper

The following Chart illustrates the change in the gross allocation for each of these Votes (listed in order of their total allocation, from largest to smallest) between 2018 and 2019. The allocations have been adjusted to take into account any Capital carried forward from 2018.

Slightly over half of these thirty-eight Votes have been allocated significant increases in their gross allocations, i.e. 5% or more. A total of twelve Votes have increases greater than 10%; only three Votes have reductions in their allocations. The amount of the financial increase proposed for Vote 31 (Transport, Tourism and Sport) is by far the most significant – a total of €303 million.

Revised Estimates for Public Services 2019

Figure 29: Summary of the thirty-eight Votes not analysed in detail in this paper



Source: Revised Estimates for Public Services 2019.

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

Introduction

This appendix draws on published secondary sources to describe the role of the Revised Estimates for Public Services in the wider budgetary process[91] and how it is being developed with regard to utility and transparency.

The *Revised Estimates for Public Services 2019* provides additional detail and information in relation to the financial allocations contained in the 'Estimates for Public Services', which comprises Part III of the *Expenditure Report 2019* (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;[92]
- 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'.[93]

The Revised Estimates 2019 also gives summary detail for the forecast outturn for spending in 2018 at Vote level. However, this data was soon outdated by that provided in the December 2018 *Fiscal Monitor*.

The Estimate for 2019, provided in the Revised Estimates 2019, for programme and subhead expenditure, is composed of:

- The original estimate as published in the *Revised Estimates for Public Services 2018* in December 2017; and
- Any additional allocations provided for by way of the *Supplementary Estimates 2018*.

91 *An LandRS 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.*

92 *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.*

93 *See Oireachtas Library and Research Service Spotlight 1 of 2016, Parliamentary Scrutiny of Government Performance.*

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 16 of 2018*.

The Appropriation Act[94]

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.

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

As set in the Public Financial Procedures, any balance of a Vote remaining unexpended at the end of the year (except for capital carryover) 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, for 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.[95] A noteworthy condition is that the Act does not authorise expenditure on a new service in anticipation of Dáil approval for that particular service.

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94 *The Appropriation Act 2018 is available here.*

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

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.[96] The reformatting of the Revised Estimates for Public Services 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." [97]

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[98] 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*. The second report was published in April 2018 and out subsequent analysis is set out in *PBO Note 9 of 2018*.

The *Revised Estimates for Public Services 2019* 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 that the documentation presented by government on Budget Day is unduly complex, especially in the context of achieving a more effective level of parliamentary engagement.

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

97 *Department of Public Expenditure and Reform, Public Service Performance Report 2016 (2017, p.5).*

98 *These Guidelines are not available publically 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. A copy of the relevant Guidance Note was received from the Department on 14 February.*

Examples of complexity and lack of transparency in relation to the Revised Estimates 2018 were set out in the corresponding PBO Briefing Paper. Those observations remain unchanged and can be summarised as follows:

- The inclusion of Appropriations-in-Aid as receipts leads to a gap between the net amount approved by Dáil Éireann and the gross amounts available for programme expenditure, thus reducing process transparency;
- 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 true 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;
- The fact that the Christmas Bonus for eligible social welfare and insurance payments is not included in the REV2019 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;
- Similarly, the almost annual and automatic use of Supplementary Estimates for certain Votes means that the estimates cannot be relied upon – if there are underlying issues driving additional expenditure every year for some Votes, then these should be addressed in the allocations provided in the Expenditure Report;
- Changes to the remit of Departments when they occur 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;
- The financial allocation of certain programmes and subheads within Votes is very significant. This situation may militate against the provision of sufficiently granular information at subhead level or meaningful linkages between funding and metrics.

PBO analysis during 2018 identified further scope for improvement in the Revised Estimates including:

- Variability in the amount of A-in-A receipts makes the trend analysis of Vote expenditure over time on strategic activities more challenging and thereby reduces transparency;[99]
- The continuing rationale for including some revenue and charges as 'other income' Appropriations-in-Aid is not clear, i.e. as opposed to direct remittance to the Exchequer.[100]

99 PBO Note 18 of 2018, Appropriations-in-Aid in the Revised Estimates for Public Services, p.1.
100 Ibid.

Finally, it should be noted that the Director of the PBO wrote to the Ministers responsible for the four Votes analysed in detail in this paper seeking additional information to that set out in the Revised Estimates 2019. This information in relation to how to link performance metrics to the subheads set out in the Vote programmes was sought under the *Houses of the Oireachtas Commission (Amendment) Act 2018*. The Director also wrote to the Minister for Public Expenditure and Reform seeking a copy of the guidance which had issued to Departments in relation to performance budgeting. Replies were received from the Ministers of:

- Employment Affairs and Social Protection (21 January);
- Education and Skills (24 January);
- Housing, Planning and Local Government (4 February); and
- Health (5 February).

A reply was also received from the Department of Public Expenditure and Reform on 14 February.

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

In the context that the Revised Estimates 2019 builds upon the Expenditure Report published on Budget day (and the Supplementary Estimates, inasmuch as they increase the base for the following year) and is the basis for Select Committee scrutiny and Dáil approval of Voted expenditure, 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 (re performance metrics) and the level of data (financial allocations) in the documents subsequently published during the year (that should be facilitating ongoing scrutiny).[101]

The documents involved are:

- Monthly, from January to December – the Department of Finance Fiscal Monitor which shows financial data (expenditure v profile) only at Vote Group level making even a financial linkage with the Revised Estimates difficult;
- The Public Service Performance Report (April) which provides metric outturns for the preceding year but does not match this with the financial allocation or Vote subhead involved;
- The Mid-Year Expenditure Report (July) provides financial data and no update on any performance metrics; and
- The Spending Review (SR) papers published in 2018 should have fed into Budget 2019; it is unclear to what extent they did so, particularly as the financial data in the papers are not clearly linked to the Vote programmes and especially the subheads set out in the Revised Estimates. Metrics are not generally discussed in the SR papers or linked to those in the Revised Estimates or the Public Service Peformance Report. The Spending Review papers 2019 will be published in July and October 2019; if the data used in these were linked to/ consistent with the Revised Estimates 2019 they would be useful for analysis of Budget 2020 and the Supplementary Estimates 2019. A similar situation exists for other evaluations such as Value for Money and Policy Reviews (VfMPRs) and Focussed Policy Assessments (FPAs).

101 *It also relates to the fact that metrics are not linked to subheads in Part III of the Vote chapters in the REV. 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 is this linkage not provided. If the subheads do not clearly relate to the metrics then should they not be reformed with this aim in mind?*

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

A significant issue in relation to the Revised Estimates as it is currently structured, is that it does not facilitate scrutiny by way of using the Programme Logic Model (PLM).

However, if at some point consideration is given by the Department of Public Expenditure and Reform to alternative methods of presenting the Revised Estimates. In that context, 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 targets such as demographics,[102] new policy initiatives, staff pay agreements and increments 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,[103] 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.[104]

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

103 *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 dis-aggregation is provided of how much of that funding goes towards public services and how much towards the Agency's administrative costs.*

104 *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.*

Appendix 3: Key to Social Insurance Fund (SIF) 'subheads'

Table 15: SIF Subheads

Expenditure Area (*Subhead Reference*)	SIF Subhead
Administration	
SE1	Administration: Non-Pay
Pensions	
SE2	State Pension (Contributory)
SE3	Widows', Widowers'/Surviving Civil Partners' Pension (Contributory)
SE4	Widows', Widowers'/Surviving Civil Partners' Pension (Death Benefit)
WORKING AGE – INCOME SUPPORTS	
SE5	Jobseeker's Benefit
SE6	Deserted Wife's Benefit
SE7	Maternity Benefit
SE8	Adoptive Benefit
SE9	Paternity Benefit
SE10	Parental Benefit
SE11	Health and Safety Benefit
SE12	Redundancy and Insolvency Payments
SE13	Treatment Benefits
ILLNESS, DISABILITY AND CARERS	
SE14	Illness Benefit
SE15	Injury Benefit
SE16	Invalidity Pension
SE17	Partial Capacity Benefit
SE18	Disablement Benefit
SE19	Medical Care
SE20	Carer's Benefit

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Expenditure Area (*Subhead Reference*)	**SIF Subhead**
CHILDREN	
SE21	SIF Funded Child Related Payments
SUPPLEMENTARY PAYMENTS, AGENCIES AND MISCELLANEOUS SERVICES	
SE22	Household Benefit Package
SE23	Fuel Allowance
SE24	Telephone Support Allowance

Source: Correspondence from the Department of Employment Affairs and Social Protection to the PBO (21 January 2019)

Revised Estimates for Public Services 2019

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