An Oifig Buiséid Pharlaiminteach
Parliamentary Budget Office

Tithe an Oireachtais
Houses of the Oireachtas

The COVID-19 Pandemic – Voted Spending at the end of the first Quarter of 2020

A PBO illustration and analysis

PBO Publication 14 of 2020 – Expenditure Analysis series

Introduction

This PBO publication is based upon the March 2020 Fiscal Monitor published by the Department of Finance and addresses Net Voted spending to the end of that month. PBO Publication 13 of 2020 accompanies this publication and addresses the revenue outturns contained in the Fiscal Monitor. It also provides additional context to those figures and explores the potential impact of the COVID-19 pandemic for the ongoing stability of the public finances.

In the absence of Dáil approval for the *Revised Estimates for Public Services 2020* there is a ceiling on Voted spending in 2020, of 80% of the net amount appropriated in 2019. This publication therefore focusses on net rather than gross expenditure.[1]

The data in this publication illustrate the performance of Vote Groups (spending) against profile (*projected* spending for the same period). The difference, or variance, reflects over- or under-spending to date.

Key messages

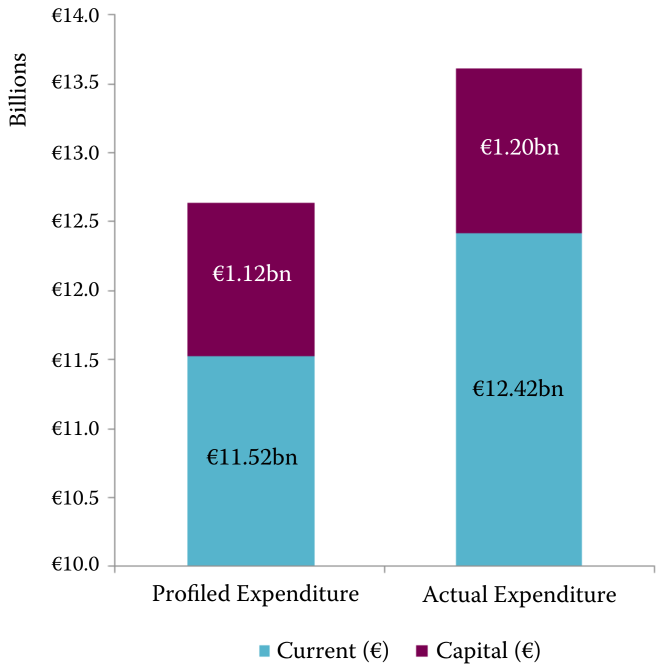
- The Department of Finance March *fiscal return* places Net Voted Expenditure (excluding spending from Departments' own income) at €13,600 million - approx. €1 billion or 8% above profile. It is unclear how much of this relates to changes in the timing of payments, COVID-19 mitigation measures or the unreliability of the profiles provided.
- This year's starting allocation of €70 billion (gross) is a 6% increase on the equivalent figure for 2019. This prioritises investment in Health, Social Protection, Education, Transport and Housing.
- An allocation of €6.7 billion[2] has been indicated by Government to date as a result of the COVID-19 Pandemic but further funds may be required by Votes such as Health and Social Protection. Equally, other Votes may not need their previously indicated allocation for this year and that money could be re-allocated to help address costs arising from the pandemic.
- This PBO Publication provides graphical representations of how much has been spent to date versus profile and how much can be spent without further approval from Dáil Éireann.
- The Employment Affairs and Social Protection Vote (no.37) in particular, will probably require further approval from Dáil Éireann by mid-May to ensure that it can continue making payments.
- A new Government will wish to reflect the changed economic circumstances by introducing a new set of Revised Estimates to change the allocations of individual Votes.
- The PBO raised questions during 2019 about the appropriateness of the spending profiles then in use in the Fiscal Monitor. It was unclear that they provided a reliable impression of the position of voted spending during 2019. When it became clear in 2019 that some Vote Groups' profiles were not accurate there was a dearth of commentary or further data to address this problem. This issue has **not** been addressed in 2020 or in the context of the pandemic. The commentary and analysis that the PBO can provide in the absence of more data and/or commentary in the Fiscal Monitor is limited.

1 Net Voted spending does not cover spending from the Social Insurance Fund (SIF) and the National Training Fund (NTF) which are presented in the Revised Estimates but are not approved by the Dáil through the Estimates process. See the final section of this Note for further information on the SIF and the NTF.

2 See PBO Publication 7 of 2020.

Figure 1 illustrates the overall **net voted expenditure** at the end of **March**. In total, there has been €13.6 billion in spending so far this year. This is approx. €1 billion or 8% above profile. Of this approximately €1 billion, €0.9 billion is current expenditure while the other €0.1 billion is capital expenditure. This is an increase of €1,614 million on the same period in 2019 - comprising an 11.5% increase in current spending and a 38.1% increase in capital spending.

Figure 1: Comparison of Profiled Net Voted Expenditure to Actual Net Expenditure in the year to March 2020



The annual Estimates for Public Services and the 'four-fifths Rule'

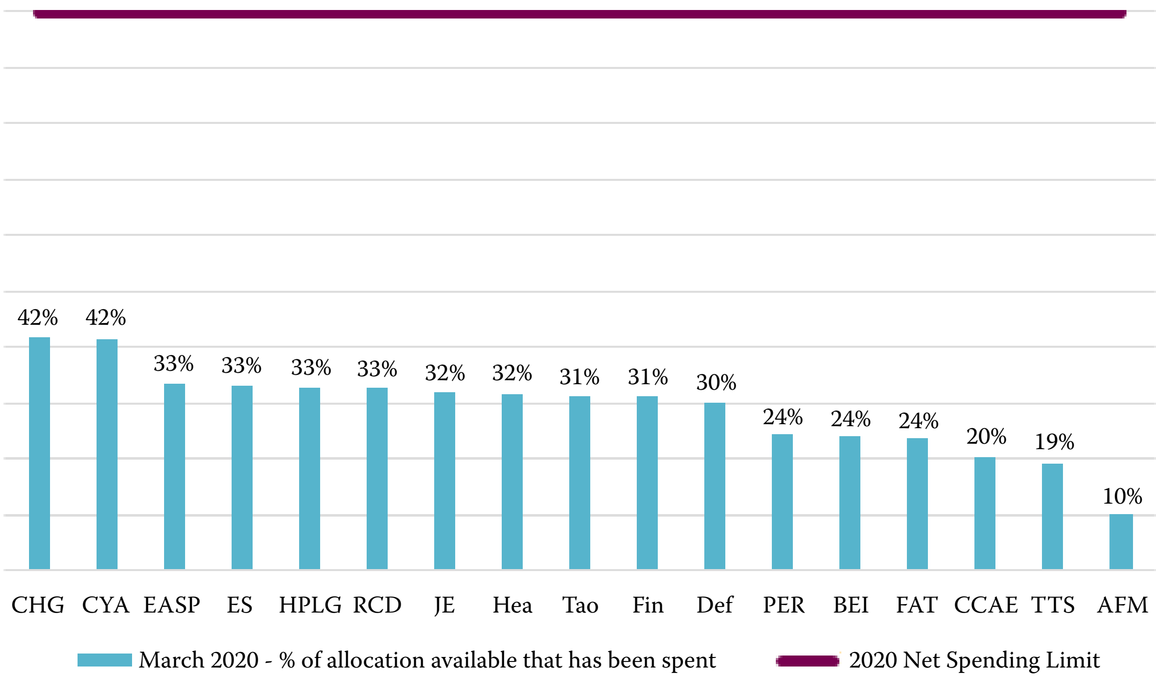
In the absence of Dáil approval for the *Revised Estimates for Public Services 2020* (see PBO infographic here) the Government will run up against a spending constraint for Voted spending of four-fifths of each Vote's net 2019 allocation - as set out in section B.1.2 of the Public Financial Procedures.

The Appropriation Act 2019 appropriated a net total of € 54,582,294,000 for supply services for 42 of the 44 Votes listed in the *Revised Estimates for Public Services 2020*. Therefore, four-fifths (or 80%) of the net amounts set out for those Votes in the Appropriation Act 2019 may lawfully be spent before the Revised Estimates 2020 are approved by the Dáil. Unfortunately, the Fiscal Monitor **continues** to only show spending at Vote Group level. Therefore, where there are multiple Votes in a Vote Group (see PBO infographic here) we cannot judge to what extent the delivery of public services could be curtailed - or which services may have to be prioritised due to a lack of financing.

Figure 2 shows how much Vote Groups have spent in the first Quarter of 2020 and their proximity to the spending limit set out above. A total of 10 of the 17 Vote Groups have spent 30% or more of their 2019 net allocated value, totalling €12,339 million in 2020. Existing spending commitments in addition to further significant spending commitments for some Votes in response to the COVID-19 Pandemic will necessitate Dáil approval of the Revised Estimates 2020 – probably during May. This is especially the case for Vote 37 (Employment Affairs and Social Protection - EASP) which will come under spending pressure in relation to the COVID-19 temporary wage subsidy scheme, pandemic unemployment payment etc. These additional payments will have to come from net voted spending (rather than the SIF). This vote has spent just over a third of the amount it is currently allowed to spend, i.e. €2.9 billion of €8.6 billion.

A new Government will wish to reflect the changed circumstances by introducing a new set of Revised Estimates (or Further Revised Estimates) to change the allocations of individual Votes.

Figure 2: Proximity to 80% spending limit (2019 net allocation) by Vote Group – Position at end-March 2020



Net current and capital spending by Vote Group to end-March 2020

Figures 3 and 4 show net current and capital spending by Vote Group against profile to end-March 2020.

Figure 3: Cumulative variance of net current expenditure from profile in the year to March by Ministerial Vote Group

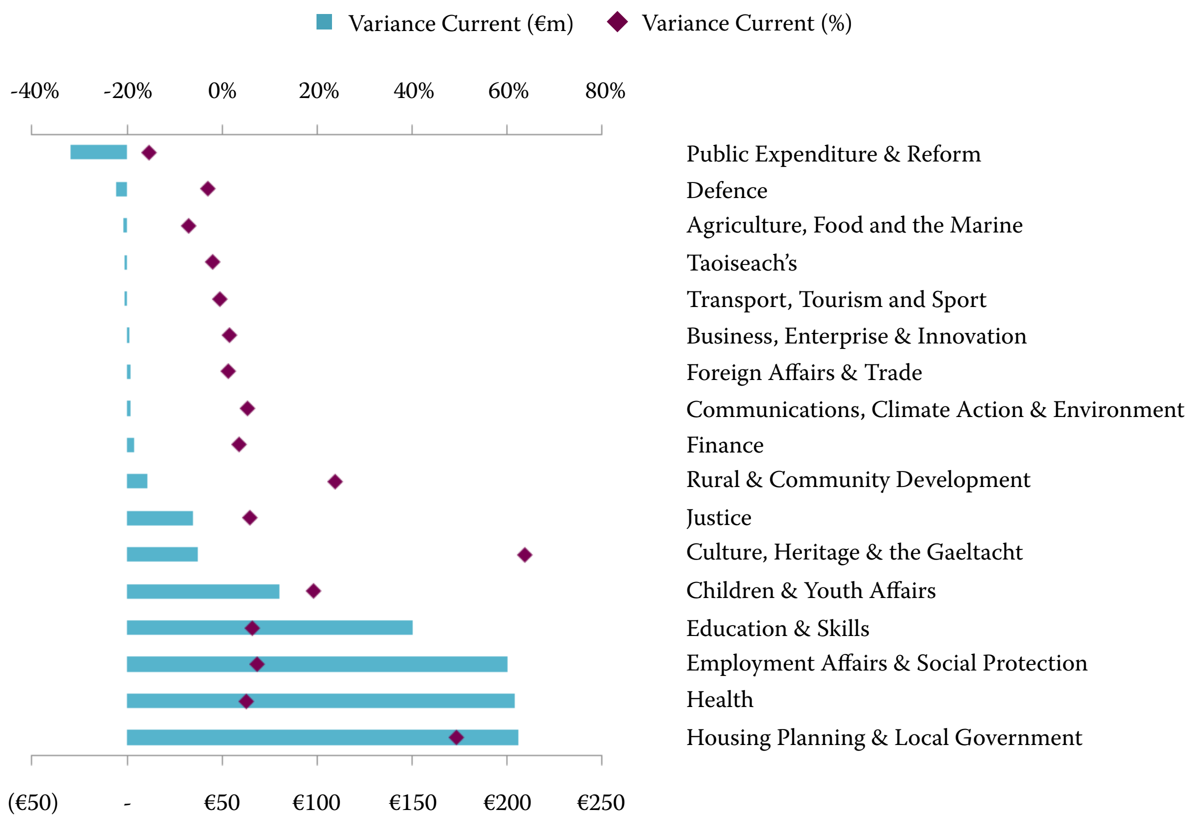


Figure 4: Cumulative variance of net capital expenditure from profile in the year to March by Ministerial Vote Group

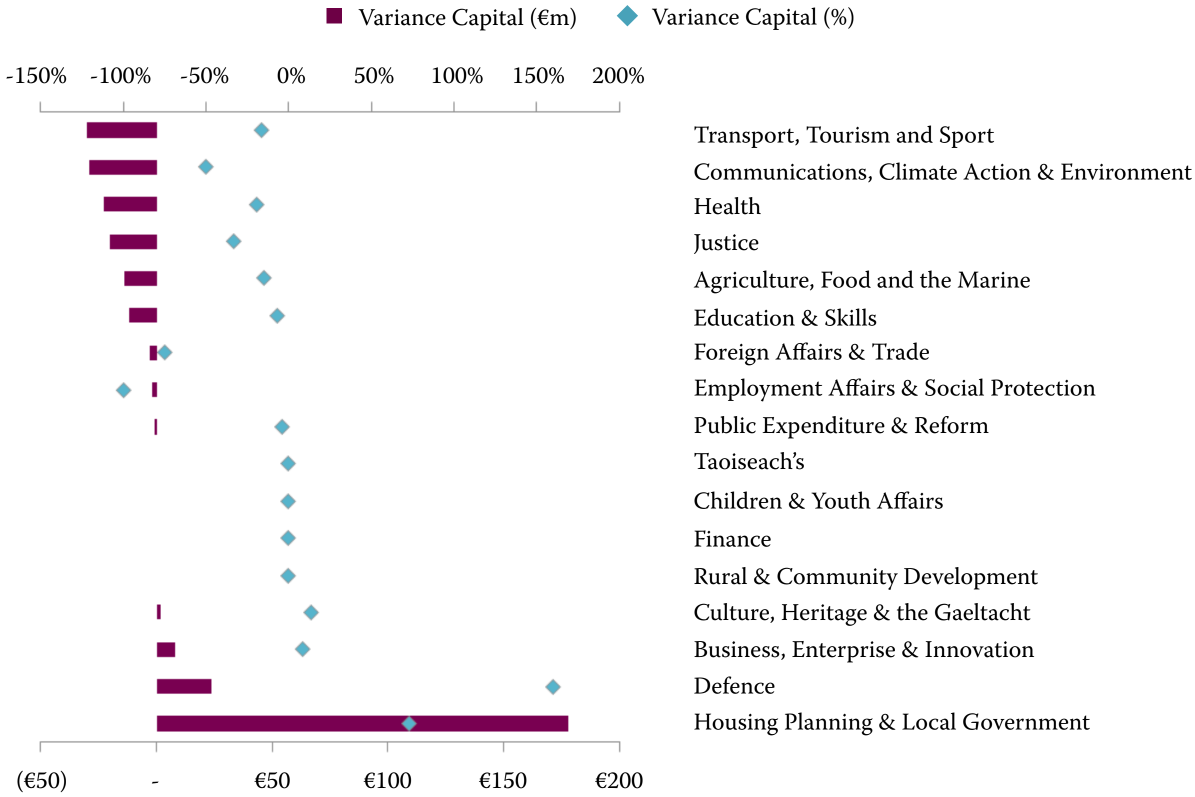


Table 1 sets out the spending profiles of the **three Vote Groups** which appear to have seen the most immediate impact on their spending profiles. This table excludes the Health vote as different accounting and budgetary frameworks result in reporting time lags between the Department of Health Vote and the HSE. This complicates scrutiny of in-year spending trends in the health sector and reduces the value of this data as set out in the Fiscal Monitor. Notwithstanding that important caveat, it should be noted that the **Health Vote** is also **€182 million** above profile.

Table 1: largest deviation from profiled spending (€million, net)

	March Profile	March Outturn	Variance	%	2019 Variance from Profile	YoY change
Department of Employment Affairs & Social Protection	**2,667**	**2,865**	**199**	**7.5%**	**-11**	**210**
Current	2,665	2,865	200	7.5%	-10	210
Capital	2	0	-1	-76.6%	-1	0
Department of Housing, Planning & Local Government	**662**	**1,046**	**384**	**57.9%**	**-148**	**532**
Current	417	623	206	49.5%	-100	306
Capital	245	423	177	72.2%	-48	225
Department of Children & Youth Affairs	**418**	**498**	**80**	**19%**	**10**	**70**
Current	415	495	80	19.2%	11	69
Capital	3	3	0	-	-1	1

Source: PBO, based on Department of Finance Fiscal Monitor (March 2020).
Note: Excludes the Health Vote (no.38) – see commentary above.

DEASP: The Government has previously made provision for 800,000 individuals to claim either the Wage Subsidy Scheme or the Unemployment Pandemic Payment for 12 weeks (€304 million per week, totalling €3.6 billion over 12 weeks).[3]

DHPLG: No information has been made available by the Department as to which programme(s) are the main recipients of the funding which has brought spending (both current and capital) significantly above profile in March. It may be that capital spending will now decrease as a result of the suspension of non-essential construction projects.

DCYA: Measures have been implemented to directly fund childcare providers for 12 weeks through wage subsidy to staff plus top-up payments to businesses.[4] This will take the form of a DCYA payment to staff in addition to Revenue's income subsidy scheme, meaning 100% of full time wages will be accounted for. DCYA will also make payments to providers to cover ongoing / unavoidable operational costs set at 15% of staff wage costs with a minimum payment of €300 per week.

However, given the suspension of other childcare subsidy schemes, it is unclear why the current spending in this Vote is 19% ahead of profile, at end March.

Spending from the Social Insurance Fund (SIF) and the National Training Fund (NTF)

While the SIF and the NTF are presented in the Revised Estimates, their spending does not have to be approved by the Dáil in the Estimates process. This spending is therefore shown in the Fiscal Monitor as part of Gross Voted spending. Net Voted spending to end March is €13,600 million and Gross Voted is €17,039 million. Most of this difference of approx. €3.4 billion (at end March) relates to SIF and NTF spending. The SIF is encompassed within overall gross spending by the Employment Affairs and Social Protection Vote Group (approx. €5.6 billion) as is the NTF by the Education and Skills Vote Group (approx. €2.9 billion).

It may be expected that PRSI receipts, which accrue to the SIF, will see a substantial reduction in April.

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Go to our webpage: www.Oireachtas.ie/PBO

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3 See PBO Publication 7 of 2020 (p.3).

4 Information and FAQs on COVID 19 Measures for providers and staff of Early Learning and Care and School Age Childcare Services. Department of Children and Youth Affairs, 31 March 2020