



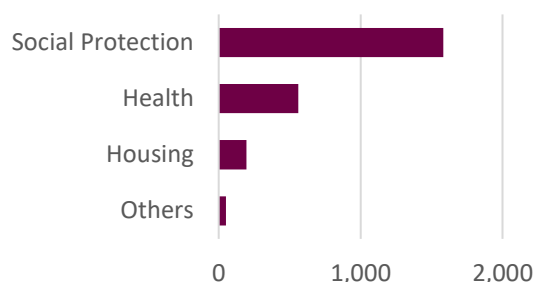
## Voted Spending to April 2020: The Impact of COVID-19

PBO Publication 23 of 2020 – Expenditure Analysis series

Voted spending is €2.4 billion above expectations...

The unexpected pressure on spending from measures taken in response to the COVID-19 pandemic is concentrated in the Social Protection and Health areas. Compared to expectations at the start of the year, Social Protection spending is €1.6 billion higher and Health is €562 million higher. Housing is also €196 million higher.

Figure 1: Net Spending over Profile at end-April.



### Key Messages

- Overall Government net voted spending is €2.4 billion above expectations so far this year. Based on other announcements, an additional €5.6 billion in overspending is expected in the remaining 8 months of 2020.
- Pressure for unexpected spending due to the pandemic is mainly current (not capital) spending.
- Most of the additional spending in response to COVID-19 has yet to occur, and May and June are likely to show a rapid increase in spending under the Social Protection and Health Vote Groups.
- With €1.6 billion in extra spending, the Employment Affairs and Social Protection Vote has reached 48% of 2019's final net allocation. The timing of when a new Estimate for this Vote for 2020 will be needed depends on how quickly it increases towards 80% of the net 2019 allocation. This could be before a Government is formed and Dáil select committees are established. This would therefore require the caretaker Government to set out new spending details and propose that the Estimate should be approved on the floor of *Dáil Éireann*.
- Several Government Departments, including Employment Affairs and Social Protection, co-operated with the PBO by providing data relevant to the Fiscal Monitor. No reply was received from the Department of Health.

### Introduction

Each month, the Government reports on the money collected and spent by central government in the Department of Finance's [Fiscal Monitor](#). This PBO Note analyses public spending at the end of April 2020 and provides further context to inform Members in their consideration of public spending so far this year.

The context for public spending in 2020 is the ongoing Government response to the COVID-19 pandemic. Increased spending (and falling tax revenues) are the fiscal result of this public health

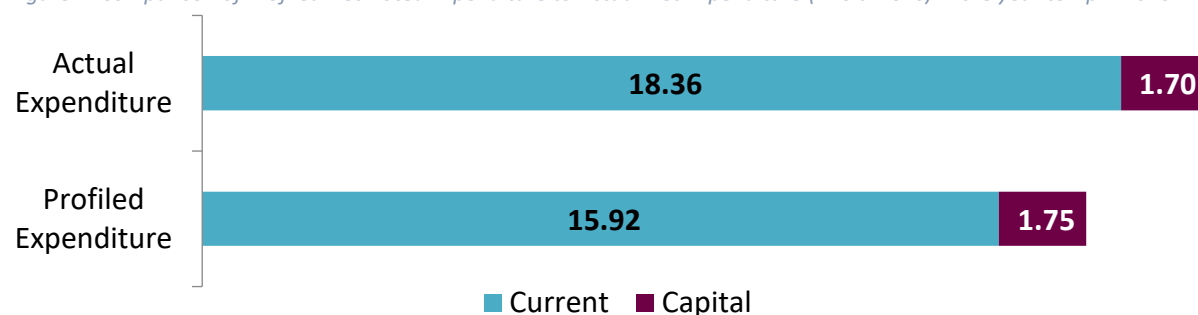
crisis, and several areas of public spending have already seen significant increases in spending in reaction to the challenges presented by the pandemic.

However, as no government has been formed since the general election earlier this year, the *Revised Estimates for Public Services 2020* have not been approved by *Dáil Éireann*. This means that the allocations for government departments that were set out in December last year have no standing (with regard to how much can be spent). In the absence of *Dáil* approval, government departments are allowed to spend up to four fifths of their approved **net allocation** (i.e. excluding income received directly by Departments) for the previous year (80% of the funding approved for their Votes by *Dáil Éireann* in the *Appropriation Act 2019*). As a result, this publication focuses on net spending rather than only on the change from profile (i.e. how much unexpected expenditure has occurred). Therefore, it analyses the current spending level as a share of this *de facto* 80% ceiling.

## Total Spending

So far this year, overall spending is €20 billion: €2.4 billion above the €17.7 billion profile set at the start of the year. This 13.5% variance is highly unusual at this point in the year, when normally any variance will be minimal. Even when Supplementary Estimates have been required in years past, these have only become obvious much later in the year. As Figure 2 makes clear, all the pressure has occurred under current expenditure, which funds the day-to-day public services delivered by government.

Figure 2: Comparison of Profiled Net Voted Expenditure to Actual Net Expenditure (in € billions) in the year to April 2020.

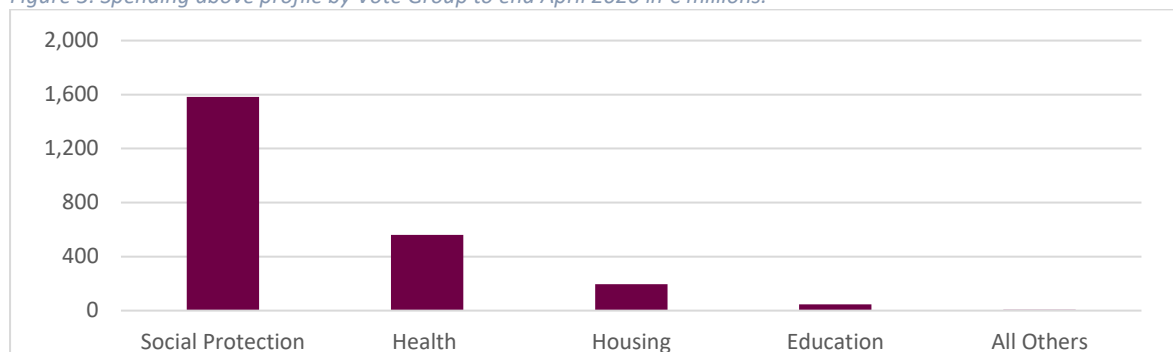


## COVID-19 Spending to April 2020

As Figure 3 shows, the impact of the government's response to COVID-19 on spending is highly concentrated in the Employment Affairs and Social Protection and the Health Vote Groups at the end of April.

In some Vote Groups, increases in current spending is being offset by decreases in capital spending. For example, Transport, Tourism and Sport is €69 million above profile in its day-to-day spending but €53 million below profile in capital spending. As a result, it does not appear notable in the figures below. However, this depends on that capital spending not occurring later in the year, otherwise this Vote Group (and Justice, which is in a similar position) will also overspend against profile.

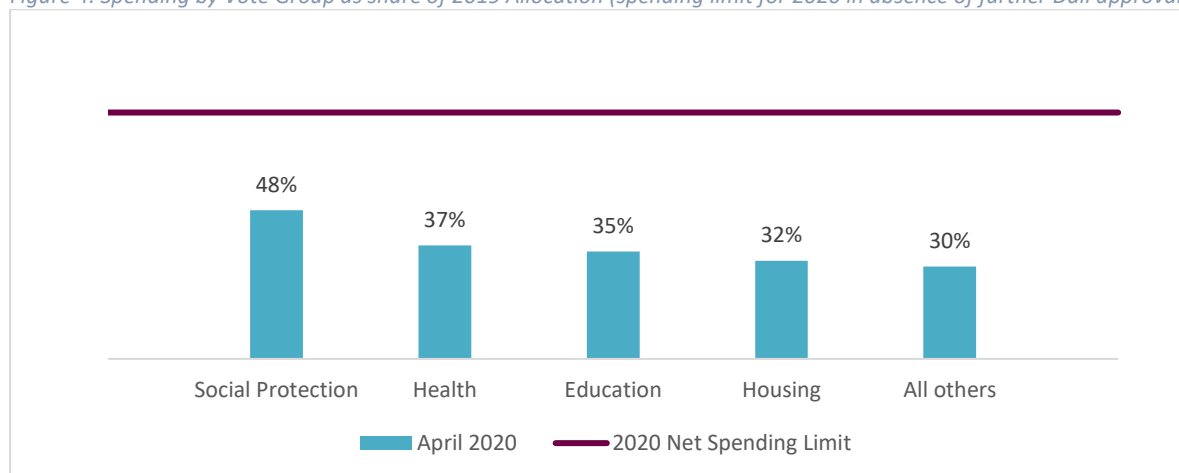
Figure 3: Spending above profile by Vote Group to end April 2020 in € millions.



More immediately important than spending against profile, is spending so far this year as a share of 2019’s final approved net allocation. As Figure 4 below shows, Social Protection is ahead of other Vote Groups, rising to 48% of its 2019 total (the limit is 80%). As Government formation talks are ongoing, and formation of sectoral Committees will occur only after a Taoiseach is elected, continued spending from the Social Protection Vote may necessitate an Estimate for that Vote to be considered on the floor of the House in the absence of a sectoral Committee. Other Vote Groups are further from the 80% limit but will require monitoring as the year progresses in the absence of the formation of a Government and the creation of Sectoral Committees.

Under Social Protection, almost all the additional spending can be attributed to two headings: €890 million is a result of the Pandemic Unemployment Payment and €639 million is a result of the Temporary Wage Subsidy.<sup>1</sup> Smaller amounts of additional spending relate to Illness Benefit and the Fuel Allowance. While the context for the overspending in the Health Vote is the pandemic, the details of where the overspending is occurring have not been made available to the PBO.<sup>2</sup> The reasons for the continued overspending in the Housing Vote are not clear, though the scale of the increased spending has decreased since March and may fall back within expectations as the year progresses and if, for example, construction activity decreases as a result of the pandemic.

Figure 4: Spending by Vote Group as share of 2019 Allocation (spending limit for 2020 in absence of further Dáil approval).



<sup>1</sup> Correspondence between the Department of Employment Affairs and Social Protection and the PBO.

<sup>2</sup> The PBO wrote to several Government Departments seeking additional data to that provided in the Fiscal Monitor – all replied, with the exception of the Department of Health.

## Using SPU 2020 to project the overspending still to occur

In the *Stability Programme Update 2020*, the Government provided projections of the additional spending required in 2020 as a response to the COVID-19 pandemic. Using this, we can project the additional spending that has yet to occur. As Table 1 shows, the majority of additional spending in response to COVID-19 has yet to happen, and May and June are likely to show a rapid increase in spending under the Social Protection and Health Vote Groups.

Table 1: Additional Spending required in 2020 as a response to COVID-19 in € millions.

	At end-April	Expected	Yet to occur
<b>Social Protection</b>	1,583	5,550*	3,967
<b>Health</b>	562	2,000	1,438
<b>Others</b>	248**	200	-48
<b>Total</b>	<b>2,393</b>	<b>7,750</b>	<b>5,357</b>

Source: PBO based on Fiscal Monitor April 2020 and Stability Programme Update 2020.

\* Includes €1.3 billion in income supports in Q3 and Q4, under the assumption all will fall under Social Protection Vote Group. Costs for initial 12-week period are estimated to fall between €4 and €4.5 billion, €4.25 billion used here.

\*\* Includes €196 million in overspending under the Housing Vote, which the PBO could not locate the reason for in Government publications. This may fall under income supports and within the €5.6 billion allocated to Social Protection.

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