



## Voted Spending at end-July 2020

PBO Publication 50 of 2020 – Expenditure Analysis series

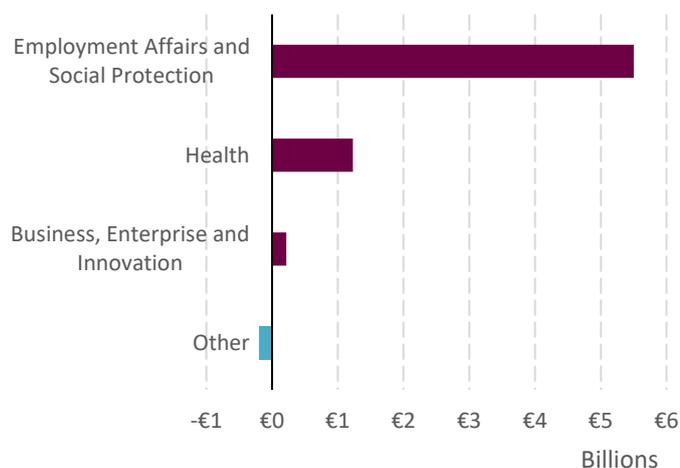
Government spending to end-July has continued to exceed pre-pandemic projections, with gross voted spending now €6.76 billion above profile. The Departments of Employment Affairs & Social Protection and of Health account for €6.73 billion (99.6%) of the variance. Spending is €9.25 billion ahead of the same period in 2019.

Overall, below profile spending across 10 vote groups (€356 million) was offset by above profile expenditure of €7,117 million in 7 vote groups.

It is apparent that relying on pre-pandemic profiles at this point is of little relevance to Votes / Vote groups which have been significantly impacted by the pandemic.

For other Votes, where the pandemic has had a more limited effect, pre-pandemic profiles may retain some relevance.

Figure 1: Gross Spending over/under Profile at end-July 2020



Source: PBO based on Department of Finance, [Fiscal Monitor: July 2020](#) (August 2020).

## Key Messages

- Dáil Éireann has passed the 'new' Revised Estimates for a number of Votes, including many of those affected most directly by the pandemic. These include Vote 32 (Business, Enterprise & Innovation), Vote 37 (Employment Affairs & Social Protection), and Vote 38 (Health). The approved Votes have received approval of their allocations for 2020 and are no longer bound by the 4/5<sup>th</sup> spending rule.
- Both Health and Employment Affairs & Social Protection have previously indicated that they will require substantial Supplementary Estimates later in the year. In the case of Employment Affairs & Social Protection it is unclear what impact proposed legislative changes to the PUP – classifying it as a Social Insurance Fund payment – will have.
- The PBO has previously noted that the Estimate for Vote 26 Education & Skills, as recently approved by Dáil Éireann, did not reflect anticipated costs arising from the pandemic.<sup>1</sup> These pandemic related costs are an estimated €376 million and will require a Supplementary Estimate later in 2020.<sup>2</sup>
- The Department of Finance's monthly [Fiscal Monitor](#) continues to use the spending profiles for all Votes based on the original Revised Estimates published in December 2019. Vote profiles have not yet been re-published to reflect the new Revised Estimates passed by the Dáil or announced changes to Departments' roles and functions following the recent establishment of a new Government. The Department of Employment Affairs and Social Protection have now developed new spending profiles to reflect the allocation Voted in May.
- A number of Votes, including some with substantial volumes of spending (including Votes such as Transport, Tourism & Sport and Housing, Planning & Local Government), have no formally approved Estimate for 2020. These will be introduced in the Autumn. This suggests that these Votes are running at, or below, their pre-pandemic profiles and are not at risk of breaching the 4/5<sup>th</sup> spending limit in the short term.
- Upon request, several Government Departments have again provided the PBO with data relevant to this analysis of the Fiscal Monitor for Members of the Oireachtas. The PBO wishes to acknowledge this co-operation, which enhances transparency and promotes parliamentary scrutiny. The PBO particularly wishes to acknowledge that this data relates to the expected spending up to end-July and was provided in a timely manner which assisted in making this publication available to Members as soon as possible.

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<sup>1</sup> PBO, [Revised Estimates for Public Services 2020 \[Vote 26\]: Education and Skills](#) (July 2020).

<sup>2</sup> Gov.ie, ['Government approves over €375 million support package and publishes Roadmap to enable safe return of schools'](#) (27 July 2020).

## Introduction

Each month, the Government reports on the money collected and spent by central government in the Department of Finance's *Fiscal Monitors*. This PBO Note analyses Voted spending<sup>3</sup> at the end of July 2020 and provides further context to inform Members in their consideration of Government spending on public services so far this year.

Given the lack of detail in the Fiscal Monitor published by the Department of Finance, the PBO submitted requests to several Government Departments<sup>4</sup> to provide explanatory information around their spending against profile for July. The responses received have aided this analysis and the Departments' co-operation is appreciated. The PBO trusts that when Departments are re-organised in line with the new Government's priorities that this co-operation will continue and deepen.

Overall, spending has continued to increase compared to the original profile, mostly in response to the COVID-19 pandemic, with the rate of increase accelerating in July – see Table 1. This is despite an apparent tapering of above-profile spending in relation to Health (Vote 38). It is possible that as Votes neared their permitted spending ceilings that this constraint restricted spending until Revised Estimates were approved.

An Exchequer deficit of €7,405 million was recorded to end-July 2020 compared to €5.33 billion in June. The impact of over-profile spending on the deficit has been considerably ameliorated by robust revenues (€5,215 million over profile, albeit down €274 million on this time last year).

Table 1: EASP, Health and total rates of increase in spending, April - July 2020

	Profile	Outturn	Variance	Monthly Increase in Variance
<b>Health</b>				
Apr	5,766	6,329	563	
May	7,213	8,274	1,061	<b>498</b>
Jun	8,667	9,848	1,181	<b>120</b>
Jul	10,374	11,605	1,231	<b>50</b>
<b>DEASP</b>				
Apr	7,044	8,699	1,655	
May	8,696	11,712	3,017	<b>1,362</b>
Jun	10,539	14,695	4,157	<b>1,140</b>
Jul	12,480	17,982	5,503	<b>1,346</b>
<b>All Vote Groups</b>				
Apr	21,986	24,460	2,475	
May	27,274	31,541	4,267	<b>1,792</b>
Jun	32,933	38,376	5,442	<b>1,175</b>
Jul	39,081	45,841	6,760	<b>1,318</b>

Source: PBO, based on Fiscal Monitors for April to July 2020

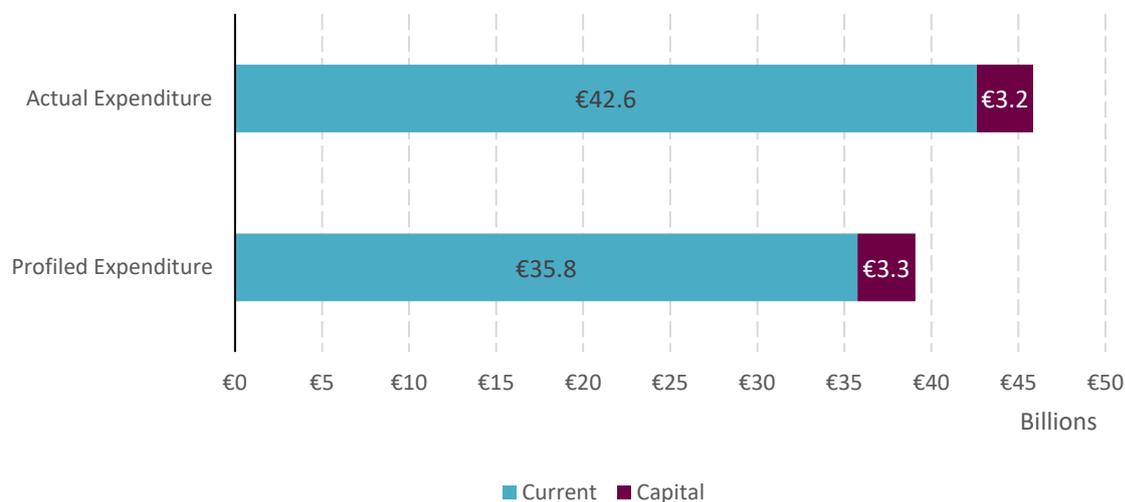
<sup>3</sup> This is the spending set out in the Estimates on Budget day, and subsequently set out in more detail in the Revised Estimates which is then scrutinised by Dáil Committees and considered by the Dáil itself.

<sup>4</sup> The Departments of Employment Affairs and Social Protection, Children and Youth Affairs, Business, Enterprise and Innovation, Health, Transport, Tourism and Sport.

## Overall Voted Spending

Spending across all Vote Groups at end July 2020 was €45.84 billion, 17.3% above the originally profiled €39.08 billion.<sup>5</sup> Figure 2 shows, cumulatively, that the overspend is entirely driven by current spending of €6.85 billion versus an underspend on the capital side of €91 million.

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



Source: PBO based on Department of Finance, [Fiscal Monitor: July 2020](#) (August 2020).

**In the absence of revised profiles in the Department of Finance's *Fiscal Monitor* to reflect increased spending attributable to the pandemic the relationship between actual expenditure and profiled expenditure will grow increasingly meaningless as the year progresses.** This issue will be of greatest significance in Votes most affected by the pandemic such as Business, Enterprise & Innovation (Vote 32), Employment Affairs & Social Protection (Vote 37), and Health (Vote 38).

<sup>5</sup> Note: profiles are based on the Revised Estimates published December 2019 and do not account for the updated allocations recently approved by the Dáil for a range of Votes.

## Employment Affairs and Social Protection (Vote 37)

In May, a revised estimate for Vote 37 was approved by Dáil Éireann for 2020. This provided for a significant expansion in spending in response to the COVID-19 pandemic. In recognition of this, the Department of Employment Affairs & Social Protection (DEASP) have developed **new spending profiles** to be used from July. The revision of Voted spending profiles is good budgetary practice, even in the current situation where it can be expected that they will have to be revised again shortly. The PBO has sought a more detailed breakdown of the new profiles from the Department and below discusses the outturn compared to the revised profiles.

In July, Vote 37 spending exceeded its **pre-pandemic profile** by €5,503 million. This makes Vote 37 the single largest contributor to over-profile spending at this point in 2020. Under new profiles developed by the Department of Employment Affairs & Social Protection, spending up to end-July exceeded its profile by €700 million.

Spending from the (non-voted) Social Insurance Fund (SIF) was estimated (**pre-pandemic**) to be almost €5,949 million; however, the Department have indicated that spending is approx. €6.2 billion at end-July.

The Department has advised the PBO that it is:

- Progressing a detailed review of the performance of the schemes falling under its operations with view to estimating the likely outturn for 2020; and
- Gauging the potential spending requirements for 2021.

The Department has also advised it is reviewing how measures outlined in the [July Jobs Stimulus](#) will impact Voted spending and that it will be in a better position to report on these impacts in the next few weeks.<sup>6</sup>

Up to the end of July, payments totalling an estimated €3 billion were made under the Pandemic Unemployment Payment (PUP) compared to the €2.2 billion now profiled for this scheme. This over-profile spending arises from the assumption, at the time of the approval of the May Estimate, that the PUP would cease after the 9<sup>th</sup> of June. The scheme has been extended to 1 April 2021 in the [July Jobs Stimulus 2020](#) with an estimated additional cost of €700 million.<sup>7</sup> It should be noted that Section 6 of the [Social Welfare \(COVID-19\) \(Amendment\) Act 2020](#) provides that some of the spending incurred to date on the PUP – which has been paid as Supplementary Welfare Allowance Urgent Needs Payments – may be charged to the Social Insurance Fund.<sup>8</sup> This would, of course, diminish the reserves of the SIF – a matter previously highlighted by the PBO in relation to the pandemic.<sup>9</sup> Given that some €3 billion has been spent on the PUP to date – the refund of this amount (plus the ongoing costs of funding this scheme) would generate considerable flexibility within the Vote but would conversely have a significant detrimental impact on the accrued reserves of the SIF.

<sup>6</sup> See the PBO's [interactive visualisation](#) for an overview of the July Jobs Stimulus.

<sup>7</sup> Department of the Taoiseach, [July Jobs Stimulus 2020](#) (July 2020) p.10.

<sup>8</sup> Oireachtas Library & Research Service, [Bill Digest: Social Welfare \(Covid-19\) \(Amendment\) Bill 2020](#) (July 2020) p.3.

<sup>9</sup> See PBO, [Revised Estimate for Public Services 2020 \[Vote 37\]: Employment Affairs and Social Protection](#) (May 2020) pp.10-11; and the PBO's interactive visualisation [Vote 37: Employment Affairs and Social Protection \(Revised estimate\)](#) (May 2020).

The Department have also advised the PBO that spending on the Temporary Wage Subsidy Scheme (TWSS) was an estimated €2.3 billion at the end of July against a profile of €2.1 billion. As of 29 July, an estimated 400,000 employees were being supported by the scheme having received a subsidy in their most recent pay period.<sup>10</sup> This scheme will be succeeded by the Employment Wage Support Scheme (EWSS) which will run to April 2021 at an estimated cost of €1.9 billion.<sup>11</sup>

Above profile expenditure (€700 million) is driven by schemes including PUP (€800 million), TWSS (€200 million), various pension schemes (€136 million), various disability and carer's payments (€63 million), and back to Education Allowance (€7 million). This is partially offset by below-profile expenditure on a range of schemes including Jobseekers schemes (€327.5 million), COVID-19 Illness Benefit (€28.5 million), Employment programme schemes,<sup>12</sup> Treatment Benefits (€15.8 million), and Child Benefit (6.2 million).

### Health Vote and HSE spending

The difficulties in adequately assessing and scrutinising the Health Vote have been highlighted by the PBO in previous publications, and most recently in our analysis of the [Revised Estimate for Vote 38](#). That publication set out the additional funding allocation for 2020 of almost €2 billion in COVID-19 pandemic specific spending.

In response to the PBO information request for this publication, the Department has provided considerable detail on spending to date and this is welcome. Even as the Revised Estimate for Health was introduced to the Dáil, the Minister for Health stated:<sup>13</sup>

The figures presented to the House represent the expenditure approved by the previous Government for Covid-19 measures to date. It does not represent the totality of the costs of Covid-19 for this year, nor an estimate of same.

Further increases to the Health vote may be driven by the following:

- Additional PPE costs;
- Recommencing the delivery of non-pandemic health services while implementing social distancing and heightened infection control;
- The requirement to maintain surge capacity within the acute hospital system;
- The achievability of savings set out in the HSE's National Service Plan (NSP) (i.e. the Department does not believe that some/all savings can be made); and
- Loss of HSE own income.

The Department expects that, due to the effects of the pandemic, it "will cost more to do less".<sup>14</sup> While it is not yet possible to exactly quantify how large a supplementary estimate for Health will be sought, it is likely to be substantial. Correspondence from the Department now refers to an additional cost of €670 million for PPE in 2020.<sup>15</sup> As previously noted by the PBO in [Voted Spending at mid-year 2020](#) (July 2020), the National Service Plan (NSP) had anticipated savings of €250 million which may not materialise. In addition, approximately €400 million from private patient income was

<sup>10</sup> Gov.ie, [Briefing on the government's response to COVID-19 - Wednesday 29 July 2020](#) (July 2020).

<sup>11</sup> Department of the Taoiseach, [July Jobs Stimulus 2020](#) (July 2020) p.10.

<sup>12</sup> The exact figure for these schemes could not be confirmed before publication of this Note.

<sup>13</sup> ['Vote 38 – Health' \(Revised\)](#) (30 June 2020).

<sup>14</sup> Letter of 5 August 2020 from the Department of Health to the PBO.

<sup>15</sup> Letter of 5 August 2020 from the Department of Health to the PBO referencing Government decision S180/20/10/0648D.

anticipated for 2020. Given the reduction in services in 2020 this level of income is no longer realistic. **Cumulatively, these factors point to a significant possibility of a Supplementary Estimate potentially exceeding €1 billion later in 2020.**

The Department of Health are currently working with the HSE to finalise and issue a revised letter of determination for 2020. Once issued, the Department can reprofile spending for the remainder of 2020 in line with the letter. The Department intend for this process to be completed prior to the end of August.

Most spending under Vote 38 relates to the HSE and while most of these subheads are experiencing underspends to date (approx. €163.7 million) this is more than offset by above profile spending on HSE Health and Social Care Services (almost €1,509.4 million). The Department notes that spending in the HSE represents cash usage and, as a consequence, may lag spending incurred but that conversely, this approach will also reflect pre-payments for goods or services.<sup>16</sup>

Notwithstanding the known issues in relation to aligning HSE and Department of Health spending, Figure 3 illustrates the information provided by the Department of Health on spending to date.<sup>17</sup> Figure 3 illustrates that above profile spending under Vote 38 is concentrated in HSE Current Funding i.e. funds allocated to the HSE by the Department of Health. There are 10 such subheads; however, most are relatively small. A single subhead J00 (representing J.1 HSE (Including Service Developments) and J.2 HSE – COVID 19 Actions as they appear in the Revised Estimates for Public Services) is above profile by €1,509.4 million, while the other subheads are cumulatively €163.7 million below profile.

Figure 3: Health (Vote 38) spending to date



**Source:** PBO based on letter from Department of Health (05 August 2020).

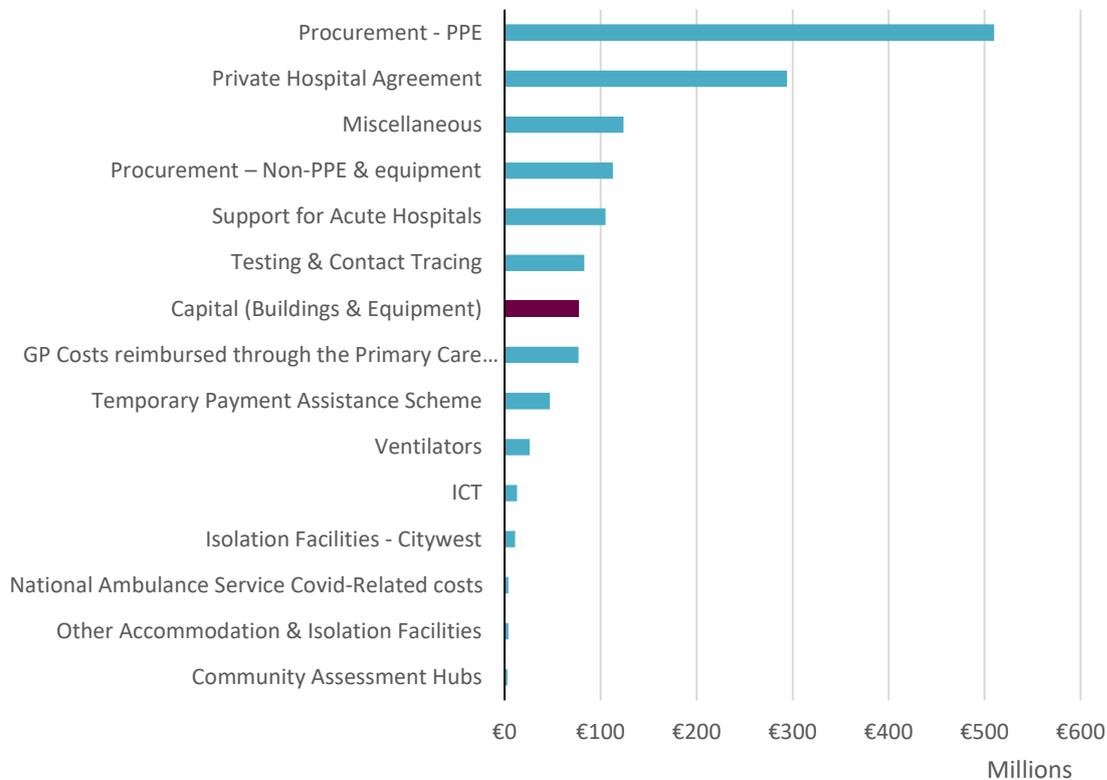
Figure 4 illustrates the distribution of COVID-19 spending at 17 July 2020 (€1,414 million current, and €77 million capital) – the HSE is providing spending data to the Department on a two weeks in

<sup>16</sup> The PBO has previously highlighted the challenges posed by the differing accounting methodology used by the HSE (accruals) compared to that of Government Departments (cash). The differing approaches makes analysis and comparison challenging. See PBO, [The HSE National Service Plan and its Relationship with the Health Vote](#) (2018).

<sup>17</sup> *Ibid.*

arrears basis.<sup>18</sup> This is approximately 70% of the COVID-19 specific allocation set out for 2020 to date. The Department of Health have further indicated additional PPE costs of €670 million for 2020 which will be included in a future supplementary estimate submitted for consideration, and for approval, by the Dáil.

Figure 4: HSE COVID-19 Spending at 17 July 2020



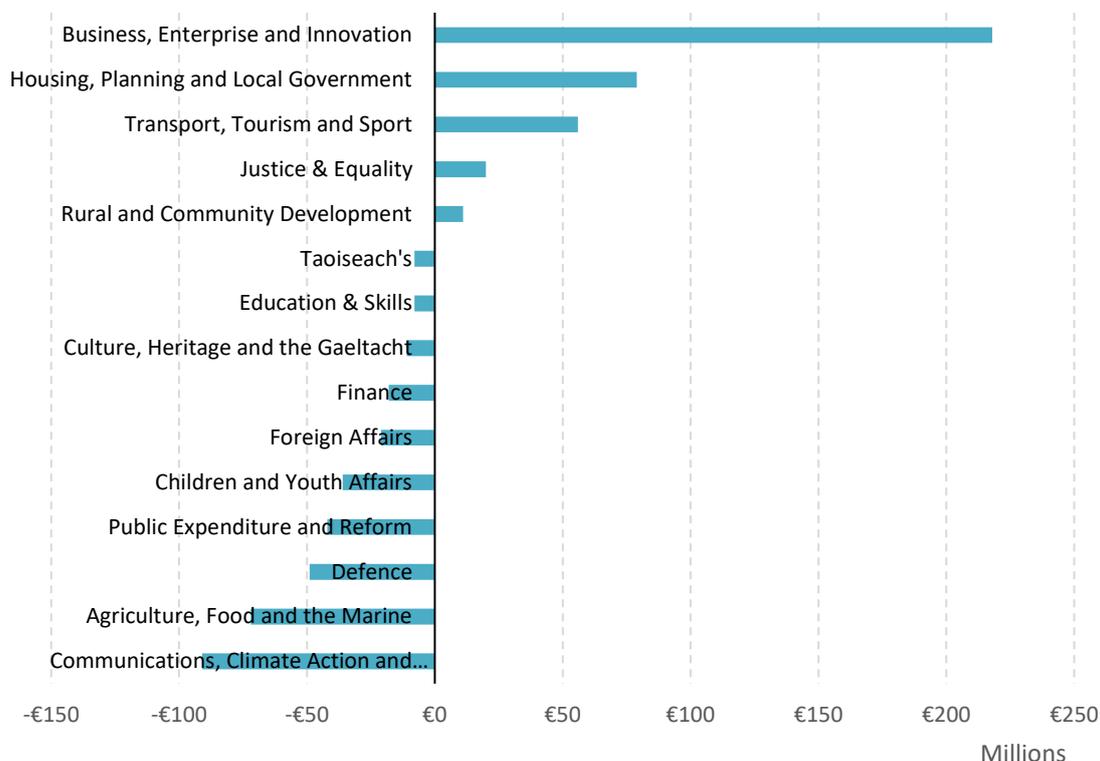
Source: PBO based on letter from Department of Health (05 August 2020).

<sup>18</sup> The HSE has been implementing Finance Reforms for several years now; however, while a contract was signed with SAP in June 2017 and a software solution being selected, the implementation approach appears to still be under development. See HSE, [‘Finance Reform Programme’](#).

## Other Votes

Figure 5 illustrates the performance of all Vote Groups (excluding the Health and Employment Affairs & Social Protection Vote Groups) against profile. A total of 10 Vote Groups are currently below profiled levels of spending for end-July (€356 million). This below-profile spending is insufficient to completely offset the above-profile spending in the other 5 Vote Groups (€384 million).

Figure 5: Gross Expenditure against Profile (Excluding Health & Employment Affairs & Social Protection)



**Source:** PBO based on Department of Finance, [Fiscal Monitor: July 2020](#) (August 2020).

The pandemic may result in delayed spending under some Vote Groups – the extent to which this delayed/deferred spending will ultimately be spent in 2020 is as yet uncertain. In some cases spending may be deferred until 2021. For example, if capital projects have been delayed in 2020 this may result in the application of deferred surrender (effectively the carry over of capital allocations, subject to an upper limit, from 2020 to 2021).

**Business, Enterprise & Innovation** spending (gross) at end-July was €683 million (€218 million above profile). This is only a small increase on end-June when expenditure was €222 million above profile. Above profile expenditure is driven entirely by capital spending (€224 million), partially offset by a small below profile current spend (€6 million). Notably, current spending is relatively unchanged from the same time in 2019 (+€3 million). However, capital spending is €240 million greater than at end-July 2019. As with all other Votes, particularly those most affected by the pandemic, the original profiles bear little relevance to the actual outturn of the Vote.

Above profile capital spending relates to COVID-19 related enterprise supports – reflected in the allocation approved for Vote 32 Business, Enterprise and Innovation in the new Revised Estimate

approved by the Dáil on June 30<sup>th</sup>.<sup>19</sup> Since the approval of the Revised Estimate the Government announced the [July Jobs Stimulus](#) (23 July 2020) which includes an additional €450 million in spending for Vote 32 (Liquidity and Enterprise Measures of €150 million and an Expansion of the Restart Grant of €300 million).

The Department has identified the major sources (at subhead level) of above profile spending to date as:

- A.7 Enterprise Ireland;
- A.8 Local Enterprise Offices; and
- A.16 Micro Finance Ireland.

The Department has indicated that it has engaged with the Department of Public Expenditure & Reform in relation to re-profiling spending for the remainder of 2020.

The **Department of Children & Youth Affairs** is currently operating below profiled spending by an aggregate €37 million or 4%. While TUSLA continues to spend ahead of profile (in part due to a technical issue with profile misalignment at the start of the year) by €30.7 million this is more than offset by under-spends in subheads B.3 ECCE and AIM Pre-School Programmes (€34.4 million) and B.4 National Childcare Scheme and Other Childcare Programmes (€40.2 million). The Early Years programme is €63.7 million below profile – with €11 million of over-profile expenditure in B.5 Childcare Programme offsetting the savings under subheads B.3 and B.4. These savings are the result of the suspension of childcare subsidy schemes.

In response to the pandemic-enforced closure of childcare facilities, the Department introduced support payments for the sector such as the Temporary Wage Subsidy Childcare Scheme (TWSCS) which has made payments of €61.4 million to date.

In order to facilitate the reopening of childcare providers, the Department has also introduced a once-off reopening grant fund of €18 million and a once-off capital grant fund of €14.2 million. Childcare subsidy payments recommenced from 29 June as childcare centres reopened. As of 22 July, 85% (1,800) of the childcare centres normally open in July and August had reopened.<sup>20</sup>

The Department anticipate that savings achieved in the Early Years programme will allow for €109.5 million to be reallocated to a new subhead (B.11) – ‘Early Learning & Care (ELC) and School Age Care (SAC) Covid Related Supports’. This subhead will fund the TWSCS (€61.4 million), once-off reopening grant (€18 million), and once off capital grant (€14.2 million). At present the allocation to this subhead appears to exceed costed schemes by €15.9 million – this suggests some flexibility may exist i.e. schemes could be expanded, or funds reallocated to other areas.

**Vote 31: Transport, Tourism and Sport spending** (gross) is currently about €56 million above profile. This was driven entirely by significant above profile current expenditure of €153 million on subhead B.7 Public Transport Provision Payments. The Department attribute this to the effects of the pandemic, with passenger numbers – and therefore revenue having collapsed since March 2020. This has resulted in the payment of [Public Service Obligations](#) (PSO funds) ahead of profile to replace

<sup>19</sup> See PBO, [The COVID-19 Pandemic: Government Supports for Business](#) (09 June 2020); and [Revised Estimate for Public Services 2020 \[Vote 32\]: Business, Enterprise and Innovation](#) (29 June 2020)

<sup>20</sup> Gov.ie, [‘Minister O’Gorman announces increase in the number of early learning and care services which have reopened’](#) (July 2020).

the revenue that would ordinarily accrue to transport operators. The Department expect this effect to be ongoing.

This above profile spending is substantially mitigated by below profile capital spending of almost €84 million across a wide range of subheads. Most significant of these was below profile spending of approx. €54 million on subhead B.8 Sustainable Mobility Investment Programme.

The Department have also indicated that the *July Jobs Stimulus* provides for a range of additional spending under the Vote. These include:

- €40 million for supporting pedestrians and improving accessibility;
- €42 million for Supporting Cyclists in Urban and Rural Ireland;
- €2 million for new and expanded local bus services;
- €21 million for improving rail journeys;
- €10 million for adaptation of the road network to protect in respect of climate change including repairs to damaged roads as a result of severe weather events; and
- €250,000 grants for EVs for local link services.

Cumulatively, the *July Jobs Stimulus* provides for €115.25 million additional spending. Along with current above profile spending this may necessitate seeking Dáil approval for a significant Supplementary Estimate in the Autumn.

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