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# An Oifig Buiséid Pharlaiminteach Parliamentary Budget Office **Revised Estimates for Public Services 2023**

Publication 5 of 2023

## Séanadh

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# Introduction

On **14 December 2022**, the Minister for Public Expenditure and Reform moved (and it was agreed) that the *Revised Estimates for Public Services 2023* (the 'Revised Estimates' or 'REV'), be presented to Dáil Éireann, circulated to Members and referred to Dáil Select Committees for scrutiny.<sup>1</sup> Under Standing Order 215A.(1) Committees are obliged to consider the estimates within 60 days of referral unless otherwise ordered. This would require Committees to conclude scrutiny by 14 February.

The PBO analysis of this year's Revised Estimates is built on its previous Revised Estimates publications, as well as Papers and Notes which address various aspects of the Revised Estimates. All PBO publications are available [here](#). This year's paper will provide:

- A reflection on **spending projections for 2022** (including Supplementary Estimates) (p. 5);
- An overview of **spending projections for 2023** (p. 11);
- An overview of **Capital Carryover** (p. 12);
- An overview of **Appropriations-in-Aid** (p. 15);
- Discussion of the Votes which cover the majority of spending allocations as presented in the Revised Estimates for Public Services:
  - Vote 26 **Education** & Vote 45: **Further and Higher Education, Research, Innovation and Science** (p. 17);
  - Vote 34 **Housing, Local Government and Heritage** (p. 20);
  - Vote 37 **Social Protection** (p. 28); and
  - Vote 38 **Health** (p. 29).

Furthermore, this paper will be accompanied by a series of shorter publications which will address some issues related to this paper in greater detail (see page 4).

The *Revised Estimates for Public Services 2023* provides for overall gross spending provided for is €91,100 million, includes some €1,235 million of unallocated monies.<sup>2</sup> The amount of unallocated monies has fallen since the budget (then €4,210 million)<sup>3</sup> to €1,235 million as of the REV, increasing clarity as to projected spending in 2023, particularly due to the allocation of money to fund the extension of the *Building Momentum* public sector pay agreement and in respect of the response to the war in Ukraine. On January 24th a *Further Revised Estimate for Public Services* was introduced.<sup>4</sup> This allocates a further €30 million in capital spending to Vote 42 Rural and Community Development, specifically for a new subhead in Programme B – Community Development, specifically 'B.14 Ukraine Supports - Community Fund'.<sup>5</sup> **Unless otherwise stated, gross spending in 2023 refers to the gross allocation to Votes (excluding the €1,205 million unallocated).**

<sup>1</sup> *Presentation and Circulation of Revised Estimates 2022: Motion – Dáil Éireann (33rd Dáil) – Wednesday, 15 Dec 2021 – Houses of the Oireachtas.*

<sup>2</sup> *Revised Estimates for Public Services 2023* (December 2022) p.10.

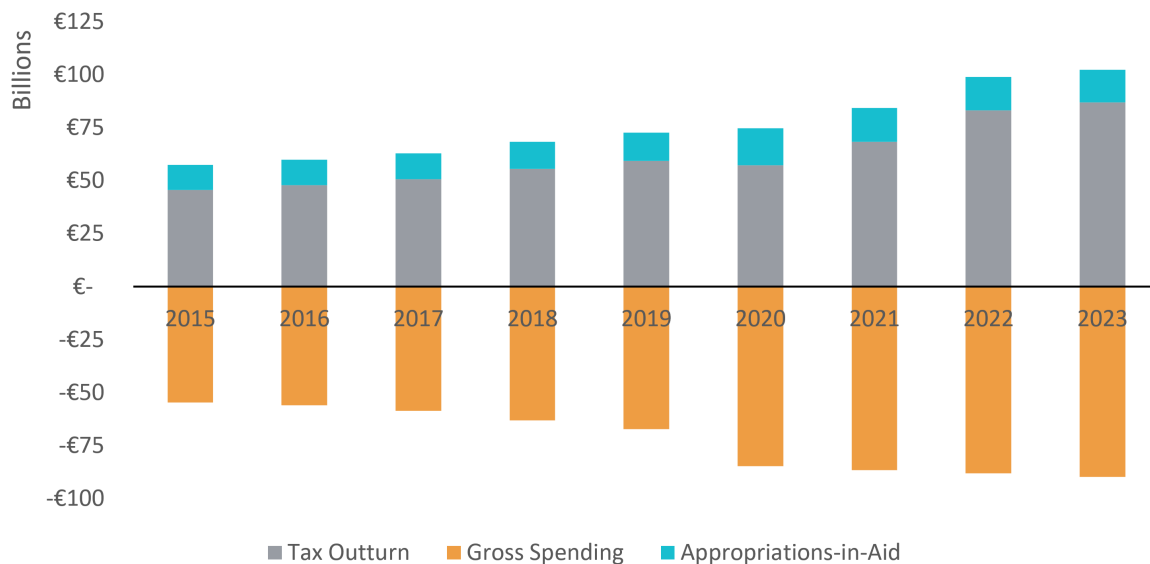
<sup>3</sup> See PBO, 'Post-Budget 2023: Key Issues in Public Spending' (October 2022).

<sup>4</sup> 'Dáil Éireann debate - Tuesday, 24 Jan 2023' (accessed 26 January 2023).

<sup>5</sup> Department of Public Expenditure and Reform, *Further Revised Estimates for Public Services* (26 January 2023).

Figure 1 illustrates a pattern of growth in gross spending up to the pandemic; however, the pandemic resulted in a significant increase in 2020, with gross spending 26% greater than in 2019. While €90,667 million was allocated in 2022,<sup>6</sup> provisional outturn was just €88,154 million (€2,514 million less than allocated).<sup>7</sup> **The gross allocation in 2023 (€89,895 million) represents a €772 million decrease on the 2022 allocation, it is a substantial increase when compared to provisional outturn for 2022 (+€1,711 million).** If unallocated funds (for 2023) are included, this difference grows to €2,946 million; therefore, if all Voted monies for 2023 (€91,100) are spent in 2023, it would reflect an increase of 3.3% over provisional outturn for 2022.

**Figure 1: Overview of Tax Revenue, Gross Spending & Appropriations-in-Aid (2015-2023)**



**Source:** PBO based on Department of Public Expenditure and Reform, ‘*Databank*’ (18 January 2023); Department of Finance, *Budget 2023: Economic and Fiscal Outlook* (2022) p.54; and Department of Finance, ‘*Databank*’ (18 January 2022); and DPER, Correspondence (13 February 2023).

**Note:** Tax outturn data post 2021 is projected. 2022 Appropriations-in-Aid and Spending data are provisional. 2023 data is forecast and therefore subject to considerable uncertainty.

## Significance of the Revised Estimates for Public Services

In October of each year (as part of the budget) the *Estimates for Public Services* are published.<sup>8</sup> The *Estimates for Public Services* are published as Part 3 of the *Expenditure Report* and set out, at Programme level, the allocations for each Vote. As such, the Expenditure Report reflects a high-level summary of the allocations for the coming year.

The *Revised Estimates for Public Services* are published annually in December. This document contains substantially more detail than the *Estimates for Public Services*. The *Revised Estimates for Public Services* (also referred to as the REV or Revised Estimates) break down the allocations to Votes to subhead level, providing a reasonably detailed breakdown of proposed spending for the coming year. In addition to the projections of gross spending, the Revised Estimates include projections of Appropriations-in-Aid which are offset against gross spending in each Vote – providing the Net spending projection for each Vote. **The Revised Estimates for Public Services is arguably the key document published in the annual budgetary framework.**

<sup>6</sup> Ibid.

<sup>7</sup> DPER Databank (accessed 18 January 2023).

<sup>8</sup> In 2022 the budget took place in September, but this is not the norm.



The fundamental significance of the Revised Estimates is that they present the money allocated to specific subheads for the coming year as approved by Dáil Éireann, funded by the Exchequer (via the net Voted allocation, and by the Oireachtas through the approval of set levels of Appropriations-in-Aid).<sup>9</sup> It is important that members have a clear understanding of what monies are being allocated and what those monies are expected to generate in terms of outputs. **Wherever possible, policies, plans and programmes implemented under the various Votes should clearly link the targets they set out, to money being spent under the specific allocations at subhead level as per the *Revised Estimates for Public Services*.**

## Related Publications

This publication will be accompanied by a series of shorter notes which will focus on specific topics of interest. These are:

1. Public Service Staffing and Pay 2023: Provides a high-level overview of the staffing composition of the public sector in 2023 in the context of longer-term trends.
2. Climate Related Spending in 2023: Focusses on an analysis of climate related spending as set out in Appendix 8 of the Revised Estimates for Public Services 2023.
3. Housing Metrics: This note builds on work undertaken by the PBO in 2019<sup>10</sup> to analyse the metrics associated with the housing programme (Programme A) of Vote 34 Housing, Local Government and Heritage. This note looks at a specific subset of metrics to determine how user-friendly they are (whether or not the reader requires a detailed understanding of the policy area to interpret them). The note aims to contribute to the ongoing development of performance reporting across all Votes by highlighting the types of issues readers can face in trying to read and understand performance information included in the *Revised Estimates for Public Services*.

These notes will be published alongside this paper or soon afterward.

<sup>9</sup> Department of Public Expenditure, NDP Delivery and Reform, *Public Financial Procedures* (2012) p.163

<sup>10</sup> PBO, *Revised Estimates for Public Services 2019* (February 2019) pp.45-47.

## Voted Expenditure 2022 and 2023

Gross Voted expenditure represents the total spending associated with a Vote. However, the net spending of a Vote is the amount subject to the approval of Dáil Éireann. The gross allocation is not the amount of funding required for supply from the Central Fund (net allocation), as many Votes will have offsetting Appropriations-in-Aid (A-in-A). A-in-A are funds paid into a Vote which can be applied to that Vote to defray the spending arising under the same Vote, for example passport fees or firearm license fees.<sup>11</sup>

**The analysis of gross spending is important as it more accurately represents the cost of public service provision.** A-in-A are also subject to varying degrees of uncertainty, and forecasts of this income may not necessarily be accurate. If A-in-A are below projected levels the shortfall in income would need to be offset by supply from the Central Fund by way of a Supplementary Estimate.<sup>12</sup>

This paper will also include some areas of spending projected for 2023 which are not Voted but are presented in the Estimates, and *Revised Estimates for Public Services* as they form part of government expenditure. '*Government Expenditure*' is defined as:

- (a) Money supplied out of supply grants and appropriations-in-aid in respect of supply services;
- (b) Money paid out of the Social Insurance Fund; and
- (c) Money paid out of the National Training Fund.

Public expenditure, on a General Government basis, is expected to be €112.785 billion in 2023 (+€1,875 million on 2022). Of this, approximately €98.725 billion is Exchequer expenditure (+€650 million on 2022), with €90.415 billion proposed as gross Voted expenditure (+€310 million on 2022). Of this €90.415 billion, gross voted current expenditure is projected to be €78.035 billion (-€0.5 billion on 2022) and gross Voted capital expenditure is €12.38 billion (+€310 million on 2022).

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 comprises 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 2023, is illustrated in the table below:

<sup>11</sup> Parliamentary Budget Office, *Appropriations-in-Aid in the Revised Estimates for Public Services* (2018).

<sup>12</sup> Alternatively spending could be reduced, with savings offsetting reduced income.

**Table 1: Total Public Expenditure 2022**

	€ billions	%
<b>Gross Voted Expenditure (Government Expenditure Ceiling)</b>	90.415	80.2%
<b>Non-Voted Exchequer Current Expenditure (Non-Voted Current Expenditure)</b>	8.31	7.4%
<b>Non-Exchequer General Government Expenditure</b>	14.06	12.5%
<b>Total Public Expenditure (General Government Expenditure)</b>	112.785	100%

**Source:** PBO based on *Budget 2023 Economic and Fiscal Outlook* (September 2022) p.30 & p.33.

## Estimates of Expenditure 2022

In the *Revised Estimates for Public Services 2022* (December 2021) a total of €87,593 million in gross spending was set out. This was comprised of €75,920 million (85%) in current allocation and €11,673 million (15%) in capital allocation.

## Supplementary Estimates 2022

Supplementary Estimates set out the net need for additional funds for a Vote above the level approved in the *Revised Estimates for Public Services* for that year. This net figure comprises:

1. Gross spending on subheads over previously approved levels;
2. Offsetting savings on other subheads; and
3. Either above or below profile Appropriations-in-Aid.

In 2022 six tranches of Supplementary Estimates were published.<sup>13</sup> These Supplementary Estimates encompassed 24 Votes (see Table 2). These Supplementary Estimates described over €8.4 billion in additional or repurposed spending;<sup>14</sup> however, despite **offsetting savings and a modest increase in Appropriations-in-Aid (€1,342 million combined)**, **an additional net allocation of €6,967 million was sought from the Central Fund.**

<sup>13</sup> Tranches refer to one or more Supplementary Estimates introduced on a given date.

<sup>14</sup> Supplementary Estimates can be used to move funds internally within a Vote, this allows for savings under one or more subheads to be applied elsewhere. As such, the €8.4 billion of spending is not strictly new or additional spending.



**Table 2: Summary of Supplementary Estimates in 2021**

Tranche (Date Introduced)	Vote	Net Allocation
<b>1 (02 March 2022)</b>	29. Environment, Climate and Communications	€271,373,000
<b>2 (05 July 2022)</b>	29. Environment, Climate and Communications	€110,000,000
<b>3 (12 October 2022)</b>	29. Environment, Climate and Communications	€1,362,000,000
	40. Children, Equality, Disability, Integration and Youth	€719,413,000
<b>4 (16 November 2022)</b>	5. Office of the Director of Public Prosecutions	€3,445,000
	12. Superannuation and Retired Allowances	€79,000,000
	13. Office of Public Works	€1,000
	14. State Laboratory	€220,000
	17. Public Appointments Service	€479,000
	B20. Garda Síochána	€78,971,000
	21. Prisons	€11,971,000
	22. Courts Service	€1,000
	24. Justice	€1,000
	26. Education	€852,000,000
	31. Transport	€114,861,000
	33. Tourism, Culture, Arts, Gaeltacht, Sport and Media	€53,610,000
	34. Housing, Local Government and Heritage	€1,000
	37. Social Protection	€722,000,000
	38. Health	€1,392,000,000
	42. Rural & Community Development	€10,150,000
	45. Further and Higher Education, Research, Innovation and Science	€292,300,000
<b>5 (09 November 2022)</b>	27. International Co-operation	€30,000,000
	28. Foreign Affairs	€84,000,000
	30. Agriculture, Food and the Marine	€115,360,000
	35. Army Pensions	€9,324,000
<b>6 (23 November 2022)</b>	32. Enterprise, Trade and Employment	€654,500,000
<b>Net Total</b>		€6,966,981,000

**Source:** Supplementary Estimates 2022 (Tranche 1, 2, 3, 4, 5 and 6).

Net additional spending is driven primarily by a small number of Votes, specifically just 6 Votes represent over €6 billion (87.3%) of the net spending requiring approval. These Votes and the net additional spend associated with them are:

- Vote 26 Education (€852 million);
- Vote 29 Environment, Climate and Communications (€1,743.4 million);
- Vote 32 Enterprise, Trade and Employment (€654.5 million);
- Vote 37 Social Protection (€722 million);
- Vote 38 Health (€1,392 million); and
- Vote 40 Children, Equality, Disability, Integration and Youth (€719.4 million).

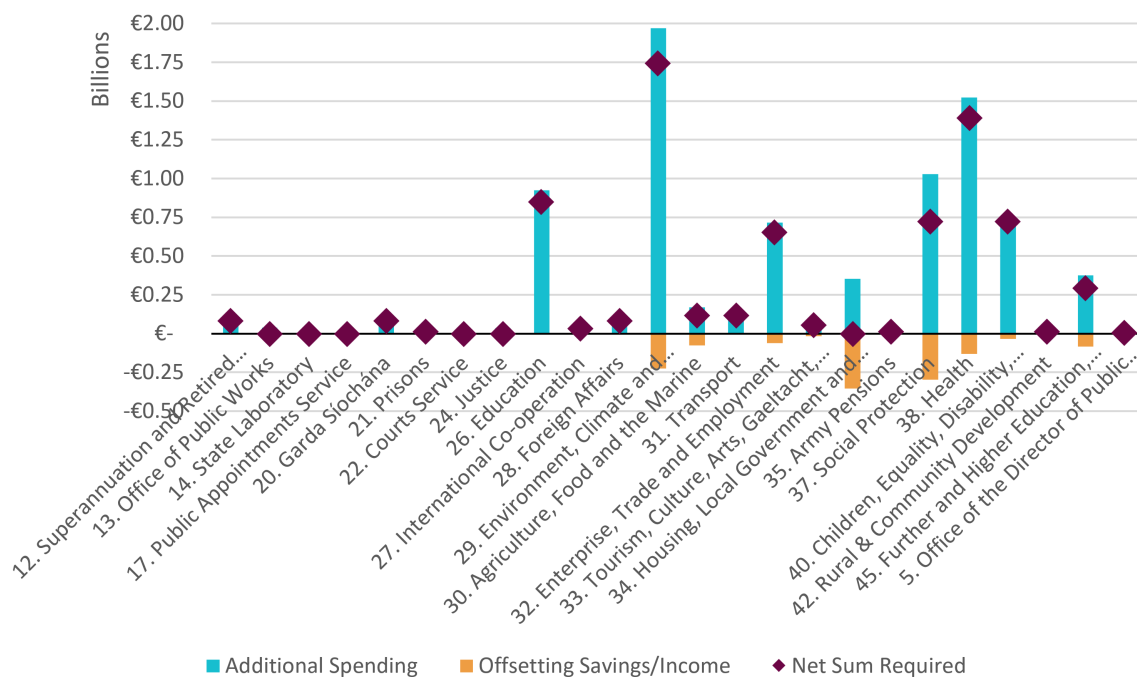
Table 3 illustrates the cumulative changes set out in the six tranches of Supplementary Estimates in 2022. Together, these Supplementary Estimates reflect additional spending on specific subheads of €8,402.8 million. This additional spending was offset by greater than projected Appropriations-in-Aid (€4.5 million) and savings on other subheads (€1,337.5 million). The net impact of these Supplementary Estimates was an additional allocation of €6,966.98 million from the Central Fund.

**Table 3: Summary of Supplementary Estimates in 2022**

Component	Value (€ million)
Current Spending	€7,326.395
Capital Spending	€1,076.433
(Appropriations-in-Aid)	(€98.322)
(Savings)	(€1,337.525)
<b>Net Sum Required</b>	<b>€6,966.981</b>

**Source:** Supplementary Estimates 2022 (Tranche 1, 2, 3, 4, 5 and 6).

Figure 2 illustrates the composition of the savings and Appropriations-in-Aid (A-in-A) outlined in the various Supplementary Estimates in 2022. Negative figures, beneath the axis, represent savings (reduced spending on subheads) and higher levels of income than initially projected (over profile A-in-A).

**Figure 2: Savings on Voted Allocations in 2022**

**Source:** Supplementary Estimates 2022 (Tranche 1, 2, 3, 4, 5 and 6).

Figure 2 illustrates that savings and higher Appropriations-in-Aid receipts were relatively minor (€1,337.5 million) in comparison to the levels of spending (either new/additional or redirected) of €8,402.8 million.

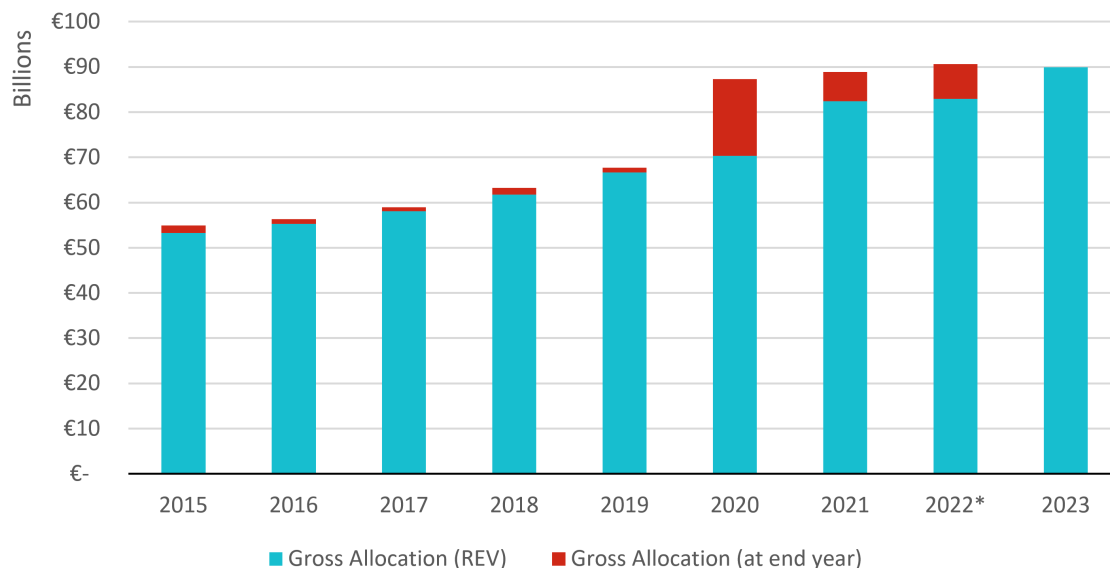
Supplementary Estimates in 2022 were significant, with the additional allocations sought being substantially driven by costs relate to the war in Ukraine and to help cushion the impact of inflation. For example, additional funds sought for Vote 29 Environment, Climate and Communications included €350 million for ‘Emergency Generation Capacity’, €1,212 million for the ‘Electricity Credit’, and Vote 32 Enterprise, Trade and Employment receiving €650 million to provide a ‘Temporary Business Energy Support Scheme’. Over €593 million was also provided to Vote 40 Children, Equality, Disability, Integration and Youth for a new subhead ‘E.5 Ukraine Accommodation and Related Costs’. COVID-19 continues to have an impact, with an additional allocation of almost €1271.3 million provided to Vote 38 Health for COVID specific subheads.

Figure 3 illustrates the gross allocation set out in the Revised Estimates for each year 2015 to 2023. This represents the base projection of annual gross Voted spending. Also illustrated are the gross allocations for each year as reported in the subsequent year’s Revised Estimates. This illustrates the growth from initial projected gross spending to the gross allocation ultimately Voted (approved) for the same year. It is important to note that these end-year figures are not the same as the gross spend of the same year – as some funds tend to go unspent. However, Figure 3 illustrates some general points:

- Gross spending has been increasing steadily in recent years. Between 2015 and 2019 (pre-pandemic) gross allocations at year-commencement grew by €13,391.94 million (approximately 25%);
- The pandemic necessitated a very significant in-year increase in gross allocation in 2020;
- The pandemic’s impact remained high in 2021. Notwithstanding an increased allocation for 2021 due to pandemic spending, a substantial increase was needed in-year (over €6,553 million); and
- 2023 sees a significant increased allocation year-on-year compared to that for 2022; however, the 2023 allocation is slightly lower than the total ultimately provided for 2022 (€802.6 million). This reduced level of spending is mainly due to the fact that some significant measures in 2022 are not continuing into 2023 (e.g. almost €1.6 billion was provided for the ‘Electricity Credit’ in 2022, a measure which is not provided for in 2023).

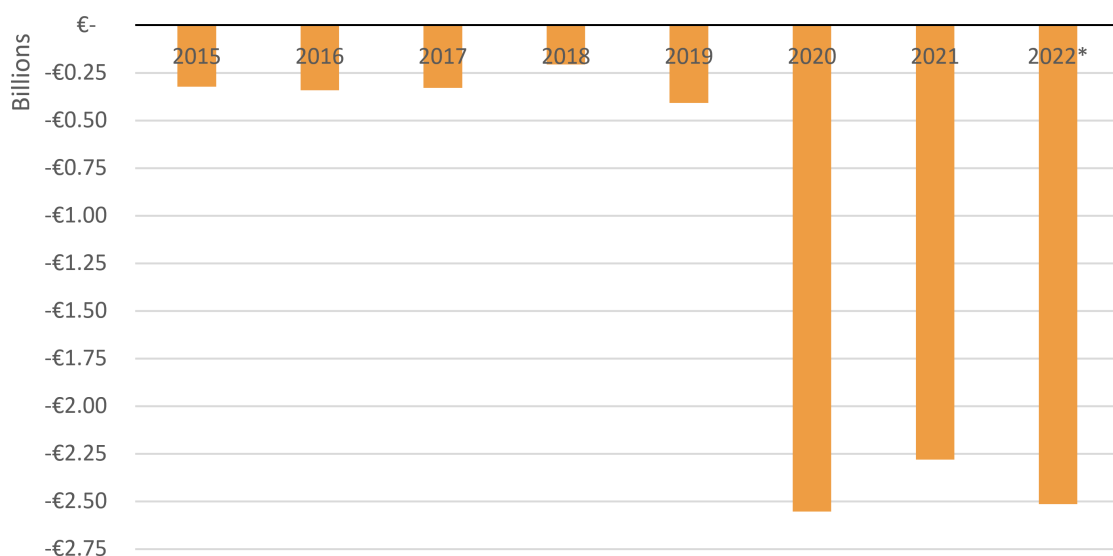
- Projections of gross spending at year-commencement have risen more than €36.6 billion (68.8%) between 2015 (€53.2 billion) and 2023 (€89.9 billion).

**Figure 3: Initial Allocation (Revised Estimate) and End-Year Allocation (inc. Further Revised Estimates & Supplementary Estimates)**



**Source:** PBO based on Revised Estimates for Public Services 2015 to 2023 (available [here](#)); and Department of Public Expenditure and Reform, *Further Revised Estimates for Public Services* (26 January 2023).

**Figure 4: End-year Spending vs Gross Funding Allocated in-year**



**Source:** Revised Estimates for Public Service 2015 to 2021; and DPER Databank (18 January 2023).

**Note:** 2022 data is provisional, final figures will not be available prior to publication of the Appropriation Accounts 2023.

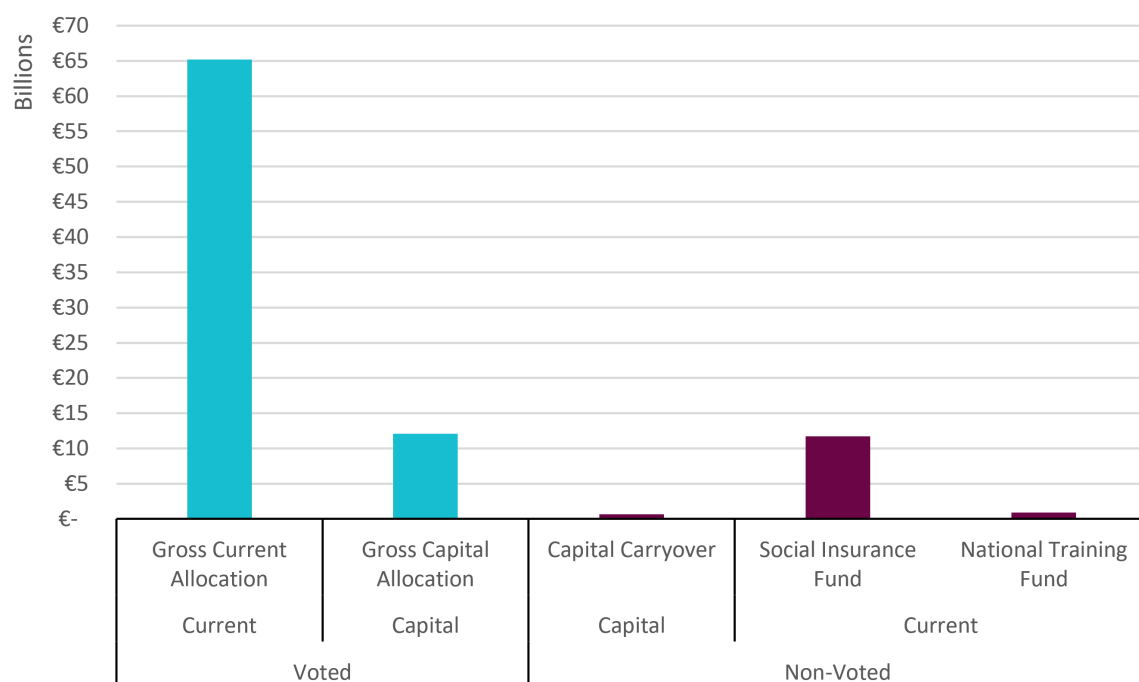
**Figure 4 illustrates the difference between the realised spending in a budget year (outturn or provisional outturn) and the final allocation for a budget year (Voted approved spending).** It shows that, for the period in question, more has been allocated than has been spent (as should be the case); however, what is notable is the dramatic increase in the scale of this 'unspent' allocation. In particular, it highlights that considerable resourcing was made available, but not used, in 2020, 2021, and 2022.

## Overall Estimates of Expenditure 2023

Gross spending projected for 2023 is the highest level recorded (at year-commencement) set out at the Revised Estimates (see Figure 3, above). Figure 5 shows the composition of gross spending projected for 2023. This includes both Voted and Non-Voted spending, sub-divided into current and capital spends. Cumulatively, these amount to almost €90,582 million (including capital carryover of €687 million).<sup>15</sup> Voted spending is projected to reach €77,273.2 million (85.3%) compared to non-Voted spending of €13,308.89 million (14.7%). Spending in the Revised Estimates for Public Services 2023 (including a subsequent Further Revised Estimate in respect of Vote 42 Rural and Community Development) is as follows (to the nearest million):

- **€65,173 million** of Voted current spending;
- **€12,100 million** of Voted capital spending;
- **€687 million** of capital carryover / deferred surrender (Non-Voted capital spending);
- **€11,721 million** of Social Insurance Fund (SIF) spending (Non-Voted current spending); and
- **€991 million** of National Training Fund (NTF) spending (Non-Voted current spending).

**Figure 5: Gross Spending Projected for 2023**



**Source:** PBO based on *Revised Estimates for Public Services 2023* (December 2022); and Department of Public Expenditure and Reform, *Further Revised Estimates for Public Services* (26 January 2023).

Capital carryover is discussed below (page 12). This section will focus on discussion of:

- I. Voted spending (current and capital) of more than €77,273 million; and
- II. Non-voted spending via funds (Social Insurance Fund and National Training Fund) of over €12,621 million.

<sup>15</sup> Capital carryover is treated as having been spent in the year of initial allocation – in this case 2022. However, it is presented here as part of 2023 spending as this reflects when the spending will actually take place rather than when it is accounted for. For more detail see PBO, *Capital Carryover (Deferred Surrender) 2022* (March 2022).



Gross spending is distributed across 45 Votes. It also incorporates two funds, the Social Insurance Fund (SIF) and the National Training Fund (NTF). Voted spending makes up the majority of gross spending projected for 2023, but even within the 45 Votes encompassed by Voted spending, the allocation is heavily concentrated in a small number of Votes. In fact, just 9 Votes are receiving a Voted allocation in excess of €2 billion in 2023, these Votes represent 74.5% of the gross Voted allocation (almost €66,958 million of the greater than €77,273 Voted allocation). These Votes are (to the nearest €million):

- Vote 20 Garda Síochána €2,250 million (2.5%)
- Vote 26 Education €10,025 million (11.2%)
- Vote 30 Agriculture, Food and the Marine €2,165 million (2.4%)
- Vote 31 Transport €3,516 million (3.9%)
- Vote 34 Housing, Local Government and Heritage €6,348 million (7.1%)
- Vote 37 Social Protection €12,180 million (13.5%)
- Vote 38 Health €24,006 million (26.7%)
- Vote 40 Children, Equality, Disability, Integration and Youth €3,276 million (3.6%)
- Vote 45 Further and Higher Education, Research, Innovation and Science €3,192 million (3.6%).

## Capital Carryover (Deferred Surrender)

Capital carryover refers to unspent capital allocations from one year (e.g., 2022) which may be permitted to be spent in the following year (e.g., 2023). In accordance with *Section 91 of the Finance Act 2004*, the Minister for Public Expenditure and Reform may provide for up to 10% of a capital allocation to a Vote (if unspent) be carried over to the following financial year. Such sums are set out in the Revised Estimates as the ‘Application of Deferred Surrender’. These funds receive Dáil approval for allocation to the named subheads in this manner, but are accounted for as a first charge<sup>16</sup> i.e. the money is deemed as having been spent in the year of initial allocation. Importantly, the “deferred surrender does not have to be applied to the same capital subheads in which the under spends occurred.”<sup>17</sup> For more detailed discussion of capital carryover please see PBO, *Capital Carryover (Deferred Surrender) 2022* (March 2022).

## Capital Carryover in 2023

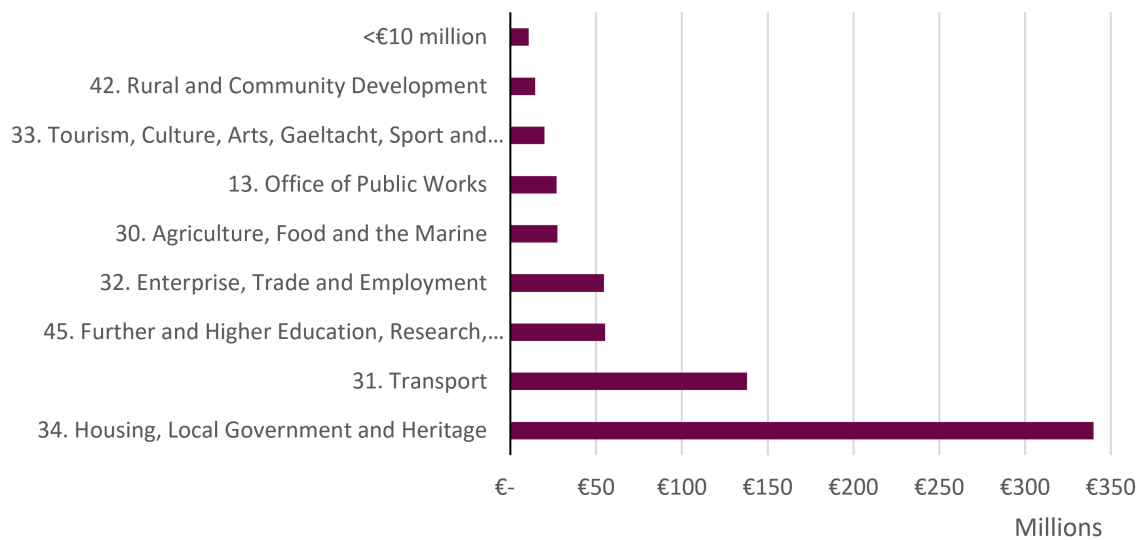
Capital carryover in 2023 amounts to over €687.2 million across 16 Votes.<sup>18</sup> Along with the capital allocations assigned in the REV (€12,100 million),<sup>19</sup> the capital carryover will take projected gross Vote capital spending in 2023 to €12,787 million. Figure 6 illustrates that capital carryover is highly concentrated in a small number of Votes.

<sup>16</sup> Department of Public Expenditure and Reform, ‘*Public Financial Procedures*’ (Accessed February 2022).

<sup>17</sup> Department of Finance, ‘*Circular 28/04: Implementation of Deferred Surrender of unspent capital under Multi-Annual Capital Envelopes*’ (October 2004).

<sup>18</sup> A full breakdown on 2023 capital spending projections (including capital carryover) can be found in Appendix 1: Capital Spending in 2023, page 34.

<sup>19</sup> Including a €30 million increased capital allocation to Vote 42 Rural and Community Development as per Department of Public Expenditure and Reform, *Further Revised Estimates for Public Services* (26 January 2023).

**Figure 6: Capital Carryover (by Vote) in 2023**

**Source:** PBO based on DPER, *Revised Estimates for Public Services 2023* (December 2022).

**Note:** 8 Votes have capital carryover of less than €10 million. These Votes are 7. Office of the Minister for Finance, 16. Valuation Office, 18. National Shared Services Office, 21. Prisons, 22. Courts Services, 28. Foreign Affairs, 37. Social Protection, and 39. Office of Government Procurement.

Just three Votes represent €533.1 million (77.6%) of the total deferred surrender:

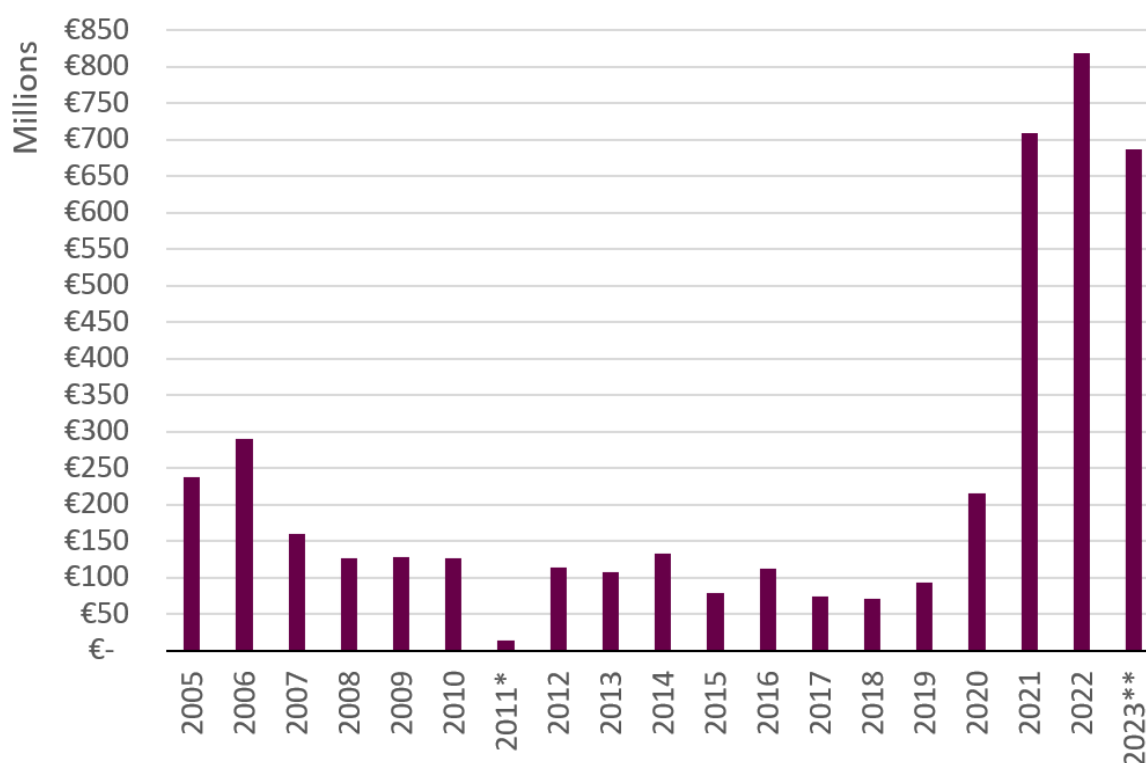
- **Vote 31: Transport:** €138 million (20.1% of total capital carryover);
- **Vote 34: Housing, Local Government and Heritage:** €340 million (49.5% of total capital carryover); and
- **Vote 45: Further and Higher Education, Research, Innovation and Science:** €55.2 million (8% of total capital carryover).

Within these Votes, just four subheads account for €451.9 million (65.8%) of the €687.2 million total capital carryover:

- Vote 31 Transport: B.5 Public Transport Investment (€67 million);
- Vote 34 Housing, Local Government and Heritage: A.3 Local Authority Housing (€240 million);
- Vote 34 Housing, Local Government and Heritage: B.5 Irish Water (€95.8); and
- Vote 45 Further and Higher Education, Research, Innovation and Science: B.16 Third Level Infrastructure (€49.2 million).

Both internal and external factors can impact on why a Vote may be unable to utilise their annual capital allocation such as **poor profiling or performance targeting (internal) and supply chain issues or capacity for delivery (external)**.

Figure 7 shows capital carryover during the period 2005 to 2023. The increase in capital carryover observed in 2020 reflects monies carried forward from 2019 and is therefore not attributable to the pandemic.

**Figure 7: Capital Carryover 2005-2023 (funds carried into year from previous year)**

**Source:** PBO based on *various Statutory Instruments* (2005-2022);<sup>20</sup> and the *Revised Estimates for Public Services 2023* (December 2022).

\* Two Statutory Instruments (SI) were published in 2011. It appears the second SI reflected Vote restructuring i.e., a lateral transfer of the allocation to reflect a transfer of functions rather than an additional sum of money being made available.

Figure 7 illustrates that while a carryover of some level has occurred in every year, constraints in delivery primarily as a result of COVID-19 restrictions in 2020 and 2021 have brought the level of funding carried over to historically high levels.

### Accounting for Capital Carryover

Capital carryover was introduced in recognition of the fact that capital infrastructure projects have long lead in times, their delivery is often multi-annual and spend on them is also spread over a number of years. However, it presents a challenge in terms of consistent and clear reporting of spending. Capital carryover is brought forward into the new year as a first charge (*Section 91(5) of the Finance Act 2004*). This means that the capital carryover is accounted for as part of the outturn in the year it was initially allocated (e.g., 2022) rather than in the year to which it is being deferred (e.g., 2023).

As previously observed by the PBO, classifying “the carryover amounts as being already spent in this manner will cause transparency issues when scrutinising the final spending figures” for the earlier year and for future spending in the year to which funds are carried over.<sup>21</sup> Moreover, **this accounting practice distorts the aligning of performance targets and performance achieved with capital spending.**

<sup>20</sup> These statutory instruments can be found with the search term “Deferred surrender”.

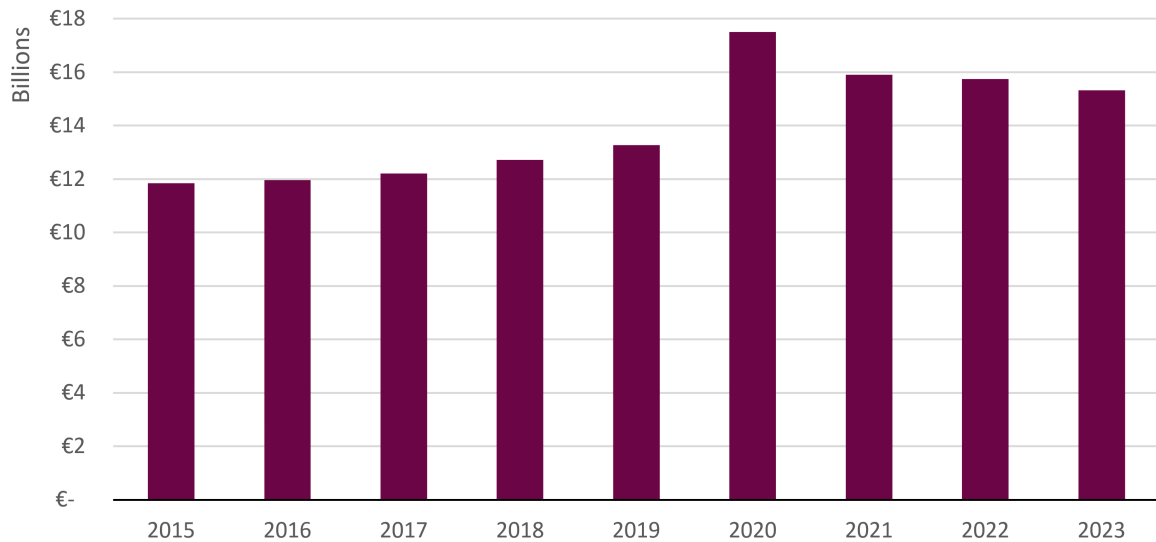
<sup>21</sup> PBO, ‘*Fiscal Monitor – Expenditure to December 2020: A Visual Presentation and Analysis*’ (January 2021).

## Appropriations-in-Aid (A-in-A)

Appropriations-in-Aid describe own-generated revenue accruing to a Vote. This revenue includes charges collected by Government Departments and Agencies for various services they provide such as processing passport applications, broadcasting licence fees etc. This income may be retained within the Vote and is offset against gross expenditure. A-in-A therefore affect the net allocation required for a Vote. Increases to A-in-A will reduce the funding required from the Central Fund, conversely, reduced A-in-A will necessitate that additional funds be provided from the Central Fund.<sup>22</sup>

Figure 8 illustrates the recent trend in A-in-A.

**Figure 8: Appropriations-in-Aid**



**Source:** PBO based on *DPER Databank* (January 2023); and Department of Public Expenditure NDP Delivery and Reform (13 February 2023).

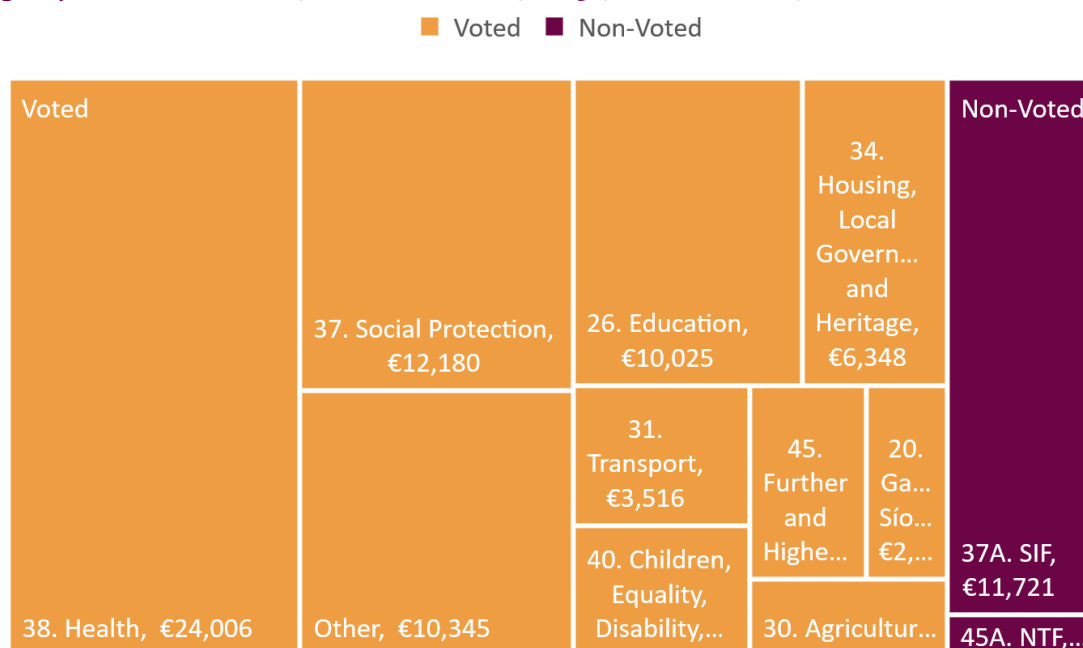
<sup>22</sup> Parliamentary Budget Office, *Appropriations-in-Aid in the Revised Estimates for Public Services* (2018).

# Votes Comprising the Majority of Spending Allocations in the Revised Estimates for Public Services 2023

## Overview

This paper focusses on the overall projections of spending for 2023 as presented in the *Revised Estimates for Public Services 2023*. As previously discussed, gross spending (set out in the Revised Estimates) in 2023 is projected to reach almost €89.9 billion. Of this €89.9 billion, more than €12.6 billion is non-Voted expenditure. For the purposes of this paper, beyond the aggregate picture of projected gross spending, we will focus on spending associated with a small number of Votes which comprise the majority of spending as illustrated in Figure Figure 9. This figure illustrates that just 9 Votes have allocations in excess of €2 billion, with these Votes having a total allocation of almost €66,958 million (74.5% of the Gross Allocation, or 86.6% of the Voted Allocation (excluding the SIF & NTF)).

**Figure 9: Gross Allocations (Voted & Non-Voted) 2023 (nearest €million)**



**Source:** PBO based on *Revised Estimates for Public Services 2023* (December 2022).

The Votes which comprise the majority of gross spending for 2023, and the non-Voted funds associated with them will be addressed thematically in the following pages. The PBO summaries of these thematic areas are laid out as follows:

- Gross spending in the Education sector, comprising Vote 26, Vote 45, and the National Training Fund are addressed together at page 17;
- Gross spending under Vote 34 Housing, Local Government and Heritage is discussed at page 20;
- Gross spending on Social protection under Vote 37 and Vote 37A are addressed together at page 28; and
- Gross spending under Vote 38 Health is discussed at page 29.

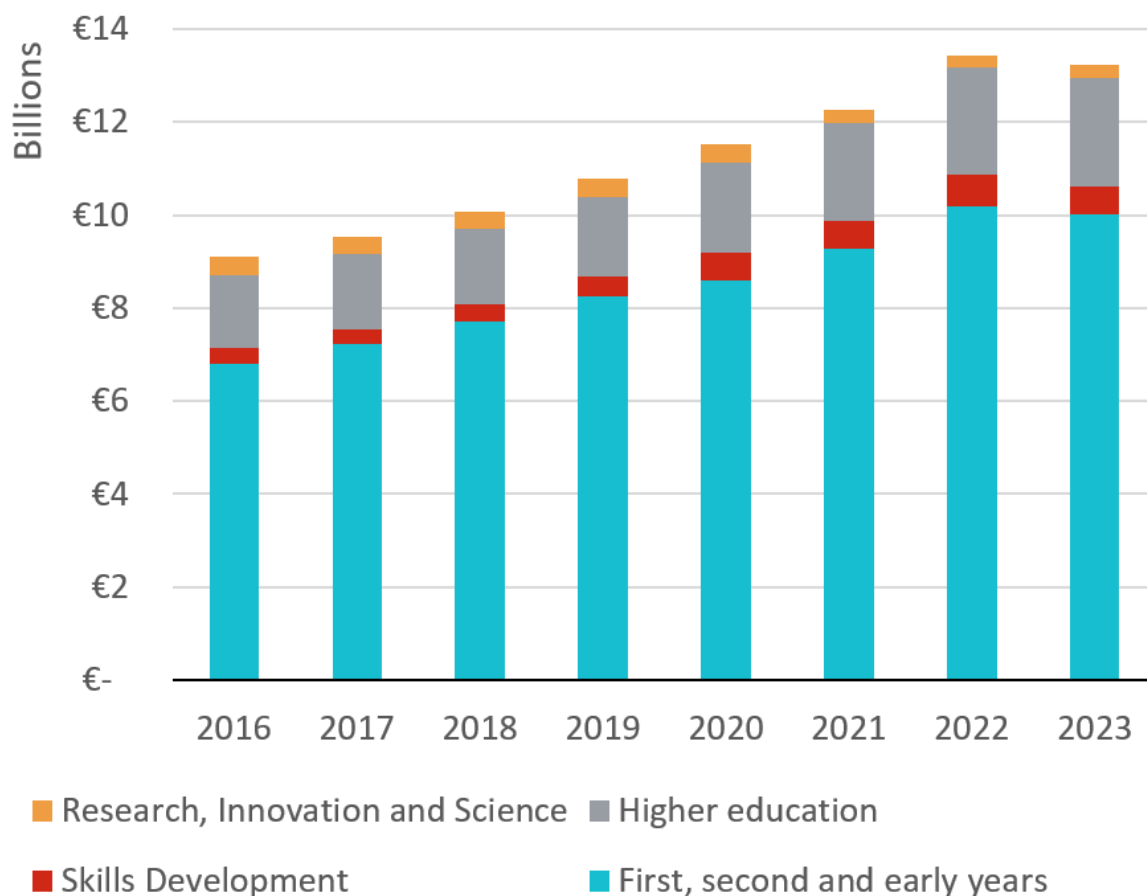


## Vote 26 Education, Vote 45 Further and Higher Education, Research, Innovation and Science, and Vote 45A National Training Fund

A reconfiguration of Vote groups concerning education occurred in 2020 with Education and Skills (as part of Vote 26) and Business, Enterprise and Innovation (as part of Vote 32) each losing programmes to a new Vote (45) Further and Higher Education, Research, Innovation and Science (FHERIS). Vote 26 is now Education and Vote 32 is now Enterprise, Trade and Employment. The National Training Fund (NTF) has likewise moved from being associated with Vote 26 to Vote 45. The NTF is non-Voted but reflects a significant area of spending in 2023 (€900.8 million).<sup>23</sup>

These Votes (26 and 45) are discussed together here as they collectively relate to the education sector.

**Figure 10: Gross Expenditure on Education**



**Source:** PBO based on *DPER databank*; and DPENDPDER, Correspondence (17 February 2023).

### Vote 26 Education

Vote 26 Education is presented under a single Programme - Programme A First, Second and Early Years' education. For 2023, a gross estimate of almost €10,025 million has been allocated to Vote 26.

Estimated gross expenditure will decrease in 2023 by €182.4 million when compared to the 2022 allocation (the total for which includes a Supplementary Estimate of €852 million). However, the net allocation (Voted by Dáil Éireann) will only decrease by approximately €141.2 million. This reflects that, while overall spending has decreased, so too have the Vote's Appropriations-in-Aid (falling by €41.2 million (or -11%)).

<sup>23</sup> For more information on the National Training Fund see Parliamentary Budget Office, *The National Training Fund* (2018).

## Staffing

Tracking increased staffing in Education in general can be challenging, owing to how the figures are outlined when comparing the Expenditure Report from Budget 2023 to the REV publication. Table 4 illustrates the difficulty in aligning staffing changes as announced in the Budget, with those set out in the Revised Estimates. While changes to the numbers of Special Needs Assistants (SNAs) can be tracked perfectly, teacher numbers cannot be aligned.

**Table 4: Staffing Changes (Headcount) in 2023 in the Education Vote**

Role	Expenditure Report	REV (Staffing Change)
Primary (p.56)	370	323
Post-primary (p.56)	296	464
Education and Training Board (ETB) Teachers		199
Special Education Teachers (p.10)	686	
SNAs	1,194	1,194
Total	2,546	2,180

**Source:** Department of Public Expenditure and Reform, *Expenditure Report 2023* (September 2022) p.56; and Department of Public Expenditure, Revised Estimates for Public Services 2023 (December 2022) p.108.

Table 4 illustrates two issues:

1. Headcount of staff outlined in the Revised Estimates are not sufficiently detailed as to facilitate direct comparison with staffing announcements in the Expenditure Report e.g. ETB teachers can be at primary or post-primary level, likewise, no numbers are provided for Special Education Teachers who can be at primary or post-primary level.
2. Overall changes to teacher numbers in 2023 do not align, regardless of their allocation at primary or post-primary level, with the Revised Estimates providing for 366 fewer teachers in 2023 than at Budget time.

The PBO notes that **a reduction in the primary school staffing schedule** by 1 point (as provided for in the Expenditure Report) **would contribute to a requirement for additional teaching posts**. However, the **forecast decline in primary level enrolment** (the Revised Estimates provides an estimated decline of c.11,500 in primary level enrolment in 2023) **would mitigate the net requirement for additional staff**.

The PBO's view is that greater clarity as to staffing allocations could be provided by an expanded set of context and impact indicators for the Education Vote in the Revised Estimates. For example, these could set out overall teacher levels at primary and post-primary (ETB and non-ETB) as well as setting out the numbers of Special Education Teachers at the respective levels. Data on special education teachers (and SNAs) is tracked by the National Council for Special Education (NCSE); however, staffing of special schools is not disaggregated by primary or post-primary school; however, the dataset is sufficiently detailed that this data could be produced. The PBO has extracted relevant summary data from NCSE datasets which is set out in Table 4.

**Table 5: Staffing Allocations for 2022/2023**

School Type	Special Education Teacher Posts	SNA Posts
Special Education Schools	1,311.00	2,775.49
Primary Schools	1,774.00	11,971.77
Secondary Schools	1,103.00	4,010.25
Totals	4,188.00	18,757.51

**Source:** PBO based on National Council for Special Education, '*SET and SNA Allocations to Schools*' (Accessed on 11 January 2023).

**Note:** These projections date from July 2022 and would therefore not reflect subsequent announcements in relation to staffing levels for 2023 i.e. the 686 posts detailed in the Expenditure Report (see Table 4 above).

Table 5 shows that prior to staffing increases announced in the Budget, there were a projected 4,188 Special Education Teaching posts for 2022/2023. **This suggests that the additional posts announced in the budget (686) represent a very large increase (16.4%) in the overall number of special education teachers employed.**

The above analysis highlights that existing datasets can be utilised to add additional context to spending and staffing data set out in the *Revised Estimates for Public Services*. The inclusion of summary data from such datasets can contribute to an enhanced link between spending and resources (staffing) provided.

## Vote 45 Further and Higher Education, Research, Innovation and Science

The gross estimated expenditure outlined for Vote 45 (FHERIS) in 2023, is over €3,191.7 million and represents a decrease of over €117.3 million (or -4%) on the previous year. With a small reduction in Appropriations in Aid of just over €3 million (or -4%) the Net allocation will decline compared to 2022 by more than €114 million (-4%). However, this year-on-year comparison is skewed by the inclusion of a supplementary estimate of €292.3 million in the 2022 figures. The primary drivers of the need for a supplementary estimate were once off cost-of-living measures (including a once-off reduction in the student contribution fee)<sup>24</sup> and significant once-off pension costs.<sup>25</sup>

Three programmes sit within Vote 45: A – Skills Development, B – Higher Education and C – Research, Innovation and Science. Programme B (Higher Education) will account for 73% of the gross spending projected in 2023. Although the programme total expenditure is set to decrease by approx. €22.2 million, funding allocated to the subprogramme (B.11) Student Support & Related Expenses is set to increase by almost €85.6 million in 2022.

Staffing in 'Universities, IoT's, TU's & Other' is projected to increase by 901 in 2023 (+4.3%), with full-time student numbers (undergraduate and postgraduate) set to rise by 5,149 (+2.5%) over projected 2022 levels.

<sup>24</sup> Department of Public Expenditure and Reform, Budget 2023: Expenditure Report (September 2022) p.26.

<sup>25</sup> Minister of State at the Department of Further and Higher Education, Research, Innovation and Science (Deputy Niall Collins), '*Select Committee on Education, Further and Higher Education, Research, Innovation and Science debate*' (30 November 2022).

## Capital Spending in Votes 26 and 45 in 2022

More than €860 million in capital spending has been allocated to Vote 26 in 2023. The majority of Vote 26's capital allocation is in respect of subhead A.15 Primary and Post-Primary Infrastructure which comprises €747 million of the €860.4 million (86.8% of the projected capital expenditure).

Notwithstanding Budget announcements (in September) of '50 new school buildings and extensions at circa. 250 schools' expected to be completed in 2023 as well as a further 150 projects due to commence construction in 2023,<sup>26</sup> **there are no associated output targets provided for in the Revised Estimates (December)**. This is despite appropriate performance metrics being provided within the Revised Estimates, these being:

- Number of school building projects > €1 million completed; and
- Number of additional school building projects completed in that year.

It is unclear why project numbers could be provided in September but were not incorporated within the Revised Estimates in December.

While a breakdown of school building projects >€1 million completed at primary and secondary levels are provided as part of the context and impact indicators published in the Revised Estimates, data post 2019 is 'not yet available'. More timely reporting of this data would be helpful.

In Vote 45, €595.5 million in Gross Capital expenditure has been allocated between the three programmes, A Skills Development (€60.6 million), B Higher Education (€284.3 million) and C Research, Innovation & Science (€250.6 million). Overall, capital spending represents almost 19% of the gross allocation to Vote 45.

**Cumulatively, the gross capital allocation to the Education sector (Votes 26 and Vote 45 combined) exceeds €1.45 billion in 2023 and represents 12% of the gross capital allocation for 2023.**

## Vote 34 Housing, Local Government and Heritage

Vote 34 – Housing, Local Government and Heritage encompasses spending allocations across five Programme headings: Housing, Water Services, Local Government, Planning, Met Éireann, and Heritage. The Gross projected spend across the entire Vote in 2023 is €6,348.4 million - the fourth largest Vote by allocation (after Social Protection, Health, and Education).

**€3,668.2 million (57.8%) of the Vote's gross projected spend in 2023 is associated with the Housing programme.** The Water Services programme represents a further €1,687.5 million (26.6%) of the Vote's 2023 allocation.

Figure 11 illustrates variance in gross spending in Vote 34 during 2022. Variance reflects the difference between profiled (projected) levels of spending and the actual level of spending (outturn) at a point in time. Vote 34 illustrated significant negative variance (spending below profiled levels) in capital spending, reaching €702 million below profile in November 2022. In December variance reduced; however, the PBO believe this improvement (relative to profile) is largely associated with capital carryover of €340 million to 2023 (€240 million of which for subhead A.3 Local Authority Funds alone).

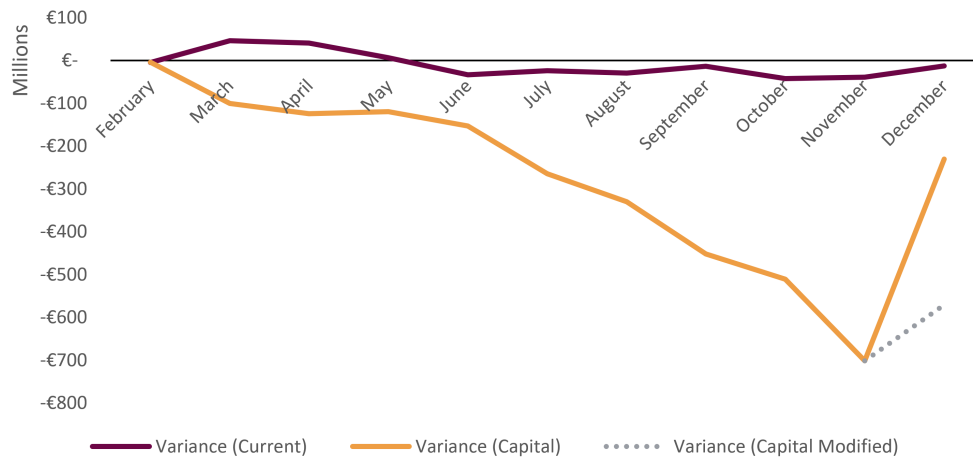
Profiled capital spending for December alone was €975 million, but €1,445 million capital spending was recorded for December i.e. **there was €470 million more capital spending in December than had been profiled**. This reduced capital variance from -€702 million in November to -€231 million at end-December.

If capital carryover were excluded from December spending figures, capital variance would have been approximately -€572 million (see Variance (Capital Modified) in Figure 11). In effect, of the **€470 million capital spending over profile in December, some €340 million of this is capital carryover and will really be spent in 2023.**

<sup>26</sup> Department of Public Expenditure and Reform, Budget 2023: Expenditure Report (September 2022) p.12.

**This highlights how capital carryover can distort the perceived accuracy of profiles (and of spending relative to profile).**

**Figure 11: Variance in Current and Capital Spending in 2022**

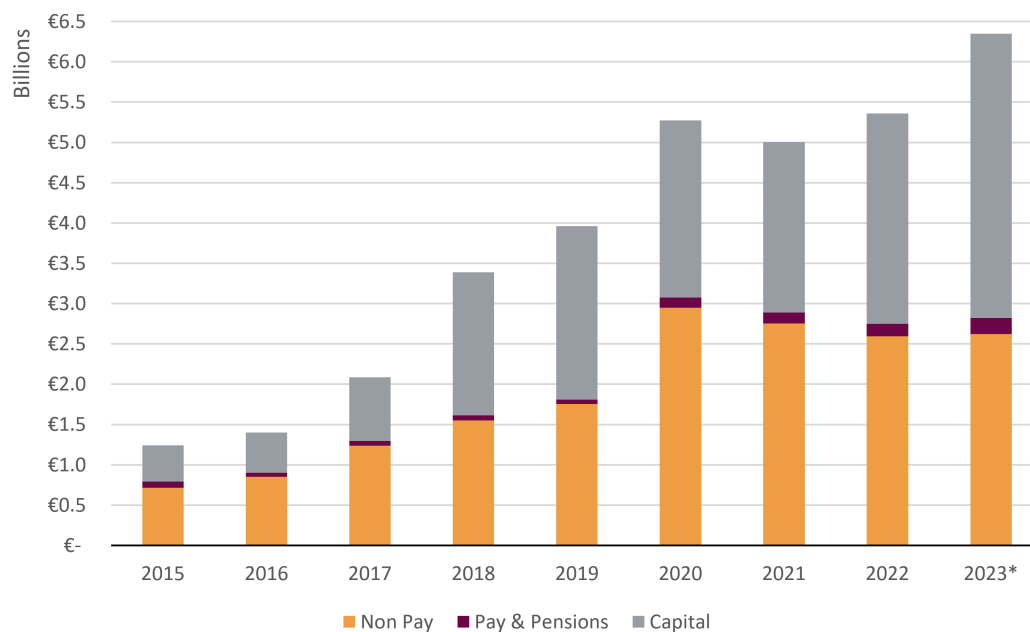


**Source:** PBO based on Department of Finance and Department of Public Expenditure and Reform, *Fiscal Monitors 2022* (January 2023).

**A certain amount of variance is to be expected, particularly in relation to capital spending, but the dramatic increases in capital carryover in recent years (see Figure 7, p14) and the accounting treatment of same, has served to mask the true scale of variance in capital spending.**

The trends in spending across Vote 34 since 2015 are set out below in Figure 12. The structure of the Department has altered in the intervening years with the Environment & Waste and Community & Rural Development Programmes being removed from the purview of the Vote in 2015 and 2016 respectively. In 2020, the Heritage programme was added. However, the substantive areas of expenditure – Housing and Water Services - remain.

**Figure 12: Overview of Gross Spending in Vote 34 (2015-2023)**



**Source:** PBO based on *DPER databank*; and DPER, Correspondence (13 February 2023).

**Note:** Spending data for the years 2015-2021 is final. 2022 spending data reflects provisional outturn data provided to the PBO. 2023 data refers to the allocation which may be considerably different from what is ultimately spent.



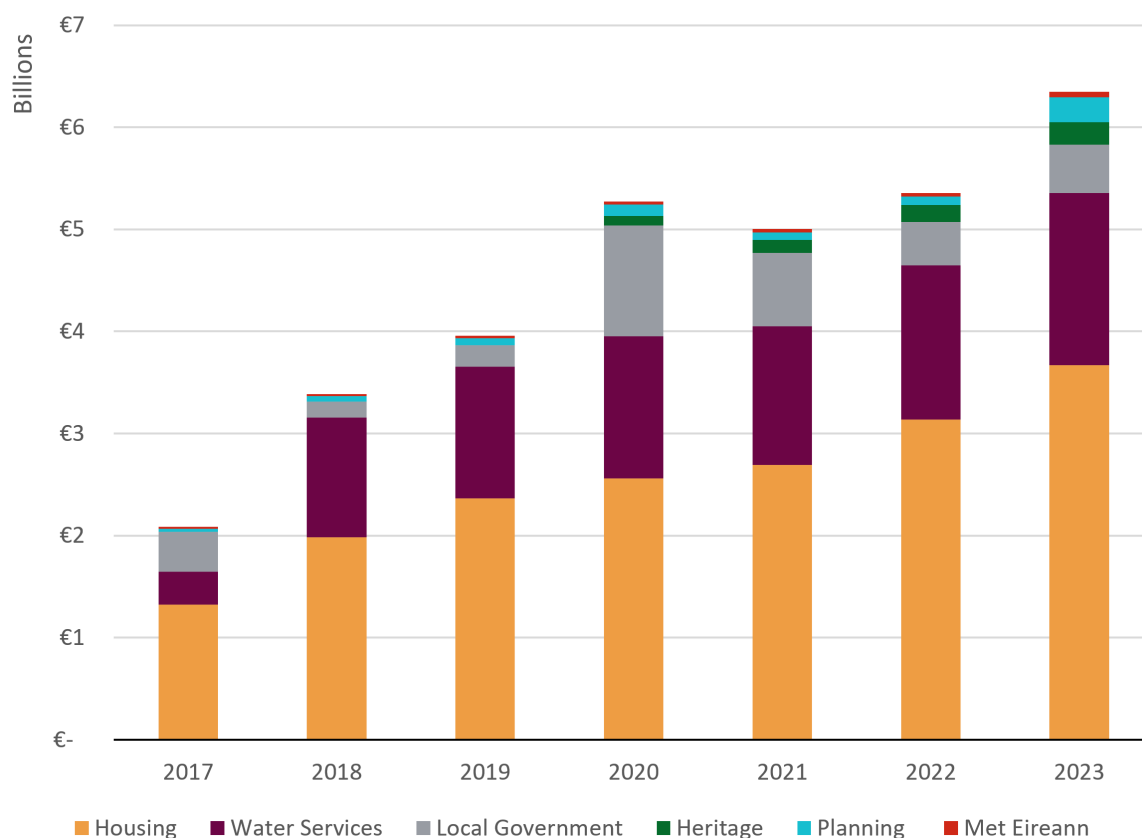
The scale of growth is primarily due to the low levels of spending which occurred in the years following the financial crash, with gross spending falling to 2014 before rebounding to higher levels. Spending began to increase in line with the economic recovery – particularly in Housing and Water Services programmes.

The *Revised Estimates for Public Service 2023* suggest staffing in the Vote will increase by 1,236 in 2023 over 2022 levels; however, the increase in staffing directly funded via Vote 34 is just 378 (14.2%).<sup>27</sup> The greatest increase in staffing is found in the Heritage programme (+233). This was largely associated with recruitment for the National Parks and Wildlife Service.<sup>28</sup>

## Programme spending

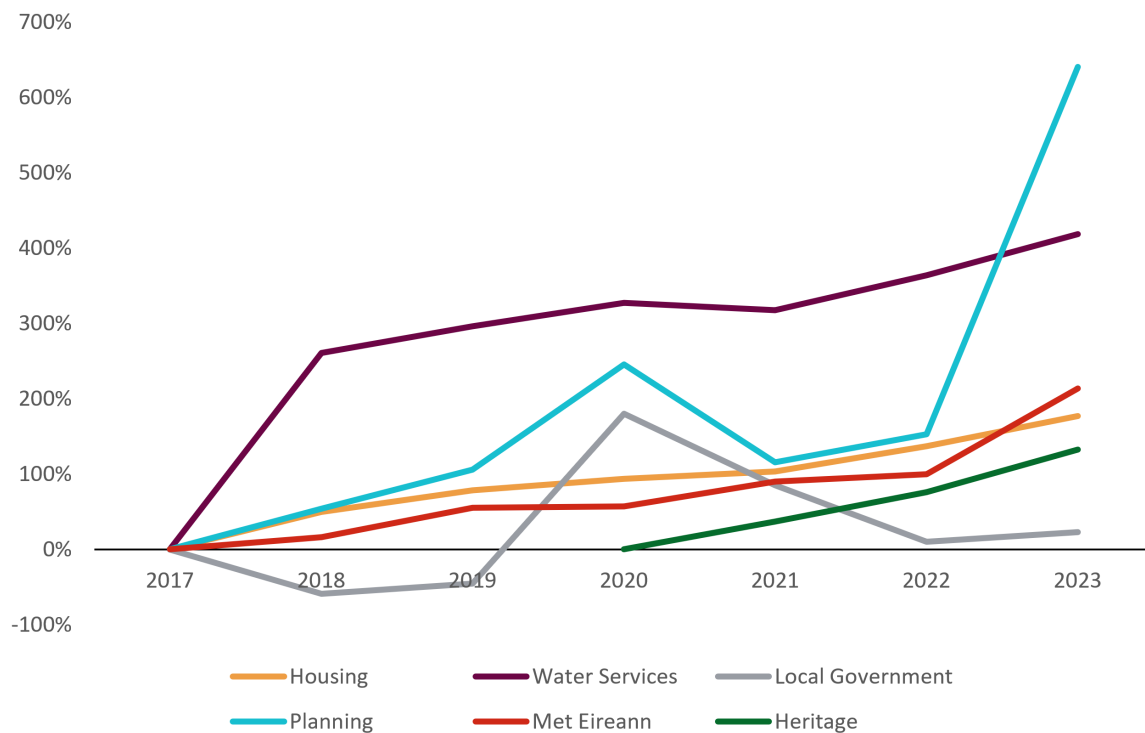
Figure 13 shows the trends in spending across the programmes between 2017 and 2023. Spending growth has primarily been driven by the Housing programme (A) in nominal terms, rising by more than €2.3 billion compared to 2017 levels; however, it is interesting to note that increases in other programmes (in % terms) have been larger (see Figure 14).

**Figure 13: Gross spending by Programme 2017-2023**



<sup>27</sup> 34,980 public service employees are associated with this Vote for 2023; however, just 3,046 public service employees are associated with the various programmes. The balance (31,934) are assumed to be Local Authority staff whose pay is not sourced directly from the Exchequer. See PBO, *The Irish Public Sector: An Overview of the Composition of the Public Sector, and of the Development of Exchequer Funded Public Sector Pay* (2021).

<sup>28</sup> Correspondence from the Department of Housing, Local Government and Heritage (09 February 2023).

**Figure 14: Time Series of Programme Spending Change (%) (base 2017 or earliest possible)**

**Source:** PBO based on DPER databank *DPER databank* (2017 to 2021); DPER, Revised Estimates for Public Services 2023 (September 2022); and DPER, Correspondence (13 February 2023).

**Note:** Spending data for the years 2017-2021 is final. 2022 spending data reflects provisional outturn. 2023 data refers to the allocation which may be considerably different from what is ultimately spent.

While Figure 13 illustrates that spending growth in Vote 34 Housing, Local Government and Heritage is primarily associated with rising spending on Housing, Figure 14 illustrates that the Water Services and Planning programmes (B and D respectively) have seen the greatest proportionate increases in spending over the period 2017 to 2023.

## Housing

The largest of the Vote's Programmes, Housing accounts for €3,668 million, or almost 58%, of the €6,348 million 2023 gross Estimate. **Gross capital spending in 2023 is projected to reach €2,294 million** is, in part, to help fund the commitments made under the Housing for All policy, which replaced Rebuilding Ireland as the State's overarching housing policy in September 2021. **In 2023, gross current spending is projected to reach €1,374 million**, a decrease on the 2022 allocation of €13.6 million.

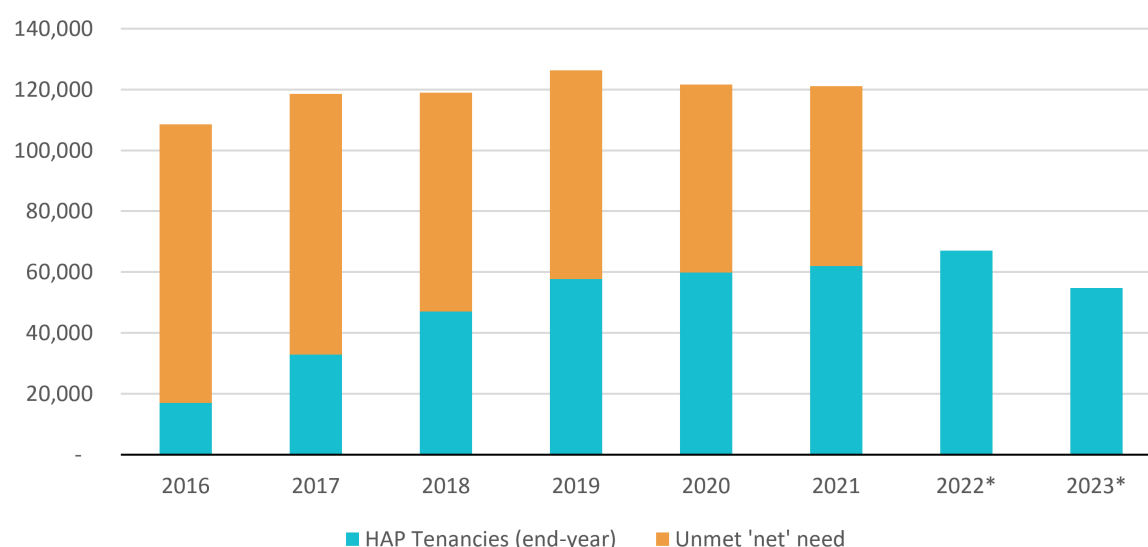
**Despite an overall increase in projected gross spending in 2023 compared to the 2022 allocation, the projected number of social housing needs being met is considerably lower, down 5,190 year-on-year** i.e. the target for 'total no. of social housing needs met' in 2023 is just 80.5% of the 2022 target.

The most significant areas of current spending in the Vote are around the measures used to fund social housing leasing costs and support payments to tenants in the private rental market. The Housing Assistance Payment (HAP) scheme is the single largest current funded measure, with €543.8 million allocated to provide social housing 'solutions' to tenants in the private rental market. This is a decrease of €40.85 million over the 2022 allocation. Year-on-year, the targeted number of active 'HAP Tenancies at end year' is set to decline from 67,025 to 54,712 in 2023 (down 12,313 tenancies / 18%). As HAP relies on persons finding their own accommodation within the private rental market, this 'target' may reflect the availability of accommodation in the sector i.e., **the target may reflect limited availability of rental accommodation rather than an intention to reduce HAP tenancies**. This would illustrate the need to progress non-market solutions to social housing.

A reduction in targets should not be seen as negative in and of itself. Targets must be set at realistic levels where delivery levels are possible. It is important though for such targets to be set within a clear context of what is required – particularly where the targets reflect a core purpose of the programme.

Figure 15 illustrates recent trends in social housing need, showing a decline in unmet need over the period, with the number of households in this categorisation declining from 91,600 in 2016 to 59,247 in 2021. Unmet need is referred to by the Department of Housing, Local Government and Heritage as ‘net need’ and is defined as “the total number of households qualifying for social housing support whose social housing need is not being met.”<sup>29</sup> The PBO includes households in receipt of Housing Assistance Payment (HAP) alongside ‘unmet’ / ‘net need’ as many households in receipt of HAP desire long-term solutions via more traditional social housing means i.e. despite currently being housed in the private sector these households’ needs are not met in as secure a fashion as those in more traditional social housing.<sup>30</sup> Figure 15 further illustrates that the number of households supported by HAP is targeted to decrease in 2023 when compared to 2022 targeted levels. **It is unclear to what extent the 2023 target reflects the expansion of social housing income eligibility thresholds, effective from January 2023, which is estimated to make 16,000 additional households eligible for social housing supports.**<sup>31</sup>

**Figure 15: Unmet Housing Need and Housing Assistance Payment (Households) 2016-2023**



**Source:** Department of Housing, Local Government and Heritage, ‘*Summary of Social Housing Assessment*’ (various); PBO, *Housing Ireland: Trends in Spending and Outputs of Social and State Supported Housing 2001-2020* (2022) p.36; and Department of Public Expenditure and Reform, Revised Estimates for Public Services 2023 (December 2022).

**Note:** 2022 and 2023 figures for ‘Unmet ‘net’ need’ are not currently available.

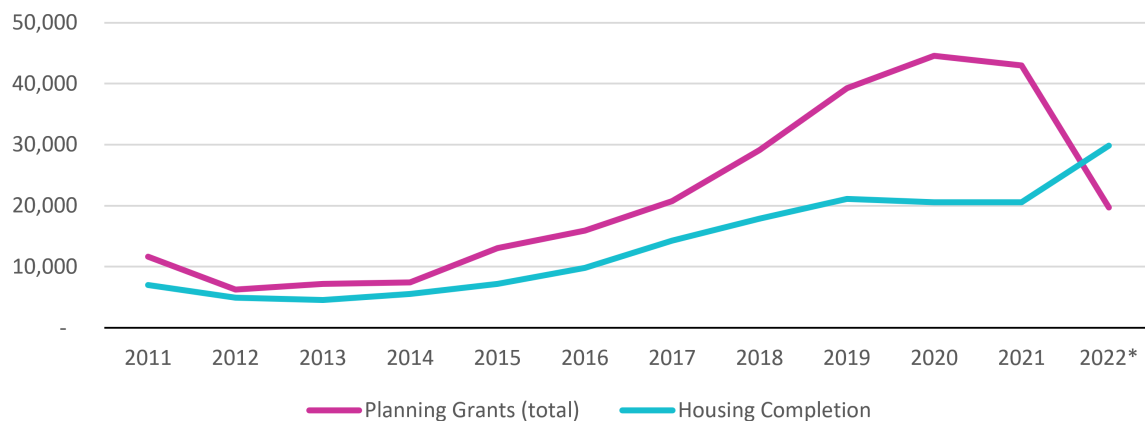
## Housing Supply

Figure 16 shows the trend since 2011 in the number of housing units completed and the number of units for which planning permission was granted. Housing completions had been steadily growing year-on-year from their lowest level in 2013 until the pandemic. Housing completions have recovered well, reaching almost 30,000 in 2022. The number of units for which planning permission has been granted grew steadily post-2012. However, it reached a peak in 2020 (44,538 units), falling to 42,991 in 2021, with just 26,580 units receiving planning permission by end-Q3 2022. In the five years pre-pandemic (2015 to 2019), an average of 74% of planning permissions (by units) had been granted at the end of Q3. **If this trend resumes in 2022, then planning permission (units) granted by year-end 2022 would be approximately 35,900 (down by 16.5% on 2021 levels).**

<sup>29</sup> The Housing Agency, *Summary of Social Housing Assessments 2021: Key Findings* (March 2022) p.4.

<sup>30</sup> See PBO, *Housing Ireland: Trends in Spending and Outputs of Social and State Supported Housing 2001-2020* (2022) p.11 and pp.21-22.

<sup>31</sup> Housing, Local Government and Heritage, ‘*Government approves increase in social housing income eligibility thresholds*’ (29 November 2022).

**Figure 16: Housing Completions & Planning Permission Granted (units)**

**Source:** PBO based on Central Statistics Office, '*NDQo3: New Dwelling Completions*' (Accessed 01 February 2023); and Central Statistics Office, '*BHQo5: Planning Permissions Granted for New Houses and Apartments*' (Accessed 01 February 2023).

**Note:** Planning permission data is to end-Q3 2022.

While reductions in the numbers of units for which planning has been granted are of concern, it is important to note that planning permission grants exceed housing delivery throughout the period shown with the exception of 2022; however, this is due to housing completion data being available for all 2022, with planning grants only available to end-Q3.

While it is simplistic to compare planning grants with the number of housing completions in the same year (due to the lag between planning being granted and a project being commenced and completed), **an analysis over a period of years will be broadly illustrative of outstanding valid permissions (units that may have been commenced or may validly be commenced)**. As planning permission typically lasts for five years, permissions granted in 2018 presumably expire during the course of 2023. **Comparing the number of units for which planning was granted in the period Q1 2018 to Q3 2022 with the number of household completions for the same period suggests that there are approximately 75,000 outstanding permissions.**

The reduction in numbers of units for which planning permission has been granted since 2020 is of concern in the medium-to-long term, with a need for a steady pipeline of new permissions if the sector is to supply units to meet pent-up and new demand. In the short-term, this reduction may not be significant – as there's a significant number of outstanding permissions that the sector can activate or complete.

Demand for housing is significant, with legacy pent-up demand combining with natural 'new' demand. Various projections of new housing need have been produced, chronologically, some of these include:

- 2014: Annual average increase of 19,000 to 33,300 households between 2011 and 2030;<sup>32</sup>
- 2019: 34,000 homes per year to the end of the next decade (2030);<sup>33</sup>
- 2020: Baseline scenario of an average need for 28,111 homes per annum for the period 2018-2040; and<sup>34</sup>
- 2022/2023: More recent research apparently suggests that 42,000 to 62,000 units may be required annually.<sup>35</sup>

<sup>32</sup> Duffy D., Byrne D. and J. FitzGerald, '*Alternative scenarios for new household formation in Ireland, special article*' (2014) Quarterly Economic Commentary, Summer, Dublin: The Economic and Social Research Institute, Spring.

<sup>33</sup> Thomas Conefrey and David Staunton, '*Economic Letter: Population Change and Housing Demand in Ireland*' (2019) p.15.

<sup>34</sup> Adele Bergin and Abián García-Rodríguez, '*Regional Demographics and Structural Housing Demand at a County Level*' (December 2020) p.34.

<sup>35</sup> Jack Horgan-Jones and Sarah Burns, '*Ireland may need up to 62,000 new homes a year, Housing Commission indicates*' The Irish Times (Dublin, 26 January 2023).

**Notwithstanding the level of demand for new housing units, it is important that targets for housing delivery are realistic, reflecting the capacity of the sector to deliver units.** As such, targets for delivery of housing may not (and indeed are unlikely to) provide for meeting housing demand in the short-to-medium term.

## Water Services

The Water Services Programme is the primary funding mechanism for Irish Water since 2018. In 2023, the Irish Water allocation of €1,557 million (€679 million current and €878 million capital) is more than 92% of total programme funding. This is €97 million higher than the 2022 allocation. Significant outputs are targeted for this subhead in 2023, including a significant increase in the kilometres of the waste water (new or rehabilitated) with 254km targeted for delivery in 2023 (up from 96 in 2022). The Revised Estimates provides a concise set of metrics for tracking the performance of Irish Water, which are supported by additional Context and Impact Indicators. Importantly, in its annual reports, Irish Water provide additional metrics, including reporting that repairs to the water network in 2021 had resulted in daily savings of 35 megalitres of water (35 million litres daily).<sup>36</sup> **These annual savings in water leakage would almost fill a container the size of the Aviva Stadium seven times.**<sup>37</sup>

## Local Government

While accounting for some other areas of spending, such as funding for Fire and Emergency Services (€23.8 million in 2023), the Local Government Programme is almost entirely made up of the Exchequer subvention to the Local Government Fund. The €421.3 million earmarked for 2023 is an increase of more than €40 million compared to the 2022 allocation.

Since the introduction of the Local Property Tax (LPT) in 2014 – and the diversion of Motor Tax to the central fund – the Local Government Fund provides Local Authorities with a substantial portion of their annual expenditure. Including the projected €490 million in LPT, income to the fund in 2023 will be an estimated €911.3 million with total expenditures of almost €981.2 million being projected, with spending projected to exceed income by almost €69.9 million.

## Other Programmes

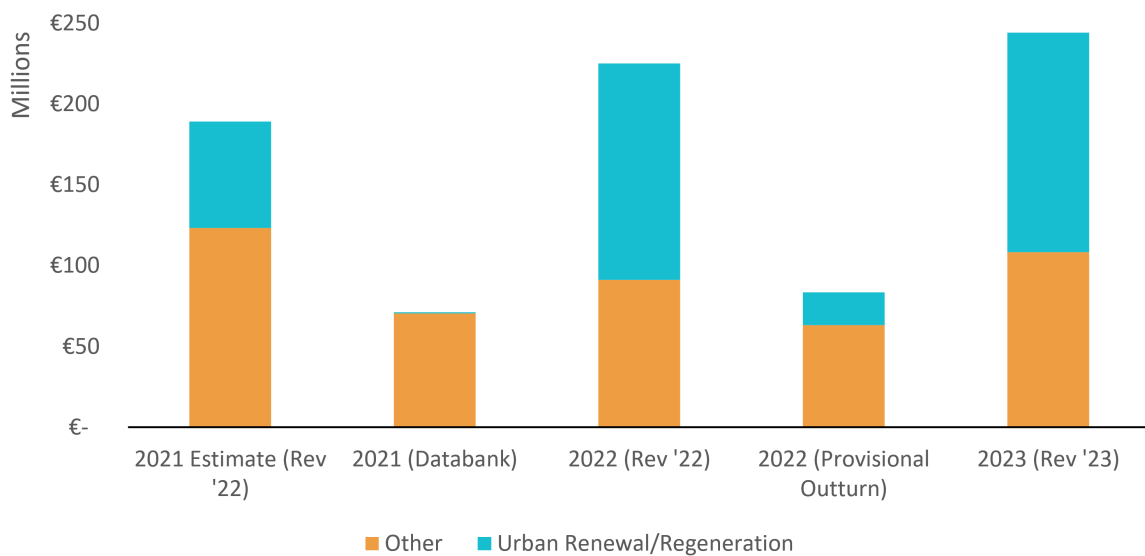
The **Planning Programme** incorporates the funding for An Bord Pleanála, the Land Development Agency, Ordnance Survey Ireland, and Urban Renewal/Regeneration among other areas. The 2023 Estimate for the Programme is €244 million, up over €136 million on 2022.

Gross spending for this programme was initially projected to reach €225 million in 2022; however, significant savings arose during the course of 2022 on subheads under this programme of €105 million in respect of ‘Urban Renewal/Regeneration’ and €12.4 million of ‘Other Services’.

<sup>36</sup> Irish Water, *Annual Report and Financial Statements 2021* (July 2022)p.20.

<sup>37</sup> The cubic capacity of the Aviva was calculated based on figures [here](#).



**Figure 17: Urban Renewal / Regeneration within the Planning Programme**

**Source:** PBO based on DPER, *Revised Estimates for Public Services 2021, 2022, and 2023*; DPER, 'Databank' (Accessed 30/01/2023); and DPER, Correspondence (16 February 2023).

Figure 17 shows that in both 2021 and 2022, significant provisions were made for the Planning Programme and in particular for subhead D.9 'Urban Renewal/Regeneration'; however, in 2021 the outturn (actual spend) was much lower than had originally been provided for, with just €635,000 spent on D.9 compared to the €66.01 million originally allocated. In 2022, D.9's end-year provisional spend was almost €20.2 million, almost €113.9 million lower than the allocation (€134 million) allocated in the Revised Estimates 2022. For 2023 the subhead's allocation exceeds €136 million.

There is a significant increase in the **Met Éireann** budget for 2023, with spending expected to reach more than €56.4 million by year-end compared to the less than €43.2 million allocated for 2022. The majority of the funding is concentrated around pay and administrative costs of running the service.

Funding under the **Heritage Programme** is used to support such agencies as the National Parks and Wildlife Services, Waterways Ireland and the Heritage Council. Funding for the programme is up by just over €39.7 million year-on-year, to over €215.5 million. This increase is spread across several areas though the largest individual change is in 'Administration – Pay' which has risen more than €16.4 million compared to 2022. **There is a very significant increase in staffing associated with this area, with 239 staff being added to an existing workforce of 600, an increase of 40%.**

## Reporting and Metrics

Vote 34 has engaged in considerable work in recent years to improve the metrics and performance indicators contained in the REV and are among the most detailed across the Vote Groups. This is particularly evident for the Housing Programme. There remain some gaps in being able to link the indicators provided back to direct funding allocations. Improvements in this area would greatly aid scrutiny of spending for what is perhaps one of the most paramount issues facing the country today. To this end the PBO will publish a note which will provide analysis of a small number of metrics associated with the Housing Programme to illustrate that recent enhancements to performance reporting by the Department could be continued to bring greater clarity to the performance targeted (and delivered) and the spending levels associated with same.

## Vote 37 Social Protection and Vote 37A Social Insurance Fund

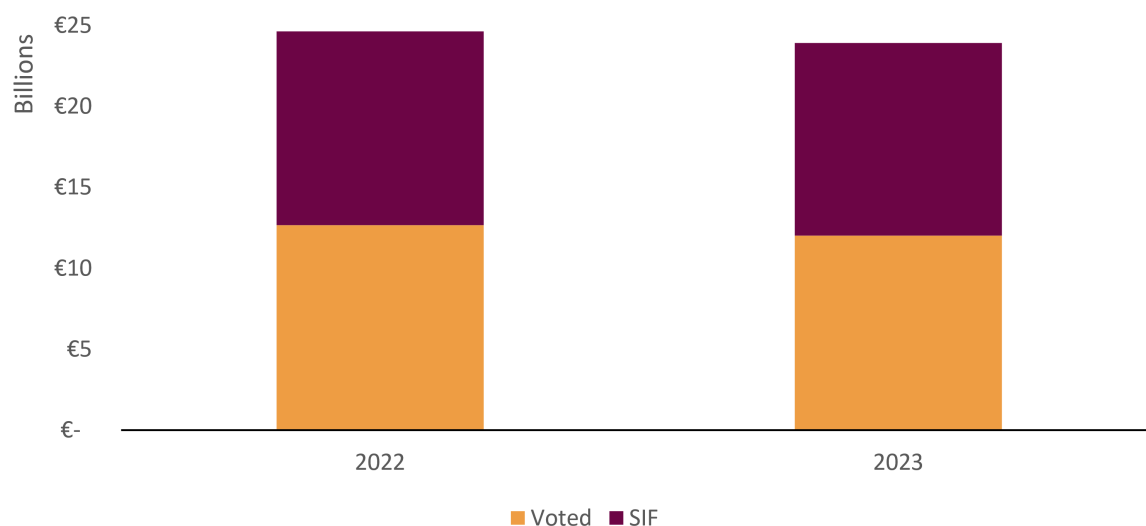
The projected spending in 2023 for Vote 37 - Social Protection is €23,901 million. Social Protection spending comprises the spending from the Vote (funded by the Central Fund and Appropriations-in-Aid) and spending from the Social Insurance Fund (SIF) (primarily funded by PRSI contributions). A transfer from the SIF to the Vote takes place most years to fund the administrative costs of administering SIF schemes. This transfer is accounted for as an Appropriation-in-Aid under the Vote. The PBO has previously published work on how the *SIF operates* and the *impact of COVID-19 on the Fund*.

### Total Spending on Social Protection

$$= \text{Gross Spending of the SIF} + (\text{Gross Spending of the Vote} - \text{Administration Transfer from SIF})$$

Figure 18 illustrates gross spending on social protection, using modified gross spending for the Vote as outlined above, for 2022 and 2023. In 2023 gross spending from the Vote (modified) is projected to reach more than €12,007 million, with SIF spending projected to reach almost €11,894 million.

**Figure 18: Gross Social Protection Spending (Voted and non-Voted)**



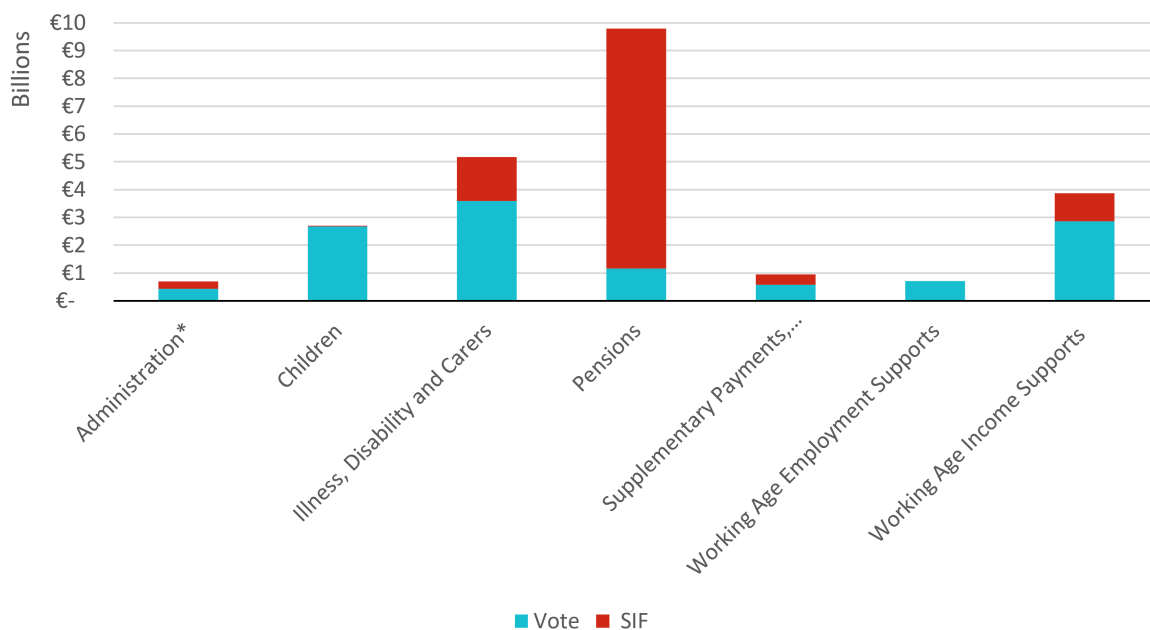
**Source:** PBO based on DPER Databank and Revised Estimates for Public Services 2023 (December 2022); and DPER, Correspondence (16 February 2023).

**Note:** 2022 and 2023 figures are provisional and subject to change.

Total spending in 2023 is down almost €885 million on the 2022 allocation. This is largely attributable to greatly reduced allocations for pandemic related schemes (for example the allocation for the Emergency Wage Subsidy Scheme in 2023 is €250,000, €799 million less than in 2022), and reflecting that once-off cost-of-living measures were provided for in 2022.<sup>38</sup>

Figure 19 outlines, by scheme group, how the Voted and SIF allocations are to be apportioned in 2023.

<sup>38</sup> Department of Public Expenditure and Reform, *Expenditure Report 2023* (September 2022) p.26.

**Figure 19: Social Protection Spending 2023**

**Source:** PBO based on Revised Estimates for Public Services 2023 (December 2022).

**Note:** Administration spending under the Vote is reduced to reflect the transfer of funds from the SIF to the Vote for administrative costs. This transfer (€173 million) is ultimately spent by the Vote but is accounted for at source (in the SIF).

While SIF spending on schemes and services in 2023 is lower than levels provided for in 2022 (–€159.6 million) this is primarily a result of the almost complete cessation of funding for pandemic related schemes (€101,000 in 2023 down from €386.1 million in 2022). This obscures growth in other areas which are more indicative of future spending needs, with Illness Benefit rising almost €56.7 million, and State Pension (Contributory) rising by €280 million in 2023. Ireland's population is ageing and as such, pension, illness, and disability spending can be expected to continue to rise. At present the income to the SIF exceeds SIF spending by a considerable margin (a €3.24 billion excess is projected for 2023 which will be added to the SIF's reserves).

As Ireland's population ages, the ratio of workers (contributing to the SIF) will decline relative to the number of persons dependant on the SIF. This projection implies significant future pressure on the SIF – with greater levels of spending and proportionately fewer contributors to the system. Beyond the mere demographic pressure, the system is further vulnerable in the event of future economic downturns where the SIF would suffer the additional loss of contributors and increased spending on benefits such as unemployment benefit. These risks have driven ongoing discussions about reform of Ireland's pension system in particular.

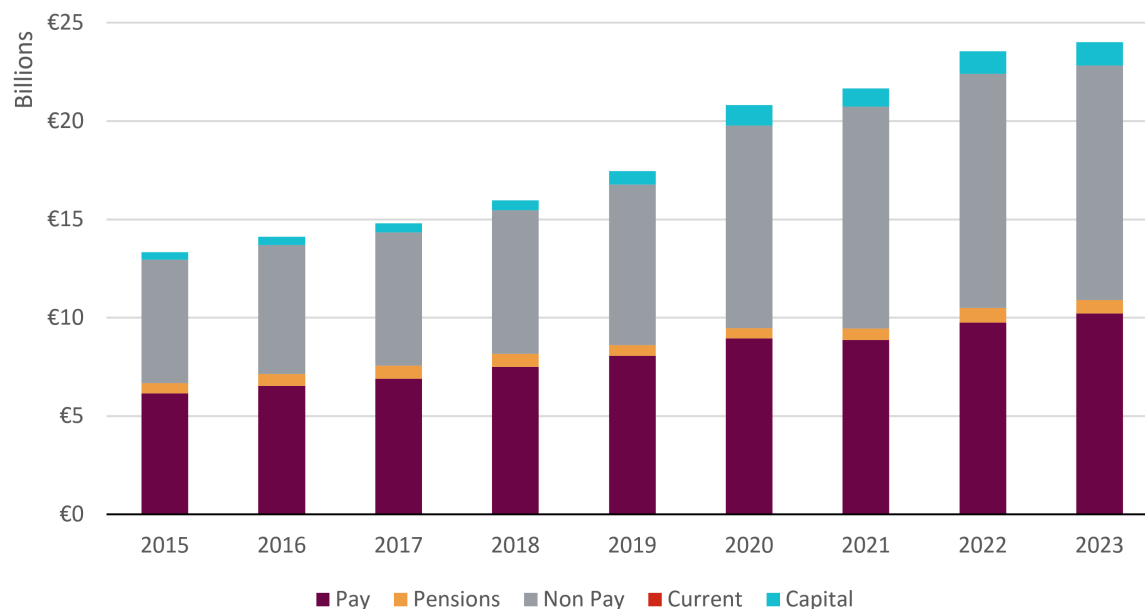
## Vote 38 Health

Vote 38 Health sets out the Voted allocation to the Department of Health which then allocates funds to the Health Service Executive (HSE) in a letter of determination.<sup>39</sup> The gross spending of Vote 38 for 2023 is almost €24,006 million. In the *Revised Estimates for Public Services 2023* Vote 38 represents 26.7% of the Voted allocation for 2023 (or 31.1% if the non-Voted Social Insurance Fund and National Training Fund are excluded). **The Health Vote comprises the single largest component of Voted spending.**

Figure 20 illustrates that the growth in allocations and spending under Vote 38 over the period 2015-2023 have been primarily in the areas of Pay and Non-Pay; however, during the pandemic (2020 onwards) there has been significant growth in Non-Pay and Capital. Gross spending in 2023 is projected to reach almost €420.5 million more than the levels provided for in 2022 (a 1.8% increase). Year-on-year, gross spending provided for in 2023 compared to 2022 are:

<sup>39</sup> Parliamentary Budget Office, *The HSE National Service Plan and its Relationship with the Health Vote* (2018) p.13.

- **Pay:** +€452.5 million / +4.6%;
- **Pensions:** -€46.8 million / -6.4%;
- **Non-Pay:** +€17.2 million / +0.1%; and
- **Capital:** +€22.6 million / +1.9%.

**Figure 20: Overview of Gross Spending on Health (2015 to 2023)**

**Source:** PBO based on *DPER databank*; and DPER, Revised Estimates for Public Services 2023 (December 2022); DPER, Correspondence (13 February 2023).

**Note:** Spending data for the years 2015-2021 is final. 2022 spending data (provisional outturn) will not be finalised until the 2022 Appropriation Accounts. 2023 data refers to the allocation which may be considerably different from what is ultimately spent.

Spending on pay is a significant component of health spending, with Health having the largest public sector workforce of any Vote, with the Health Vote expected to reach 145,686, an increase of 6,098 additional public sector workers in the healthcare sector (an increase of approx. 4.4%). The associated pay increase is €452.5 million when 2023 pay is compared to provisional outturn for 2022. A 2021 paper found that staffing levels (whole time equivalents) increased by 14% over the period 2012-2019, while the spend on overtime increased by 15% in the same period.<sup>40</sup> The same paper noted that staff growth was inconsistent across service areas and suggested this may be associated with the use of agency staff while noting further research was required in this area. Significantly, the paper acknowledged that there was insufficient data “related to activity in the community setting and [therefore] conclusions on the relationship between rising agency and overtime trends and healthcare demand could not be drawn.”<sup>41</sup>

Even as spending directly associated with the pandemic declines (see p.32), overall health spending continues to grow. In particular, spending on the HSE is expected to rise significantly in 2023, with an increase of €1.24 billion (8.9%). Long-term, increases in health spending can be expected from demographic shifts, in particular, as Ireland’s population structure ages.<sup>42,43</sup>

<sup>40</sup> Emer Hanney & Claire Doyle, *Spending Review 2021: Factors Affecting Agency and Overtime Expenditure in the Irish Health Service* (IGEES, November 2021).

<sup>41</sup> Emer Hanney & Claire Doyle, *Spending Review 2021: Factors Affecting Agency and Overtime Expenditure in the Irish Health Service* (IGEES, November 2021) p.3.

<sup>42</sup> Parliamentary Budget Office, *The Effect of Changing Demographics on Irish Health Expenditure – An Analysis of Different Approaches and Findings* (2019).

<sup>43</sup> ESRI, *Projections of Expenditure for Primary, Community and Long-Term Care in Ireland, 2019–2035, Based on the Hippocrates Model* (July 2021).

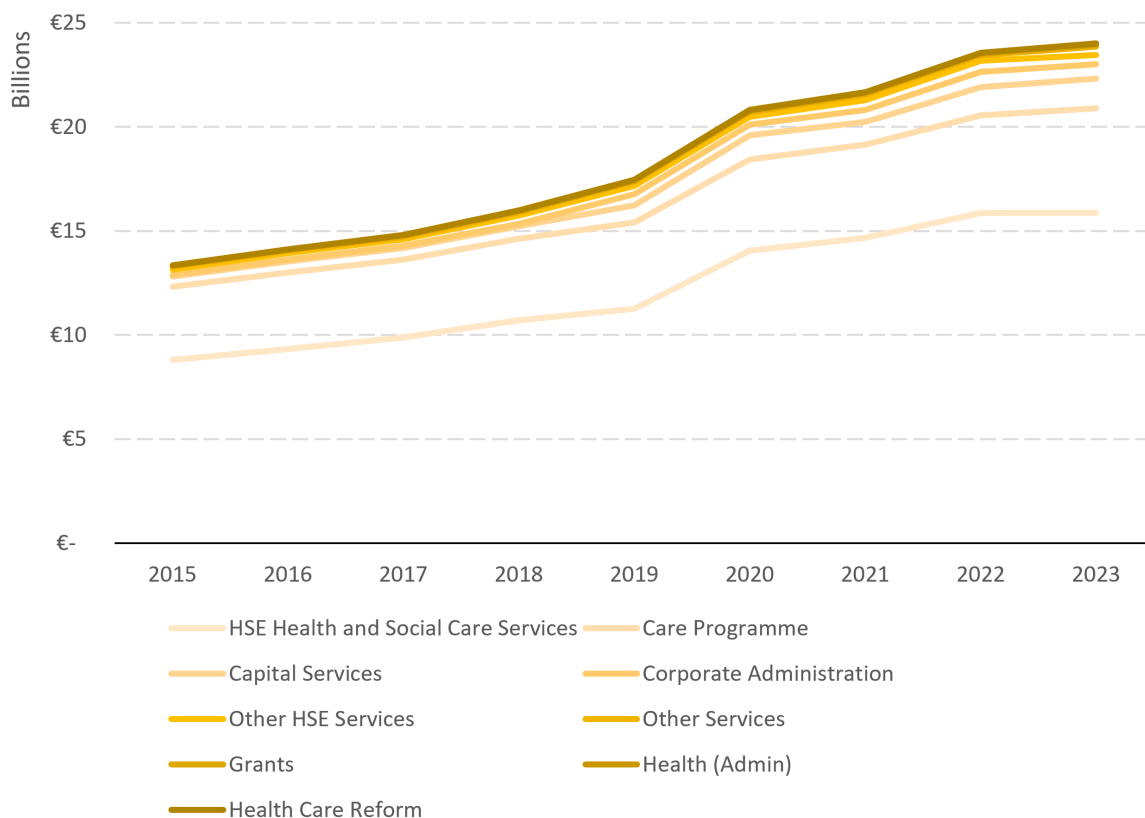
## 2023 Allocation by Cost Group

**The Health vote has an atypical structure and does not conform to the programme structure used in other Votes.** The PBO has previously commented that Vote 38 is, unlike other Votes “not organised along Programme lines; rather, all expenditure is categorised under an extensive list of subheads grouped under nine headings (Cost Groups).”<sup>44</sup> The structure of the Vote and its relationship with spending by the HSE have been discussed in detail by the PBO in past publications.<sup>45,46</sup> It remains unclear as to when programme budgeting might be brought into effect in the Health Vote.<sup>47</sup>

Figure 21 shows that this allocation is highly concentrated in two specific cost groups. Together these cost groups make up 85.7% (€20,577 million) of the 2023 gross allocation. These cost groups are:

- HSE Health and Social Care Services (€15,890 million); and
- Care programme (€5,032 million).

**Figure 21: Gross Spending (by Cost Group) 2023**



**Source:** PBO based on *DPER databank*.; and DPER, Correspondence (16 February 2023).

## COVID-19 and Health Spending

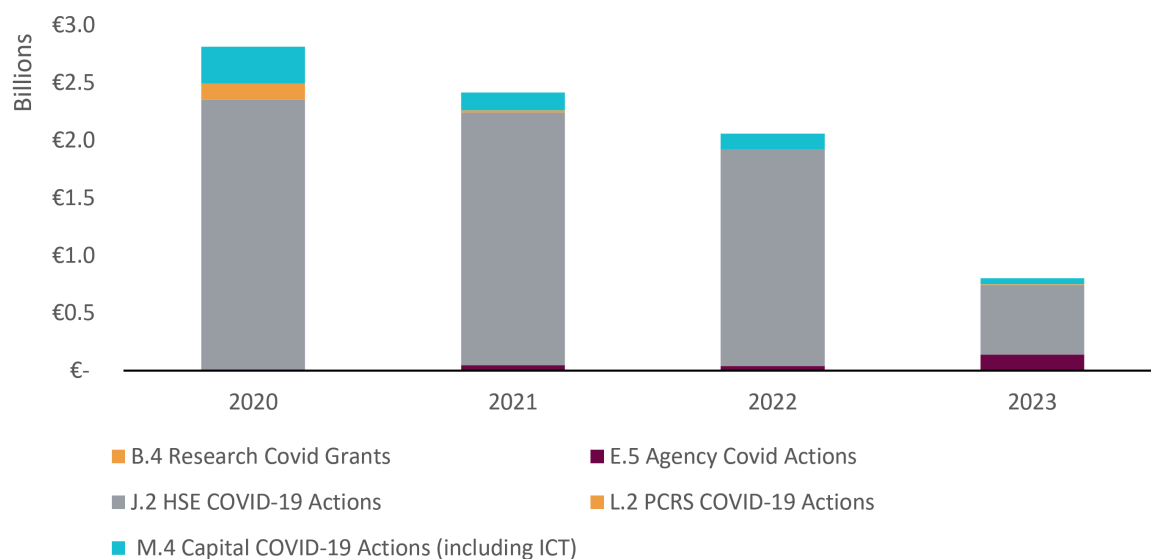
The COVID-19 pandemic has had a major impact on many facets of Exchequer spending since 2020, with considerable levels of funding being directed to mitigate the impact of the pandemic on public health. Figure 22 shows the allocations to Vote 38 that are explicitly related to COVID-19, it also illustrates the cumulative in-year value of these measures. These COVID measures have fallen from 13.5% of Vote 38's gross outturn (2020) to just 3.3% of projected gross spending in 2023.

<sup>44</sup> Parliamentary Budget Office, *Health (Vote 38) in the Revised Estimates for Public Services* (2018).

<sup>45</sup> Parliamentary Budget Office, *The HSE National Service Plan and its Relationship with the Health Vote* (2018).

<sup>46</sup> Parliamentary Budget Office, *Health (Vote 38) in the Revised Estimates for Public Services* (2018).

<sup>47</sup> Minister for Public Expenditure and Reform Michael McGrath TD, 'Departmental Policy Functions: Dáil Éireann Debate' (21 April 2021).

**Figure 22: Gross Allocation to COVID Measures 2020-2022**

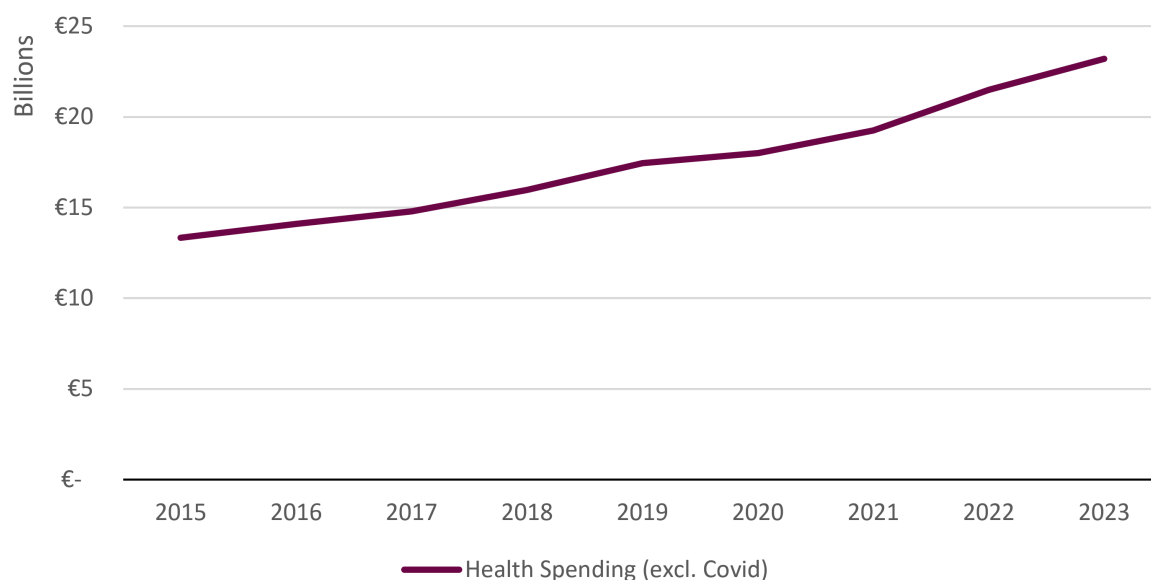
**Source:** PBO based on DPER, Databank (Accessed 16 January 2023); Revised Estimates for Public Services 2023 (December 2022) and DPER, Correspondence (16 February 2023).

**Note:** 2022 and 2023 figures are subject to change.

Figure 22 illustrates that the cumulative spend explicitly linked to the pandemic was greatest in 2020. Overall:

- 2020: €2,812 million was spent on the pandemic response (11.9% of total gross spend);
- 2021: €2,415 million was spent to the pandemic response (8.5% of total gross allocation);
- 2022: €2,051 million was allocated to the pandemic response (3.6% of total gross allocation); and
- 2023: €802 million was allocated to the pandemic response (3.3% of total gross allocation)

**Compared to 2020, the 2023 COVID related allocation is down 71.5% (almost -€2,009 million); however, the non-COVID allocation has increased by 28.9% (more than +€5,205 million).**

**Figure 23: Gross Health Spending (excluding COVID measures) (2015-2023)**

**Source:** PBO based on DPER, Databank (Accessed 16 January 2023); and Revised Estimates for Public Services 2023 (December 2022).

**Note:** 2022 and 2023 figures are subject to change.

Figure 23 shows growth in underlying gross health spending (deducting gross spending on COVID subheads as outlined in Figure 22). **Compared to the last pre-pandemic year (2019), spending in 2023 is projected to be €5.74 billion greater (an increase of 32.9%). Pay represents €2.14 billion of this increase (or 37.3%).**

Growth in gross spending in 2015 to 2019 was €4.12 billion (30.9%); with almost €1.93 billion (46.8%) of the increase directly attributable to the pay costs of Vote 38.



# Appendices

## Appendix 1: Capital Spending in 2023

As set out in this paper, Capital Carryover is deemed spent in the year of original allocation (and accounted for as such); however, these funds are actually used in the subsequent year. As such, the table below gives a comprehensive overview of projected capital spending for 2023, including monies originally allocated in 2022, reaching some €12.79 billion total.

**Table 6: Summary of Capital Carryover in 2021**

Vote	Capital Allocation 2023	Capital Carryover
6. Chief State Solicitor's Office	€1,100,000	€100,000
8. Office of the Comptroller & Auditor General	€28,457,000	
11. Public Expenditure and Reform	€500,000	
13. Office of Public Works	€270,000,000	€27,000,000
16. Valuation Office	€2,810,000	€590,000
17. Public Appointments Service	€2,000,000	
18. National Shared Services Office	€12,000,000	€1,200,000
20. Garda Síochána	€183,000,000	
21. Prisons	€29,500,000	€3,205,000
22. Courts Service	€66,871,000	€1,850,000
23. Property Registration Authority	€1,000,000	
24. Justice	€14,129,000	
25. Irish Human Rights and Equality Commission	€100,000	
26. Education	€860,400,000	
27. International Co-Operation	€2,500,000	
28. Foreign Affairs	€22,500,000	€2,250,000
29. Environment, Climate and Communications	€871,821,000	
30. Agriculture, Food and the Marine	€462,950,000	€27,500,000
31. Transport	€2,622,254,000	€137,956,000
32. Enterprise, Trade and Employment	€585,611,000	€54,500,000
33. Tourism, Culture, Arts, Gaeltacht, Sport and Media	€214,967,000	€20,000,000
34. Housing, Local Government and Heritage	€3,525,940,000	€340,000,000
36. Defence	€176,000,000	
37. Social Protection	€16,000,000	€1,390,000
38. Health	€1,182,790,000	
39. Office of Government Procurement	€1,150,000	€35,000
40. Children, Equality, Disability, Integration and Youth	€103,000,000	
42. Rural and Community Development	€231,000,000	€14,500,000
43. Office of the Government Chief Information Officer	€14,350,000	
45. Further and Higher Education, Research, Innovation and Science	€595,488,000	€55,169,000
Totals	€12,100,188,000	€687,245,000



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