



# Measuring the Cost of Public Service Provision: Gross & Net Spending in Ireland

## Introduction

This note forms part of a series of PBO publications intended to serve as ongoing reference documents. These publications are intended to explain key concepts which are present in many of the PBO's core publications, enabling new and returning readers of PBO publications to maximise their understanding of the PBO's analysis. These publications will address issues of varying degrees of complexity.

This note addresses:

- Estimates, Allocations & Expenditure (spending),
- Gross spending: what it is and why it is important,
- Net spending: what it is and why it is important, and
- The differences between the two.

Spending is necessary for the Government to provide goods and services to citizens, as well as pursue various policy objectives. This paper discusses some of the different ways in which this spending can be described, with a specific focus between gross and net spending.

**The aim of this note is to provide the reader with a general overview of gross and net spending and explore why each is an important measure in their own right. This note will establish why the PBO tends to focus on gross spending when analysing spending.**



## Terminology

### Estimates, Allocations & Expenditure (Spending)

The terms estimate, allocation and expenditure (spending) will arise throughout PBO publications and broadly can be used somewhat interchangeably. These terms refer to the resourcing of Votes.

**A Vote is** a coherent area of Government expenditure which is the responsibility of a single Government Department or Office, which is, in turn, accountable to the Dáil for the expenditure.<sup>1</sup> **Each Vote has a corresponding number that helps identify it.** Some Votes are clustered together under a parent Vote, this is referred to as a Vote Group. For example, the Justice Vote Group is headed by the Justice Vote (Vote 24) and includes the Courts Service (Vote 22), Data Protection Commission (Vote 44), Garda Síochána (Vote 20), Policing Authority (Vote 41), and Prisons (Vote 21).

**Estimates** refer to the amount of resourcing proposed to be allocated to a Vote for a budget year. These estimates primarily arise in the context of the *Estimates for Public Services* (at budget time) and the *Revised Estimates for Public Services* (each December).

**Allocation** refers to the amount of resourcing (money) approved by Dáil Éireann for a year. The Budget process provides for an allocation to Votes initially in the *Revised Estimates for Public Services* (each December).<sup>2</sup>

**Spending (or expenditure)** refers to the amount of the allocation that has actually been used. The term “spending” tends to be used retrospectively, looking back on a period of time, where spending can be compared to the allocation for the same period. **Spending can be the same as, or less than, the allocation for the period. Spending may not exceed the allocation for that period.**

**The allocation or spending can be discussed in gross or net terms.** In the simplest terms, gross allocation or spending refers to the total amount in question. The net allocation or spend reflects the amount after certain deductions are made. These deductions are referred to as Appropriations-in-Aid.

**Appropriations-in-Aid (A-in-A)** are the income to a Vote which may, subject to Dáil approval, be retained by that Vote to meet the costs of services it provides. By retaining this income, the amount of funding required by a Vote to be allocated (Voted) from the Central Fund is reduced.

The resourcing allocated to Votes for a year can be Voted or non-Voted. **Voted allocations or voted spending** refer to the resourcing that requires the approval of Dáil Éireann in the annual budget process. **Non-Voted allocations or non-voted spending** do not require this approval and are provided for in legislation. **Government Expenditure** is a combination of these Voted and non-Voted resources and is discussed in greater detail below.

<sup>1</sup> Parliamentary Budget Office, *Appropriations-in-Aid in the Revised Estimates for Public Services* (2018).

<sup>2</sup> Allocations can be subsequently amended during the course of the year. For a simple discussion of this see Committee's Secretariat, *The Estimates Process: A Procedural Note* (March 2023).



## Government Expenditure (Spending)

Government Expenditure (hereafter) Government Spending is defined in the [Ministers and Secretaries \(Amendment\) Act 2013](#) as the sum of the funds issued from the Central Fund, the revenue of Votes (Appropriations-in-Aid), and spending from two ringfenced funds, the Social Insurance Fund (SIF) and the National Training Fund (NTF).<sup>3</sup>

The *Revised Estimates for Public Services* is the core budgetary document for the purposes of analysis of spending, and this document incorporates the four constituent elements of Government Spending in line with the legislative definition above. This spending can be either current or capital, these are discussed separately in another PBO paper.<sup>4</sup>

### Importantly:

- **Government Spending can be used interchangeably with Gross Spending, and**
- **Government Spending can refer to:**
  - **the estimated level of spending for the year (for clarity the PBO will usually use ‘Gross Allocation’ in this context), or**
  - **the actual spend which occurred in a year.**

Table 1 shows the four constituent elements of Government Spending. As noted above, Government Spending may refer to the amount allocated to be spent for a year or can refer to the amount actually spent in the year. Based on context it can either be the estimated or allocated sum of the four components (see Table 1) or it is the realised (spent) amount of those four components in the year in question.

**Table 1: Composition of Government Spending**

	Components	Source	Voted or Non-Voted
<b>Government Spending</b>	Net Voted Spending	Central Fund	Voted
	Appropriations-in-Aid	Income to Votes	Voted
	Spending of the Social Insurance Fund	Social Insurance Fund	Non-Voted
	Spending of the National Training Fund	National Training Fund	Non-Voted

**The PBO uses gross government spending to underpin most of its analysis as it reflects the full cost of delivering public goods and services.**

An overall Government expenditure ceiling of €91.1 billion was approved by the Dáil for 2023.<sup>5</sup> With the **estimated gross spending for 2023 set out as €89.9 billion** (Table 2).<sup>6</sup> Leaving a balance of roughly €1.1 billion in non-core funding which can be used for further allocations throughout 2023 if required. **Net spending reflects only supply grants issued from the central fund.**<sup>7</sup> While net spending is just one of the four elements of gross estimates, it is the largest by a significant margin, reflecting almost €74.3 billion for 2023. This is almost 82.7% of estimated gross spending for 2023.<sup>8</sup>

<sup>3</sup> See PBO, [An Overview of the Social Insurance Fund \(SIF\)](#) (2018), and PBO, [The National Training Fund](#) (2018).

<sup>4</sup> See PBO, [An Overview of Current and Capital Spending within Government Expenditure](#) (2023).

<sup>5</sup> Stated in the [Revised Estimates for Public Services 2023](#) (December 2022) p.3.

<sup>6</sup> To note: Rounding may affect totals. The 2023 figures were sourced from the Department of Public Expenditure, NDP Delivery and Reform, [The Revised Estimates Volumes for the Public Service 2023\(2022\)](#).

<sup>7</sup> See forthcoming PBO note on an overview of the Central Fund.

<sup>8</sup> This is based on the figures available in the [Revised Estimates for Public Services 2023](#) (December 2022).



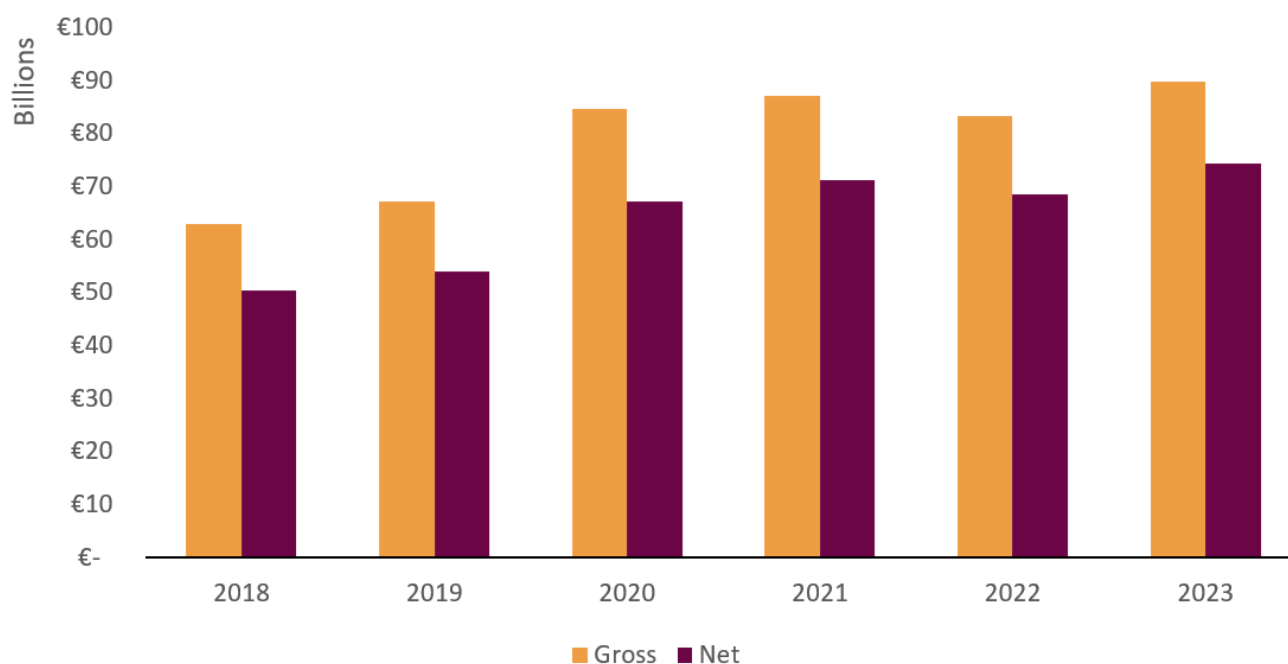
**Table 2: Spending Projection 2023**

	Source	Value (€ millions)
Voted	1. Supply Grants (Central Fund)	€74,288.397
	2. Appropriations-in-Aid	€2,954.804
Non-Voted	3. Social Insurance Fund	€11,720.763
	4. National Training Fund	€900.771
<i>Government spending (Gross Spending)</i>	<i>1+2+3+4</i>	<i>€ 89,864.735</i>
<i>Net government spending</i>	<i>1</i>	<i>€74,288.397</i>

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

The gross Voted allocation reflects a more accurate measure of the real cost of public services; whereas the net voted allocation reflects the costs of delivering those public services that are not met by the income of the Vote in question. Figure 1 shows the difference between gross and net spending for the period 2018 to 2023. **It is clear that a focus on net spending alone would substantially understate the scale of spending on public goods and services.**

**Figure 1: Net and Gross Spending 2018 to 2023\***



**Source:** PBO based on Department of Public Expenditure, NDP Delivery and Reform Databank.

Note: \* 2022 and 2023 data are provisional.



## Voted Spending

Voted spending is the total amount of money allocated for programmes and policies that are approved by Dáil Éireann. In this process the gross (total) cost of services are estimated by the Votes. They then estimate how much income through A-in-A they can expect for the year. This income figure is deducted from the gross estimate, resulting in a balance which is the net estimate.<sup>9</sup>

Voted spending comprises:

- 1. Appropriations-in-aid (A-in-A):** A-in-A are revenues generated by a particular programme or policy that are deducted from the gross allocation subject to the approval of Dáil Éireann, and
- 2. The net voted allocation (Supply Grant):** This is the sum of money approved by Dáil Éireann to the Vote which will be paid from the Central Fund.<sup>10</sup>

## Appropriations-in-Aid

Appropriations-in-aid (A-in-A) are revenues generated by a particular programme or policy that are, subject to Dáil approval, retained by a Vote to defray (offset) the expenses of that Vote.<sup>11</sup> These revenues can come from a variety of sources, including user fees, fines, and penalties (see examples in Table 3).

A-in-A reduce how much resourcing must be Voted in the form of Supply Grants in respect of a Vote. It is important to remember that while A-in-A offset or defray the cost to the Exchequer (the cost in terms of resources drawn from the Central Fund), ultimately they do not make public services less expensive.<sup>12</sup> In some cases an Excess vote can arise.<sup>13</sup>

**Table 3: Examples of Appropriations-in-Aid**

Vote 28	Foreign Affairs and Trade	Passport, Visa and other Consular Services	€61.6 million.
Vote 33	Tourism, Culture, Arts, Gaeltacht, Sport and Media	Broadcasting Licence fees	€237.1 million
Vote 38	Health	Receipts from certain excise duties on tobacco products	€167.6 million

For more information on Appropriations-in-Aid please see PBO's previously published note.<sup>14</sup>

## Supply Grant (Net Voted Allocation)

**The net estimate reflects how much additional resources, after their own income, a Vote will require to pay for the estimated cost of the services they will provide in a given year.** This net estimate, once approved by Dáil Éireann, becomes the Supply Grant (Net Voted Allocation). The Dáil authorises (grants or votes) the monies for the provision of public services each year. The right to grant these monies (known as the Supply Grant or Supply) are one of the most important powers of the Legislature. The Dáil, however, may not vote money unless it is requested to do so by the Government, under Article 17 of the Constitution, as all money must be accounted for by the Dáil Éireann.<sup>15</sup>

<sup>9</sup> See PBO, *The Role of the Oireachtas in the Provision of Public Services* (2020).

<sup>10</sup> See forthcoming PBO note on an overview of the Central Fund.

<sup>11</sup> Department of Public Expenditure, NDP Delivery and Reform, *Public Financial Procedures* (2012) p.319.

Appropriations-in-Aid would, in the absence of Dáil approval for retention within a Vote, be paid to the Central Fund.

<sup>13</sup> For more information on an excess vote please see, Department of Public Expenditure, NDP Delivery and Reform, *Public Financial Procedures* (2012) p.160.

<sup>14</sup> Parliamentary Budget Office, *Appropriations-in-Aid in the Revised Estimates for Public Services* (2018).

<sup>15</sup> Department of Public Expenditure, NDP Delivery and Reform, *Public Financial Procedures* (2012).



Net voted spending does not provide a clear picture of the scale of government activity or the resources that have been allocated to a particular programme or policy.<sup>16</sup> However, net voted spending gives an indication of how much resourcing is needed to ‘top up’ the income (A-in-A) of Votes in any given year.

## Non-Voted Spending

Non-voted spending is paid out of the Central Fund under specific legislation, without annual reference to the Dáil. It consists of spending on items such as the service of the National Debt, contributions to the European Union (EU) Budget, the Houses of the Oireachtas Commission, share subscriptions to State bodies, judicial salaries and pensions and the salaries and pensions of the President and Comptroller and Auditor General.

The Social Insurance Fund and the National Training Fund are also non-Voted spending but are specifically defined as part of Government spending (see [Ministers and Secretaries \(Amendment\) Act 2013](#)). As such, **the spending of these funds may be described as non-Voted Government spending.**<sup>17</sup>

**Together, Supply Grants and A-in-A are the Voted components of Government spending** (being approved annually within the budget process). Both supply grants and A-in-A are given legal effect annually in the Appropriation Act.<sup>18</sup>

## The Social Insurance (SIF) & National Training Fund (NTF)

**Government spending also includes spending from two funds, the Social Insurance Fund (SIF) and the National Training Fund (NTF).** These funds generate their own income, primarily from Pay Related Social Insurance (PRSI) and the National Training Fund<sup>19</sup> levy respectively. The National Training Fund is a special fund that is used to finance training and upskilling initiatives in Ireland. It is funded by a levy on employers, as well as from the Government. The fund is managed by the Department of Further and Higher Education, Research, Innovation and Science. The Social Insurance Fund is a special fund that is used to finance social welfare payments, such as pensions, unemployment benefits, and maternity benefits. It is funded by contributions from employers and employees, as well as from the Government. The fund is managed by the Department of Social Protection.<sup>20 21</sup>

These funds are included within the Estimates for Public Services Revised Estimates for Public Services but are not Voted. They are included within the Gross Net Estimates for information purposes to provide a more complete picture of overall government spending.<sup>22</sup> Where the SIF has insufficient income or reserves, a subvention is required (requiring Parliamentary approval) to allow the SIF to meet its liabilities.<sup>23</sup>

<sup>16</sup> Department of Public Expenditure, NDP Delivery and Reform, [Public Financial Procedures](#) (2012).

<sup>17</sup> SIF and NTF are included in Government Expenditure as is defined in the [Ministers and Secretaries \(Amendment\) Act 2013](#).

<sup>18</sup> See for example [Appropriation Act 2022](#).

<sup>19</sup> See forthcoming PBO note on the National Training Fund.

<sup>20</sup> [Ministers and Secretaries \(Amendment\) Act 2013](#).

<sup>21</sup> The spending of these funds is non-Voted and doesn't require annual approval by Dáil Éireann within the budgetary process.

<sup>22</sup> This is stated in the [Revised Estimates for Public Services 2023](#) (December 2022) p.5.

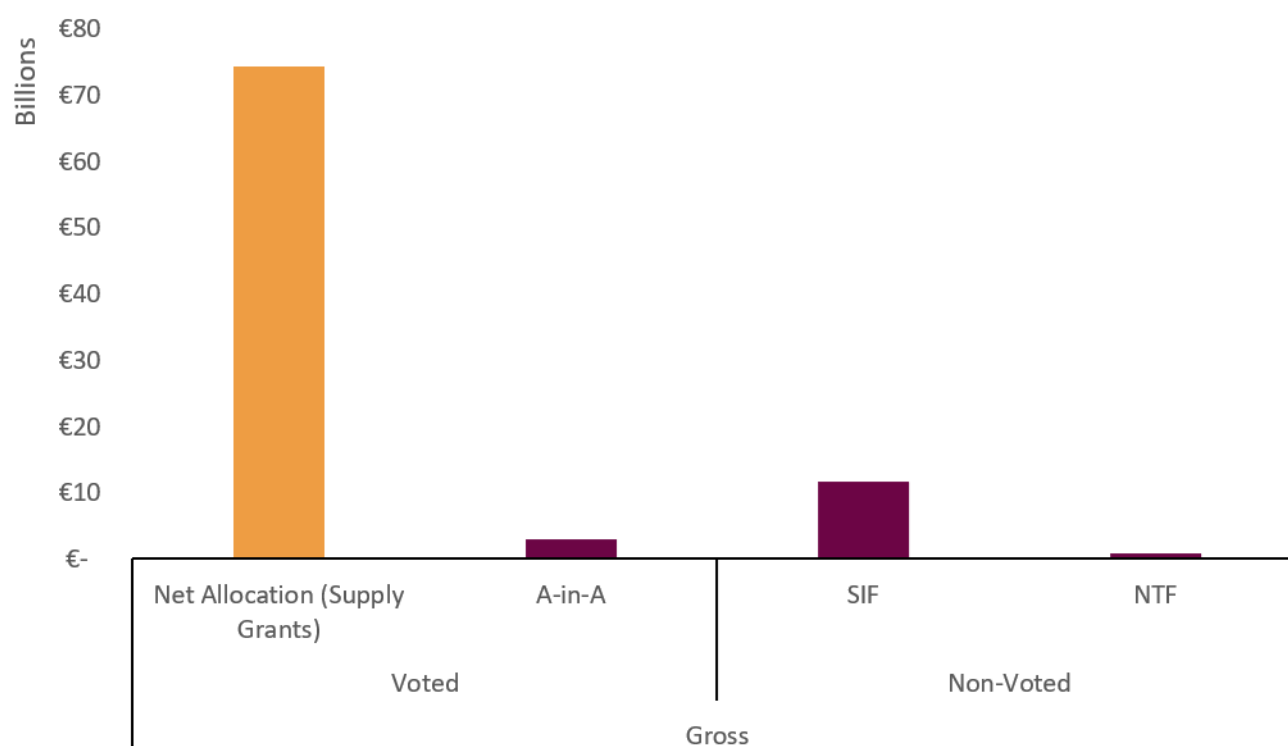
<sup>23</sup> See PBO, [An overview of the Social Insurance Fund \(SIF\)](#) (2018).



## Government Spending: Voted and Non-Voted Spending

Figure 2 shows the components of Government spending in 2023. **Government spending is a combination of current and capital,<sup>24</sup> and voted and non-voted spending.<sup>25</sup>**

**Figure 2: Estimated Gross Government Spending 2023**



**Source:** PBO based on *The Revised Estimates Volumes for the Public Service 2023 (2022)*.

### Key Definitions

This section has described (i) Government spending, (ii) Voted spending, and (iii) Non-Voted Spending. Table 4 below summarises the key definitions set out in this paper. It is important to remember the earlier discussion of estimates, allocations, and spending.

- Estimates refer to the estimated (but not approved) levels of spending forecast for a year.
- These Estimates, once approved by Dáil Éireann, are deemed allocated to Departments.
- What is ultimately spent is described as expenditure or spending.

The definitions set out below can be used to calculate the relevant estimates, allocations, or spending depending on the data used (whether the data relates Estimated, Allocated, or Spent funds).

<sup>24</sup> See PBO, *An Overview of Current and Capital Spending within Government Expenditure (2023)*.

<sup>25</sup> Ibid.





**Table 4: Key Definitions**

*Government Spending = Gross Spending*

*Voted Spending = Supply Grants + Appropriations – in – Aid*

*Supply Grants = Net Voted Allocation*

*Non – Voted Government Spending = Spending of the (SIF + NTF)\**

\* Non-Voted Spending here is specifically the non-Voted component of Government Spending (see Figure 2 above, p.7). As discussed earlier, other non-Voted funds issue from the Central Fund, including funds to service the national debt.

## Conclusion

During the budget process resources are allocated to Votes to pursue policy objectives and allow for the delivery of public goods and services. This allocation comes from four sources (Table 1, p.3). Together these four sources comprise the total allocation (Gross) and represent the projected cost of delivering public services for that year. The actual amount spent at end year is the gross spend (also referred to as Government Spending (Expenditure)).

The net allocation refers specifically to the Voted allocation sourced from the Central Fund, this reflects the resources needed by Votes, in addition to their income, which they require to deliver the relevant services for that year.

In order to debate the funding of each programme and analyse the performance achieved, understanding the true cost to the Government through gross spending, and the differences between gross and net spending is vital. This knowledge helps determine if resources would be more efficiently and effectively allocated elsewhere.

Understanding the difference between gross and net spending is crucial when analysing government spending. Gross spending refers to the total amount of money allocated for a particular programme or policy which shows the real costs associated with each programme, while net spending is the amount allocated from the Central Fund after taking into account any revenue generated by the program or policy.

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