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An Oifig Buiséid Pharlaiminteach
Parliamentary Budget Office
Pre-Budget 2024: Public Spending

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Detailed Vote Discussions

This paper forms part of the Parliamentary Budget Office's analysis of Budget 2024. This paper focusses on discussion of a selection of Votes, primarily those with the largest allocations in 2023. The purpose of this analysis is to establish which Votes are likely to require the majority of 2024 resourcing, as well as to understand the issues which these Votes face in terms of the public services they must deliver.

Spending is provided for under Votes, one or more covering the functions of each Department or Office.

Allocations refer to the amount of resourcing agreed to be provided for a Vote for a given year, this does not necessarily mean the entirety of that resourcing will be used. This has been a significant issue since the pandemic, with many Votes struggling to spend their allocations. Examples of this are discussed in the analysis of the Housing, Local Government and Heritage Vote, and the Transport Vote in this paper.

The following sections discuss a range of specific Votes. Together these 16 Votes made up almost €78.9 billion, or 87.7%, of the gross allocation for 2023.[1]

These discussions are sequenced in line with the relative size of the Votes' allocations for 2023. These are set out below, with the relevant gross allocation to the nearest million.

- Social Protection (€12,180) and the Social Insurance Fund (€11,721) (see p.3),
- Health (€21,358) (see p.6),
- Education (€10,025), and Further and Higher Education, Research, Innovation and Science (€3,192) (see p.9),
- Housing, Local Government and Heritage (€6,322) (see p.11),
- Children, Equality, Disability, Integration and Youth (€5,924) (see p.11),
- Transport (€3,516) (see p.19),
- Justice Vote Group (€3,429), comprising: Justice (€547), An Garda Síochána (€2,250), Prisons (€422), the Courts Service (€180), the Policing Authority (€4) and the Data Protection Commission (€27) (see p.26), and
- Defence Vote Group (€1,210 million), comprising Defence (€915) and Army Pensions (€294) (see p.28).

[1] At the time of writing the 2023 allocation is ~€89,904 million; however, this may change in Q4 2023 in the event of Supplementary Estimates for Public Services.

Social Protection

Social Protection is the single largest area of spending set out in the budget. It combines Vote 37 (social assistance) and Vote 37A Social Insurance Fund (SIF) (social insurance) payments. Vote 37 Social Protection is subject to annual approval by Dáil Éireann, while SIF spending is presented as part of the budget (under legislation it is defined as part of Government Expenditure), it is not subject to approval by Dáil Éireann, i.e., it is non-Voted.[2, 3]

Social protection spending has two primary drivers, the number of persons in receipt of payment, and the rates of payment. Changes to either of these (changes to eligibility or payment rates) should be underpinned by a clear policy rationale against which their success can be measured. Inflationary pressures are driving demand for increases to the payment rates of social protection to protect living standards. However, the level of payment needs careful consideration due to their impact on replacement rate, with high working wage replacement rates acting as a disincentive to labour force participation. Payment rates which do not keep pace with the rate of payment result in a loss of spending-power and may impose a loss in standard of living and increase the risk of poverty and deprivation.[4] Previous PBO analysis has shown that flat increases to payment rates result in disproportionate percentage changes across schemes and do not account for price or wage inflation in a consistent manner.[5] The Select Committee for Budgetary Oversight was broadly supportive of indexation of social welfare and taxation and recommended, *inter alia*, "that the establishment of such an indexation system is examined by relevant Departments."[6]

Adjustments to payment rates can be implemented, either as *ad-hoc* increases, or as part of a formal process of indexation of payment rates. Additional scheme spending will increase the size of the Vote and/or draw on the Social Insurance Fund (SIF).

During periods of high inflation, partial or full indexation of social welfare rates could drive large increases in spending on social protection. One-off

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[2] SIF spending is non-Voted spending as it has a legislative basis and does not require annual approval by Dáil Éireann.
[3] See also Parliamentary Budget Office, An overview of Current and Capital Spending within Government Expenditure, 2023.
[4] Parliamentary Budget Office, *The Impact of Indexation on Jobseeker's Replacement Rates: A 2022 Case Study Approach* (April 2022) p.1.
[5] Parliamentary Budget Office, *Social Welfare Rate Changes 2011 – 2022* (December 2021) p.1.
[6] Select Committee for Budgetary Oversight, *Report on Indexation of the Taxation and Social Protection System* (July 2022) p.8.

payment rate increases provide greater flexibility, including more scope for targeted measures responding to the cost-of-living pressures. It should be noted that recipients of means-tested social assistance payments (Vote 37) are generally the most vulnerable group,[7] and increased payment rates for these could help alleviate the risks associated with the cost of living pressure. Therefore, a clear policy rationale is essential as part of social protection interventions to assess whether the interventions are having the desired effects.

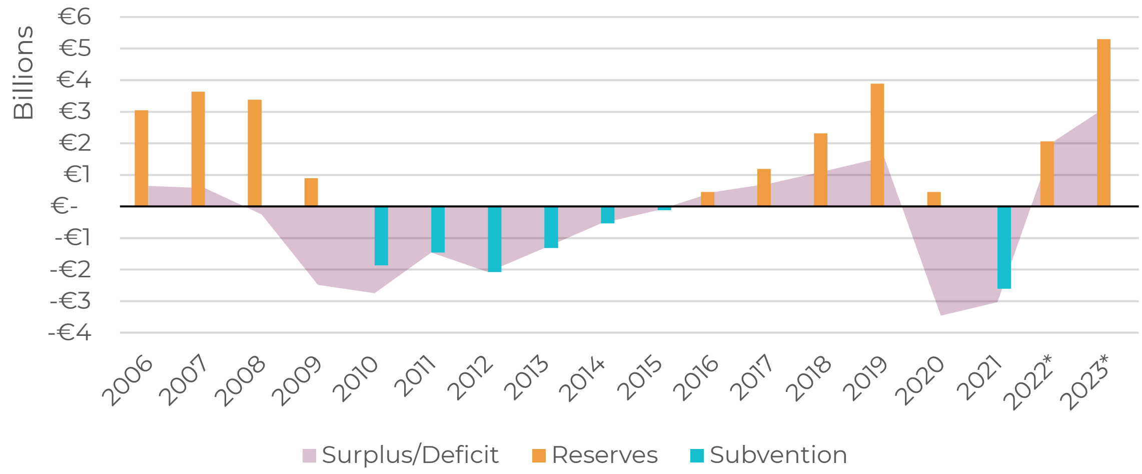
There is little justification for more once-off supports beyond what was previously announced, as these measures were intended to address cost of living pressures. Frequent use of ad hoc, once-off, measures raises unrealistic expectations and do not always rely on a strong evidence basis, and therefore may not be sustainable on an ongoing basis.

The Social Insurance Fund (SIF) & Pensions

The Social Insurance Fund (SIF) (Vote 37A) funds payments for Social Protection benefit schemes. The SIF's primary source of funding is PRSI contributions (about 99.6% of the SIF's estimated income in 2023 is from PRSI contributions). When the SIF's income exceeds its liabilities, the surplus is added to reserves. These reserves are drawn upon when SIF liabilities exceed its income; however, if SIF liabilities exceed its income and its reserves, the balance must be made up by a subvention from the Exchequer via the Voted allocation to Vote 37 Social Protection.

[7] Some payments (for example Child Benefit) are not means tested and therefore may be paid to persons or families, for whom the impact of inflation is comparatively less significant.

Figure 1: Social Insurance Fund Developments 2006-2023



Source: PBO based on Department of Social Protection, *Accounts of the Social Insurance Fund* (2007, 2008, 2010, 2012, 2014, 2016, 2018, 2020, and 2021), and the *Revised Estimates for Public Services 2023* (December 2022).
Note: *refers to 2022 and 2023 figures drawn from *Revised Estimates for Public Services 2023* and are subject to change.

As illustrated in Figure 1, the SIF's reserves are volatile, and can be severely impacted by shocks that affect employment levels. In response to the pandemic, the SIF was forced to draw down a considerable amount of its accrued reserves (over €3.4 billion). In 2021 the SIF's reserves were entirely depleted and the Exchequer was required to provide a subvention of almost €2.6 billion. Provisional figures from 2022 and 2023 suggest that post pandemic, the SIF is back accruing surpluses estimated at around €3.24 billion.

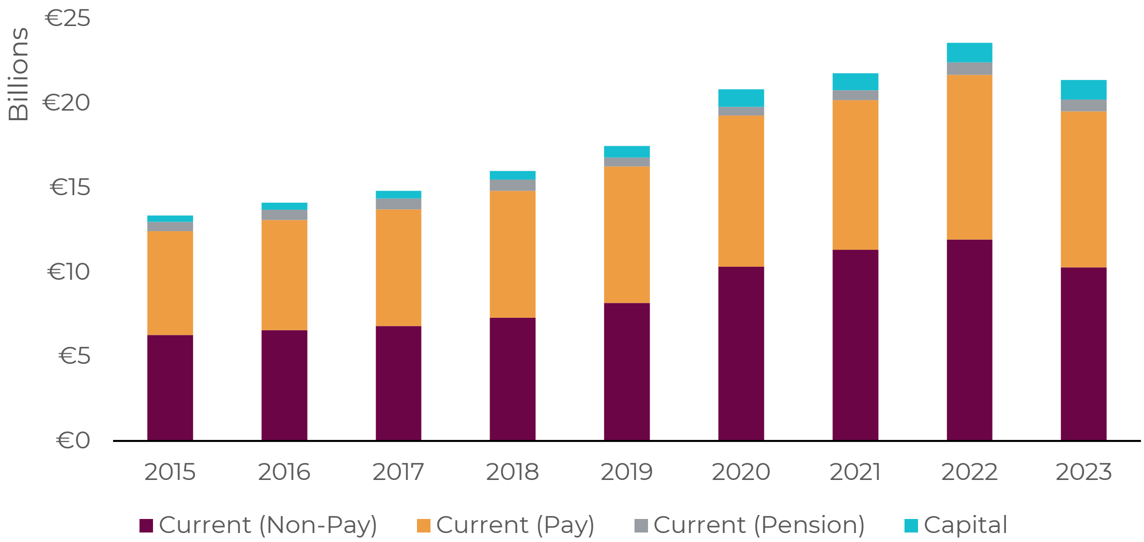
The majority of SIF expenditure is ordinarily associated with pension payments. In 2023, pension payments funded by the SIF were projected to exceed €8.6 billion (72.5%) of its total expenditure. This means that changes, notably increases to payment rates of pensions, will impact on the SIF's ability to run in-year surpluses even in a high-employment scenario.

Not implementing reforms, such as increasing the pension age, or increasing PRSI rates will result in a greater draw upon SIF resources as the population ages.

Health

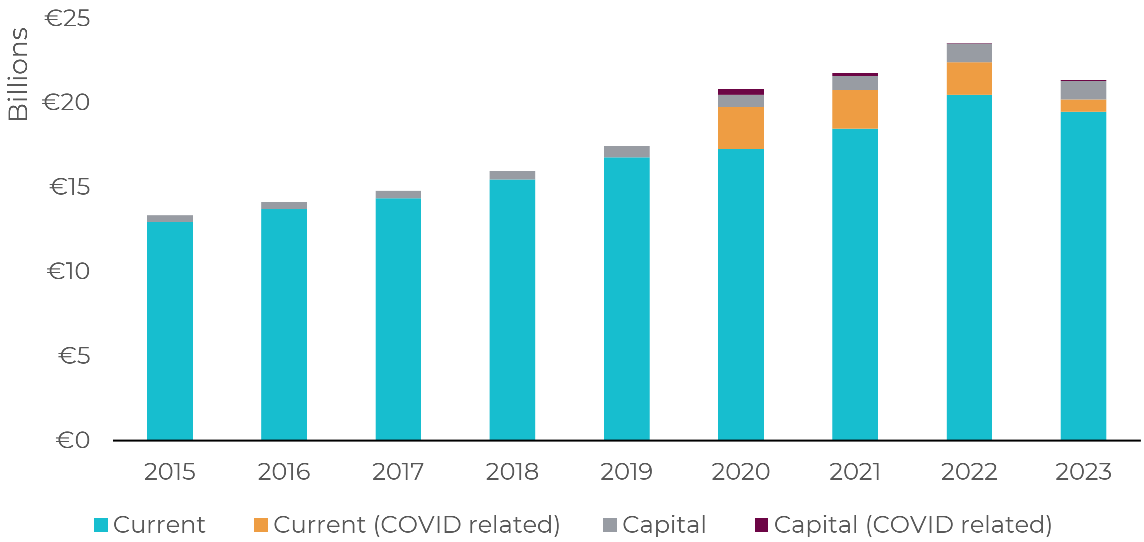
Figure 2 and Figure 3 illustrate developments in Health (Vote 38) spending from 2015 to date in 2023. The impact of the pandemic is visible with Figure 2 highlighting that current (non-pay) and current (pay) spending in particular grew in 2020, before reducing slightly in 2023. Figure 3 controls for the impact of the pandemic by isolating pandemic related spending (as identified through COVID specific subheads introduced in 2020). This illustrates that Health spending has increased annually notwithstanding the pandemic. In total, spending is estimated at €21.4 billion for 2023, down from the spending during the height of pandemic of €23.6 billion.

Figure 2: Health Spending 2015-2023



Source: PBO based on DPER, 'Databank' (Accessed 21 July 2023).

Figure 3: Health Spending 2015-2023 and Pandemic-Related Spending



Source: PBO based on DPER, 'Databank' (Accessed 21 July 2023).

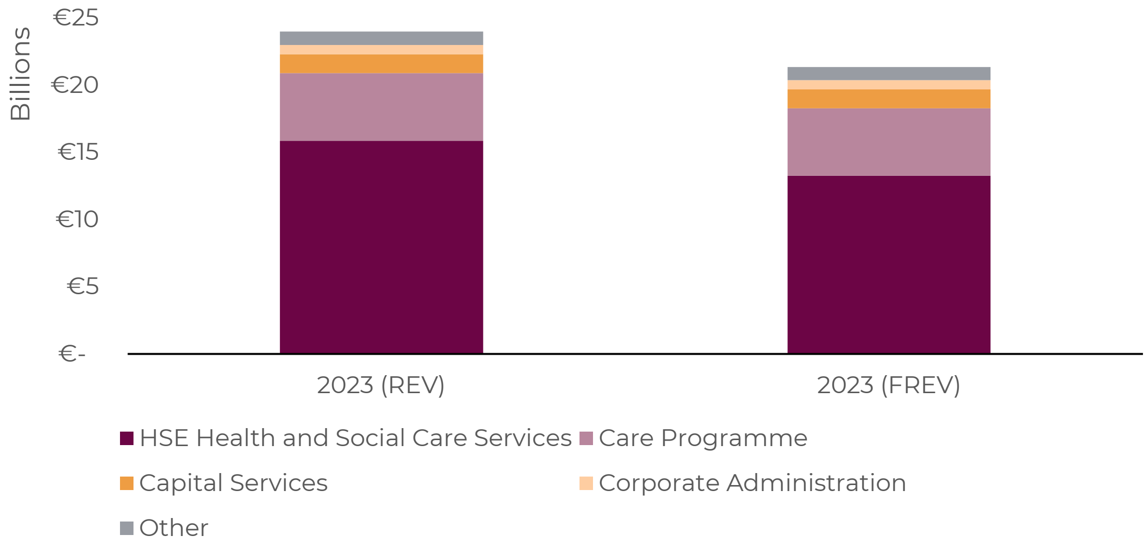
The *Mid-Year Expenditure Report* provided for an allocation of €2.3 billion across all Votes in 2024 to maintain existing level of service (ELS). This is a 3% year-on-year increase in core current spending, significantly below the levels of inflation experienced in 2023.

Health spending remains a significant spending pressure which may significantly erode the €2.3 billion ELS allocation for 2024, which is intended to simply maintain public services at 2023 levels. This is due to gross health spending being €287 million above profile at end-August 2023 (raising the possibility of a Supplementary Estimate required), the potential for another public sector pay agreement, and overall inflationary expenses. Together, these will add to the spending pressures on health in 2024.

Recent Developments in Health Spending

In December 2022 the Health allocation for 2023 exceeded €24 billion. However, in March 2023 a Further Revised Estimate (FREV) included a downward revision to the funding allocated for Health for 2023. This reduction amounted to -€2,647 million. This reduction reflected a structural change in the Health Vote, with Disability Services being removed and transferred to Vote 40 Children, Equality, Disability, Integration and Youth.

Figure 4: Health 2023 Allocation



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

Notwithstanding this transfer of functions there are indications that significant additional funding may be required within 2023.[8] If these

[8] P. Cullen, 'HSE warns it could need additional €2bn due to gaps in support and external risks' *The Irish Times* (Dublin, 29 March 2023).

additional funds are required in 2023, it would suggest that health spending in 2024 will be considerably above the initial estimate for 2023.

Budget 2023: Policy Measures

As part of Budget 2023, a range of new health and healthcare policies were introduced. These Budget 2023 measures tended to reduce the cost of using services or removed the cost altogether. These new measures included:

- Expansion of the free GP card scheme for children aged 6 and 7 - €130 million,[9]
- Abolition of inpatient charges for patients in hospital - €30 million[10]
- Provision of publicly funded assisted human reproduction, such as IVF - €10 million, and
- Extending free contraception to women between the ages of 16 and 30 - €32 million.[11]

[9] Department of Health, 'Government announces details of the commencement of the provision of GP Visit Cards to over 500,000 more people' (August 2023).
[10] Department of Health, 'Minister Donnelly welcomes the abolition of public hospital in-patient Charges' (April 2023).
[11] Health Services – Wednesday, 15 Feb 2023 – Parliamentary Questions (33rd Dáil) – Houses of the Oireachtas.

Education Sector: Education & FHERIS

Responsibility for the Education sector was re-organised in 2020. Education and Skills (as part of Vote 26) and Business, Enterprise and Innovation (as part of Vote 32) each lost programmes to a newly created Vote (45) Further and Higher Education, Research, Innovation and Science (FHERIS).

The combined budget for the Education sector in 2023 is an estimated €13.22 billion. Of this €10.03 billion is allocated to primary and secondary education and the remaining €3.19 billion for tertiary education, skills development, research grants, etc. To end-August, sectoral spending had reached over €9.349 million, €0.249 billion above expectations.

Within the Education sector, many of the largest costs paid from the Votes are linked to wages, grants, and other set expenses. Given the size of the budgets allocated to wages, particularly in Vote 26, the variance from profile is comparatively small. So far, there is no indication from either Vote that a Supplementary Estimate may be required for 2023.

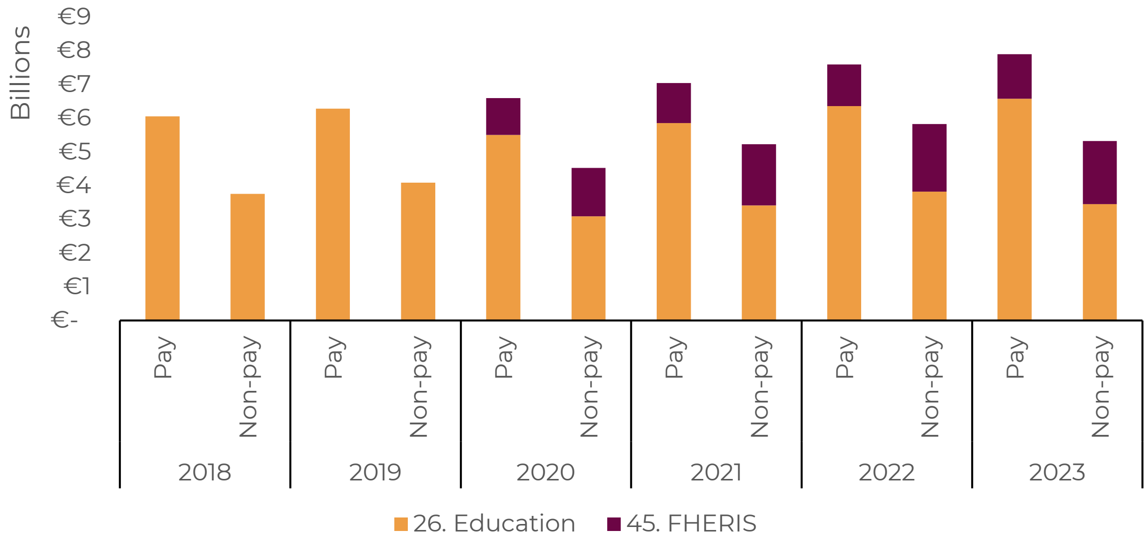
Changes to the Pupil-Teacher Ratio (PTR) may impact on the pay bill for the 2023/2024 schools year. In Budget 2023, the staffing schedule[12] for primary schools was reduced by one point, which meant schools will be provided with a mainstream class teacher on the basis of 1 teacher for every 23 pupils, which is a decrease from 1 teacher for every 24 pupils in 2022. However, lower thresholds apply to DEIS Urban Band 1 schools.[13] The reduction in the PTR has been a feature of Budgets in recent years.

Funds for the Education sector have continued to increase each year as seen in Figure 5Figure 5. In 2020 the creation of Vote 45 FHERIS meant programmes Higher Education and Skills Development moved from Vote 26 to Vote 45.

In FHERIS, the continuation of a €1,000 reduction to the student contribution fee from 2023 into 2024 has an estimated net cost of €91.9 million (the full abolition of the contribution would cost €254.7 million).[14]

[12] The Staffing Schedule is based on a general average of mainstream teachers to pupils, known as the Pupil-Teacher Ratio.
[13] Department of Education, *Staffing arrangements in Primary Schools for the 2023/24 school year* (2023) p.7.
[14] Department of Further and Higher Education, Research, Innovation and Science, *Funding the Future* (August 2023) p.18.

Figure 5: Education & FHERIS Spending 2018 to 2023 (Pay & Non-Pay)

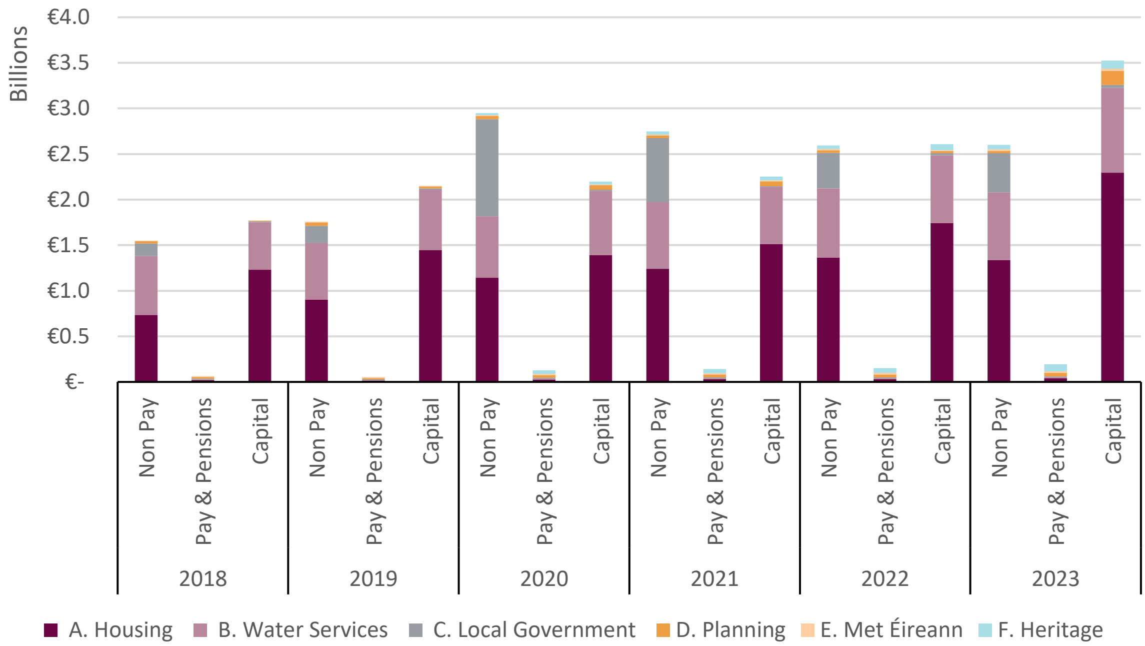


Source: PBO based on Department of Public Expenditure, NDP Delivery and Reform, 'Databank' (Accessed 29 August 2023).

Housing, Local Government and Heritage

Housing, Local Government and Heritage (Vote 34) has experienced significant growth in spending in recent years. In 2018, the total spend of this Vote was ~€3,387 million, as of 2023, the Vote's allocation is ~€6,322 million (+86.7%). The Housing Programme has grown from ~€1,984 million to ~€3,668 million (+~€1,685 million). In 2023, the allocation for the Housing Programme (~€3,668 million) is larger than the entire Vote allocation in 2018 (~€3,387 million).

Figure 6: Spending in Housing, Local Government and Heritage (2018 to 2023)



Source: PBO based on Department of Public Expenditure, NDP Delivery, and Reform, 'Databank' (Accessed 25 September 2023).
Note: 2022 spending data is provisional. 2023 figures relate to the amount allocated. The amount ultimately spent may be less than the allocation.

Figure 6 shows the growth in spending in Vote 34 Housing, Local Government and Heritage in the period 2018 to 2023. The Heritage programme was added to the Vote in 2020 but due to the size of its allocation does not significantly impact analysis over the period shown.

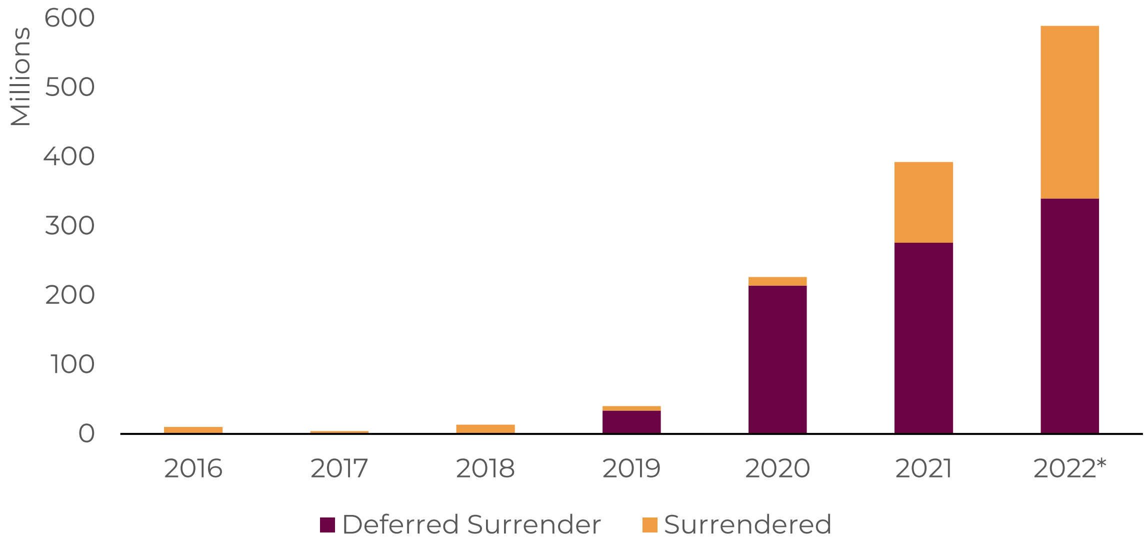
Despite the change in amounts allocated over the period, the Housing Programme has been fairly stable in terms of its significance within the overall Vote, receiving 58.6% of the Vote's resources in 2018 compared to 58% in 2023.

Challenges in Spending

Just because resources are allocated to a Vote doesn't necessarily mean that those resources are ultimately all used. Figure 7 shows how Vote 34 ended each year in the period 2016 to 2022 with a surplus (unspent resources from the total allocated).

When a Vote ends a year with a surplus it must return those funds to the Exchequer unless the surrender is deferred. This can only apply to capital allocations under specific rules.[15]

Figure 7: Composition of unspent funds at year end



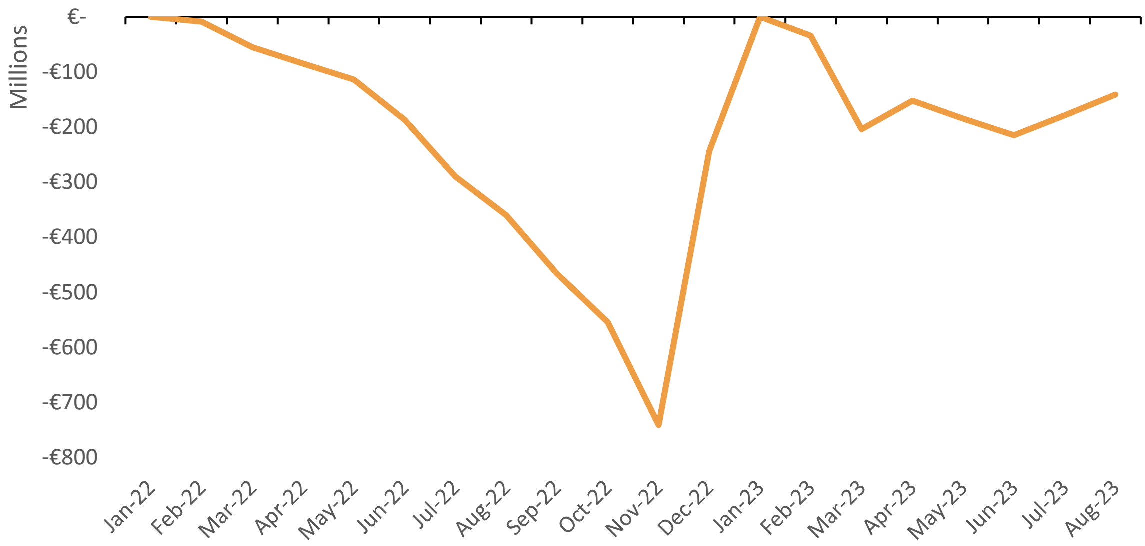
Source: PBO based on Comptroller and Auditor General, *Appropriation Accounts* (Various); and *Revised Estimates for Public Services 2023* (December 2022).
Note: At present only the deferred surrender figure for 2022 is available, and the amount surrendered to the Exchequer has not yet been published.

Figure 7 clearly shows a significant increase in the end-year surplus of Vote 34 from 2020 onwards. This is presumably linked to the pandemic and the impact it had on the delivery of projects.

Figure 8 shows gross variance in Vote 34 across 2022 and 2023. Importantly there is no variance in January as there is no profile for that month. Variance is a measure of the difference between the projected or estimated spending at a point in time (profile) with the amount actually spent (outturn). Spending below profile can reflect difficulties in spending allocated funds, whereas spending over profile can potentially indicate that additional resources will be required at year-end.

[15] See PBO, *Capital Carryover (Deferred Surrender) 2022* (March 2022) for more detail.

Figure 8: Gross Variance 2022 and 2023



Source: PBO based on Department of Finance, Fiscal Monitor (various).

Figure 7 and Figure 8 together show some interesting results:

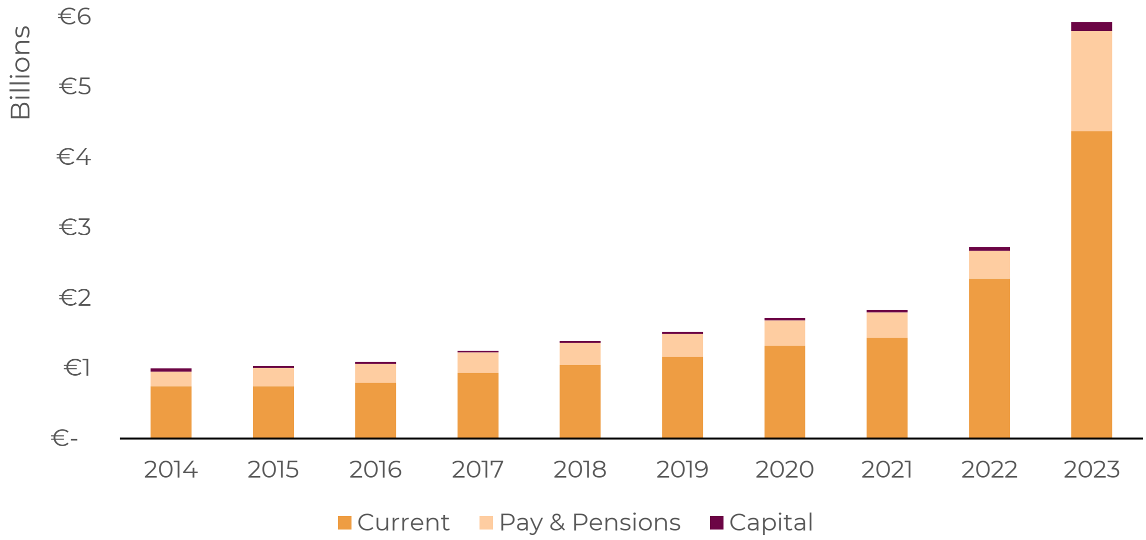
- Variance in 2022 was significantly greater than in 2023, indicating that challenges with spending are being overcome,
- Variance declined at end-2022, indicating that significant amounts of spending occurred in December,
- Some of this December spending relates to €340 million capital carryover into 2023 i.e., some of the 2022 capital allocation being deferred to 2023,
- This indicates that the end-year (2022) surplus was ~€589 million (of which €340 million was deferred to 2023). This is significantly larger than the 2022 surplus of ~€392 million, and
- Notwithstanding an apparent improvement in the ability of the Vote to use the resources allocated to it, it is concerning that a significant sum of allocated resources have gone unspent (surrendered) in recent years (~€413 million in the period 2018 to 2023).

Children, Equality, Disability, Integration and Youth

Spending on the Department of Children, Equality, Disability, Integration and Youth (DCEDIY), Vote 40, is shown in Figure 9 below. Spending in this Vote was relatively stable, averaging at €1.35 billion from 2014 until 2021.

The War in Ukraine and record numbers of asylum applicants to Ireland, saw spending increase to €2.7 billion in 2022 and almost €6 billion in 2023. Current spending has accounted for a significant portion of this spend, ranging from 95% in 2014 to 97% in 2022. As of 2023, current spending (including pensions) was €5.8 billion (98%), while capital spending was €0.12 billion (2%).

Figure 9: Children, Equality, Disability, Integration and Youth (Vote 40)



Source: DPER Databank and PBO analysis (accessed 12 July 2023).

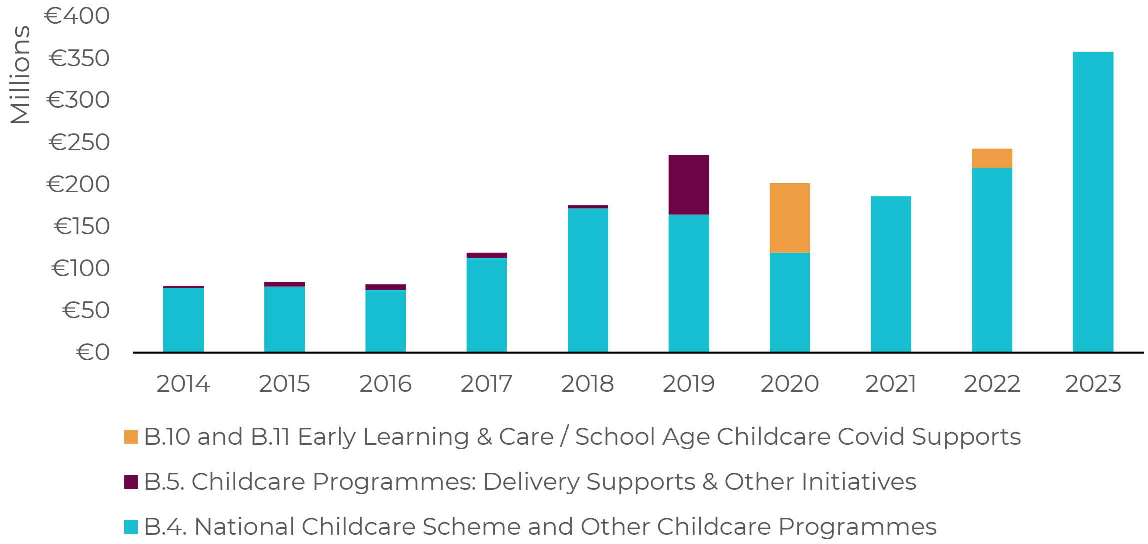
In the *Budget 2023: Expenditure Report* (September 2022), a total of €1,879 million was set aside to form the Ukraine Reserve. While gross variance in this Vote is +€704 million at end-August i.e., spending is €704 million above projected levels. Funds were held in reserve "to be later allocated in respect of various measures".[16] Given the significant role this Vote plays in providing for the needs of Ukrainians availing of temporary protection in Ireland, it follows that this spending should be funded from the Ukraine Reserve in the first instance. In this sense this spending has already been provided for by way of this contingency.

[16] Department of Public Expenditure and Reform, *Revised Estimates for Public Services 2023* (December 2022) p.1.

Investment in Childcare

Figure 10 shows the annual trend in Exchequer spending on childcare related programmes from 2014 to 2023, by subhead. Total spending across these headings increased from €76 million in 2014 to around €358 million in 2023. The bulk of the spend is on the National Childcare scheme, which accounted for an average of 90% of spending, and remained relatively stable from 2014 to 2017, before it received substantial investment between 2020 and 2023.

Figure 10: National Childcare Scheme and Other Childcare Programmes



Source: DPER Databank.
Note: National Childcare Scheme and Other Childcare Programmes, includes previous Early Childhood Care and Education (ECCE) spending.

Budget 2023: Policy Measures

A range of new measures benefiting both children and childcare were introduced under Budget 2023. These measures reduced the cost of using childcare services as well as removing the cost of other measures associated with children in primary education. Some of these measures were intended as temporary and once off in nature, due to the cost-of-living crisis. However it may be possible these measures could be extended into 2024 given the ongoing cost of living challenges. The new Budget 2023 measures included:

- Free School Book Scheme for Primary School Pupils from autumn 2023,
- The National Childcare Scheme hourly subsidy increased from 50c to €1.40, which provided for up to 3,276 off annual childcare fees per child for parents,
- A €100 Increase in the Back to School Clothing and Foot wear allowance – **once off measure**,

- The School Meals Programme was extended to an additional 310 schools – **once off measure**, and
- Waiver of School Transport Scheme fees – **once off measure**.

Ukraine Crisis

Figure 11 shows the monthly allocation of Personal Public Service Numbers (PPSNs) from April 2022 to end August 2023. The number of PPSNs allocated peaked in June 2022, at almost 7,500 PPSNs. Since then, the number allocated has fluctuated, but with a gradual decrease in the number of new PPSNs allocated. The lowest number of PPSNs allocated was in April 2023 at 2,100, before increasing in May and June 2023. On average, around 4,200 PPSNs have been allocated each month since the beginning of the Ukraine conflict. Should the conflict in Ukraine continue in its current form, with no major losses or gains on either side, it can be assumed the inflow of refugees will remain relatively stable into the future.

If the inflow of refugees (as reflected by PPSN allocations) remains at the average level of the first 6 months of 2023, at around 3,000 per month, then this would suggest an additional 18,000 Ukrainian refugees by mid-December, taking the estimated total to 110,000 refugees by early 2024.[17]

Figure 11: Total Monthly PPSN Allocations

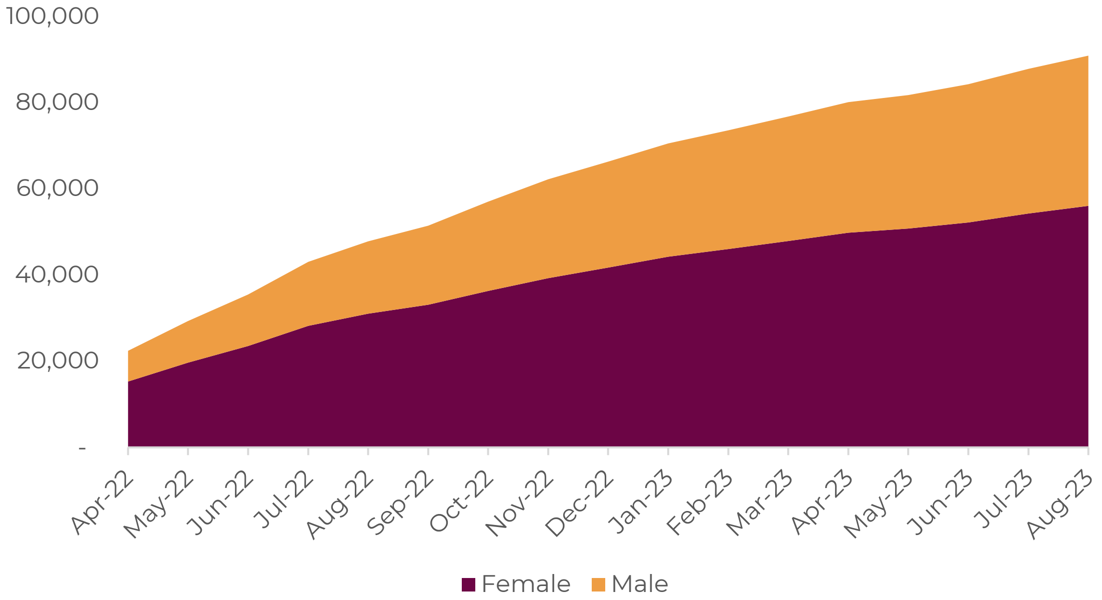
Source: CSO, 'UA38: PPSN allocations of arrivals from Ukraine'.

Figure 12 shows the volume of Ukrainian refugees from early 2022 to the end of August 2023. As of end August 2023, Ireland was hosting as many as 92,707 refugees from Ukraine (62% female, 38% male).[18] It is important to note that cumulative PPSN allocations show how many arrivals from Ukraine that Ireland has supported, it is not a measure of how many have remained. The CSO has attempted to determine how many arrivals from

[17] Figures based on data from the Central Statistics Office and assumptions regarding inflow trends.
[18] CSO, 'UA38: PPSN allocations of arrivals from Ukraine'.

Ukraine have remained in Ireland. As of June 2023, some 84% of arrivals (at end March) had activity in administrative data after March 2023.[19] This might suggest that at least some portion of Ukrainian arrivals, who were issued PPSNs, may no longer be in the State.

Figure 12: PPSN Allocations of Arrivals from Ukraine by Gender 2022-2023



Source: CSO, 'UA38: PPSN allocations of arrivals from Ukraine' and PBO analysis.

In the SPU 2023 an indicative allocation of €2 billion was set out for 2023 to provide humanitarian assistance arising from the War in Ukraine,[20] of which €1.13 billion relates to social payments[21] to provide refugees with the "provision of accommodation, health, education and welfare supports"[22] when arriving in Ireland. In 2024, an estimated €2.5 billion has been allocated as part of non-core expenditure for the Ukraine humanitarian emergency.[23]

While "funding and future requirements will continue to be considered over the coming months based on the latest trends of arrivals and expenditure requirements."[24] At the time of the SPU 2023, it was assumed between 65,000 and 79,000 Ukrainian citizens would come to Ireland.[25] While the data shows there has been a decreasing trend in the number of

[19] CSO, 'Arrivals from Ukraine in Ireland Series 10' (June 2023).
[20] Department of Finance, Stability Programme Update (2023) pg. 6.
[21] Department of Finance, Stability Programme Update (2023) pg.57.
[22] Department of Finance and Department of Public Expenditure, NDP Delivery and Reform, Summer Economic Statement (2023) pg. 24.
[23] Department of Finance and Department of Public Expenditure, NDP Delivery and Reform, Summer Economic Statement (2023) pg. 24.
[24] Department of Finance, Stability Programme Update (2023) pg. 28.
[25] Department of Finance, Stability Programme Update (2023) pg. 57.

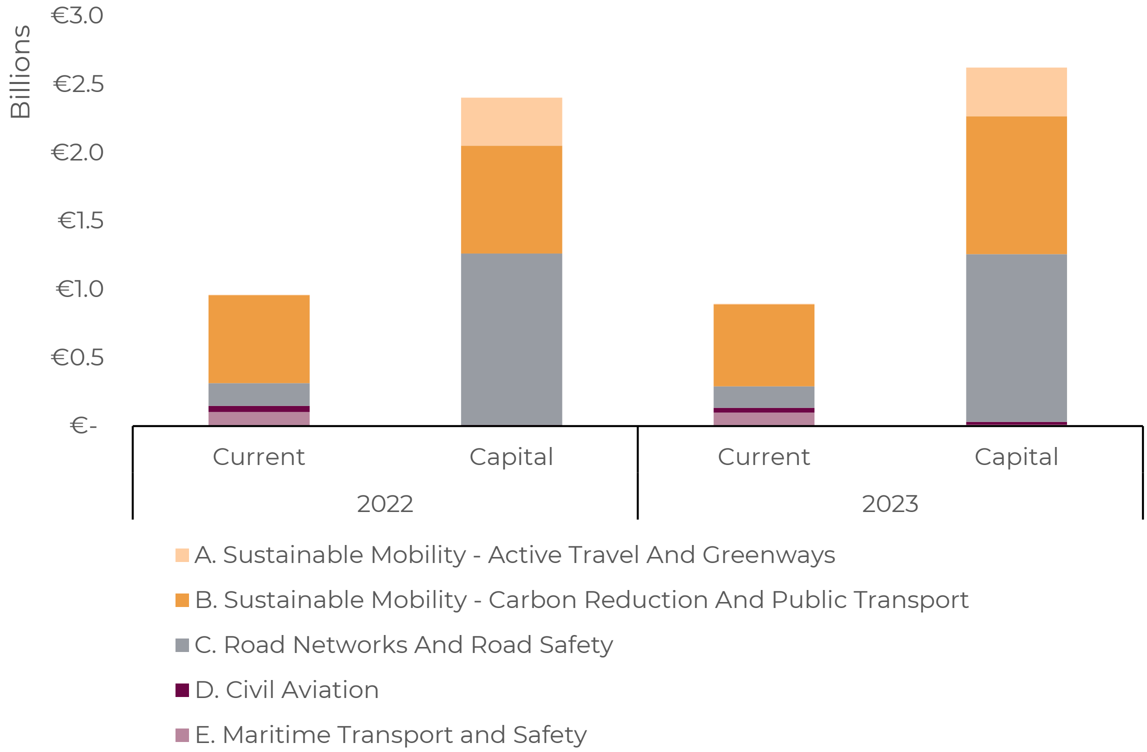
new PPSN's allocated to Ukrainian refugees, which peaked in June 2022, the overall total number has steadily increased over time.

Transport

Figure 13 shows the 2022 provisional spend by Transport (Vote 31) (by programme) compared to the 2023 allocation. The 2023 allocation represents an increase of €153.6 million (+4.6%) on provisional spending for 2022, with:

- Current spending decreasing by ~€66.5 million (-6.9%), and
- Capital spending increasing by ~€220 million (+9.2%).

Figure 13: Transport Spending (by Programme) 2022 & 2023



Source: PBO based on Department of Public Expenditure, NDP Delivery and Reform, 'Databank' (Accessed 23 August 2023).

Fiscal Position at end-August 2023

At end-August, spending in the Vote stood at €1.5 billion which was €168 million (-9%) below profile.[26] Within the Vote, several schemes and programmes have experienced, proportionally, significant variance in spending throughout the year. At end-August, current spending for subhead B.4 'Public Service Provision Payments' is above expectation (+€61.6 million/24%). This variance is attributable to an overspend of €69.5 million (+31%) in current spending due to insufficient public transport fare

[26] Department of Finance, *Fiscal Monitor August 2023* (2023) p.19.

revenues required to deliver the existing level of service. This overspend is largely offset by a significant underspend (€6.5 million) in the roll out of the BusConnects Dublin network due to difficulties in staff recruitment. In terms of variance in capital spending, an overspend of €26.4 million was noted in Programme A- Active Travel and Greenways, which was offset by a significant underspend of €175 million in Programme B- Public Transport. The Department have stated that the over and under performance is generally due to timing or profiling issues and most are likely to end the year within their budgeted allocation. Some schemes experienced work completion delays, resulting in a portion of their spending being deferred to 2024. At end-August 2023, the Vote has spent 44% of their allocation (-10% behind profile) compared to 33% of their allocation spent (-17% behind profile) at end-August 2022.[27]

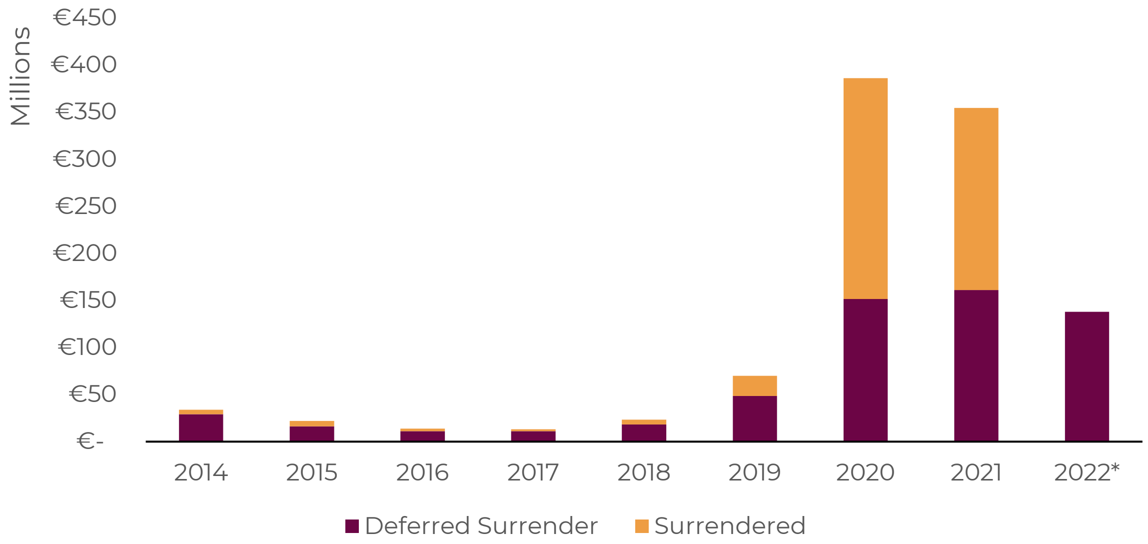
[27] Correspondence from the Department of Transport (12 September 2023).

Long-term Spending Challenges

In the period 2014 to 2021 the Transport Vote (this Vote's composition has not been static over this period) has had surpluses totalling ~€916 million. In that period the Transport Vote ended each year without having spent the full amount it was allocated. **It should be stressed that having an end-year surplus is not in itself problematic**.

Figure 14 shows that the Transport Vote tended to end the year with a reasonably modest surplus in the context of its total allocation for a year, for example, the surplus was just 1.8% of its total allocation in 2014. However, Figure 14 clearly illustrates a growth in the surplus of Vote 31 in the pandemic period, with Vote 31 ending 2020 with a surplus of 21.6% (~€386 million), from its gross allocation of ~€3,051 million.

Figure 14: Composition of unspent funds at year end



Source: PBO based on Comptroller and Auditor General, *Appropriation Accounts* (Various); and *Revised Estimates for Public Services 2023* (December 2022).
Note: At present only the deferred surrender figure for 2022 is available, and the amount surrendered to the Exchequer has not yet been published.

Vote 31 had largely been able to use capital carryover (deferred surrender) to carry most of its surplus into the subsequent year;[28] however, in the period 2019 to 2022 significant sums (totalling ~€449 million) were surrendered to the Exchequer.[29]

In the context of Budget 2024, it is important to note the challenges faced by this Vote in recent years to fully use the funds made available to it. Furthermore, at end-August 2023, Vote 31 has under profile spending of €168 million. **Unless spending rapidly increases from September to end-**

[28] For discussion of Capital Carryover/Deferred Surrender see Parliamentary Budget Office, *Capital Carryover (Deferred Surrender) 2022* (March 2022).
[29] For discussion of the Exchequer/Central Fund see Parliamentary Budget Office, *An Overview of the Central Fund: What it is & how it operates* (July 2023).

year, significant capital carryover and potential surrender of funds to the Exchequer seems likely in 2023.

Short-term Spending challenges

While the capital underspend at end August 2023 (~€214 million) has declined significantly (from -37% of profile at end May to -19% at end August), it is important to note the progress made against the goals set out in the National Development Plan 2021-2030.[30] In 2024, the Department of Transport are due to commence work on two projects and three programmes.[31] Additionally, the Department is expecting the completion of two Greenway projects in 2024.

The most significant capital variance is noted in subhead B.5.2 Public Transport Infrastructure (underspend of €104 million).[32] Key developments for this subhead include:

- Underspend on the Metrolink project due to several delays in progression. Transport Infrastructure Ireland (TII) have not revised its allocation and expect to use the whole budget in 2023.
- Delay in works for the BusConnects depot electrification programme with a portion of the expenditures to be claimed in 2024. The forecast has been decreased by €11.3 million.
- Delay in the planning approval process for four of the BusConnects Dublin Core Bus Corridors.
- Delay to fleet acquisition for Regional Commuter Fleet Renewals and BusConnects Urban Bus Fleet.

At end August 2023, subhead B.5.1 Heavy Rail Safety and Development had a capital underspend of €56 million. Key developments up to end August 2023 include:

- €6 million increase for the new DART+ Fleet to accommodate the spend required on the BEMU (Battery Electric Multiple Unit) infrastructure. €16.4 million was processed in May for DART+ Fleet and ~€23 million was expected to be processed in August.
- The planned expenditure in the first months of 2023 did not take place in relation to Work Package 2 (WP2). The award of the contract for the Signalling & Telecommunications Upgrade has been delayed by 6 months due to an extended post tender negotiation period. This delay has pushed a significant element of the forecasted

[30] Department of Public Expenditure, NDP Delivery and Reform, *National Development Plan 2021-2023* has been accompanied by a publication of a *Tracker* and *MyProjectIreland mapping tool*.
[31] The three programmes due for commencement in 2024 include: N72/N73 Mallow Relief Road (estimated cost of €20m-€50m), N2 Slane Bypass (estimated cost of €50m-€100m), and N28 Cork to Ringaskiddy Road (estimated cost of €250m-€500m). The two projects include: South East Greenway- Section from New Ross to Waterford (estimated cost of <€20m), and Blessington Lake Greenway (estimated cost of <€20m).
[32] Correspondence from the Department of Transport (12 September 2023).

expenditures into 2024, resulting in a €14.5 million reduction of Q2 forecast.

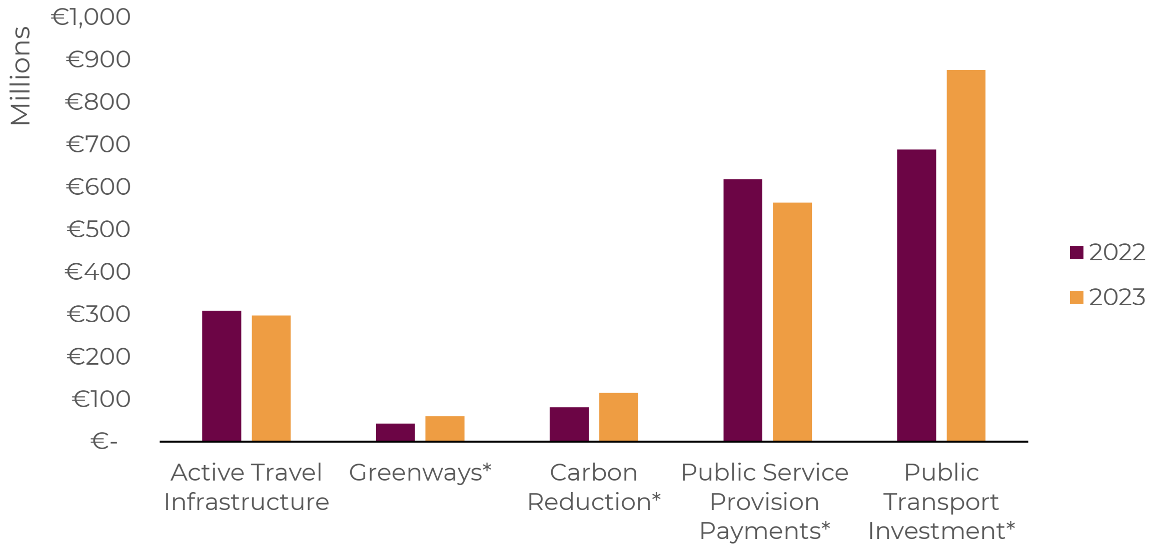
Subhead C.3- National Roads had a capital underspend of €78 million at end August. Factors that have impacted spending include planning delays, competing demands for resources within local authorities and the industry, supply chain issues as well as difficulties with ground investigation contractors and limited local authority resources for design and supervision for a number of minor programmes.

Subhead A.4- Greenways had an underspend of €30.6 million at end August 2023 which is due to a slower than expected drawdown of funding for projects under the Greenways programme. The Department expect most of the funding for these projects to be claimed by TII and Local Authorities in Q4 of 2023.

Climate Related Measures in the Department of Transport

Climate Related Spending is presented within the *Revised Estimates for Public Services 2023* under Appendix 8. The overall spending across all Votes is projected to reach €3.4 billion in 2023 while the **climate related expenditure for the Department of Transport is expected to reach €1.9 billion** (increase of €171 million/10% over 2022). Figure 15 illustrates the breakdown of climate related spending by scheme while Table 1 shows the additional climate related spending via capital carryover.[33]

Figure 15: Climate Related Spending (Transport)



Source: PBO based on Department of Public Expenditure, NDP Delivery and Reform, 'Databank' (Accessed 5 September 2023).

Table 1 shows the comparison between 2022 and 2023 for additional climate related spending via capital carryover in 2022 and 2023. It is

[33] Schemes marked with an * indicate subheads with additional climate related spending via Capital Carryover. These additional spending allocations are not included in Figure 15.

important to note that despite a decrease in the additional climate related spending via capital carryover for subhead B.5 (Public Transport Investment), the overall spending allocation for the scheme increased by ~€187 million (+27%) over 2022 (Figure 15).

Table 1: Vote 31 Additional Climate Related Spending via Capital Carryover

Scheme (subhead)	2022	2023
Greenways (A.4)	-	€17,000,000
Carbon Reduction (B.3)	-	€18,560,000
Public Service Provision Payments (B.4)	€350,000	€450,000
Public Transport Investment (B.5)	€148,200,000	€66,956,000
Total	**€148,550,000**	**€102,966,000**

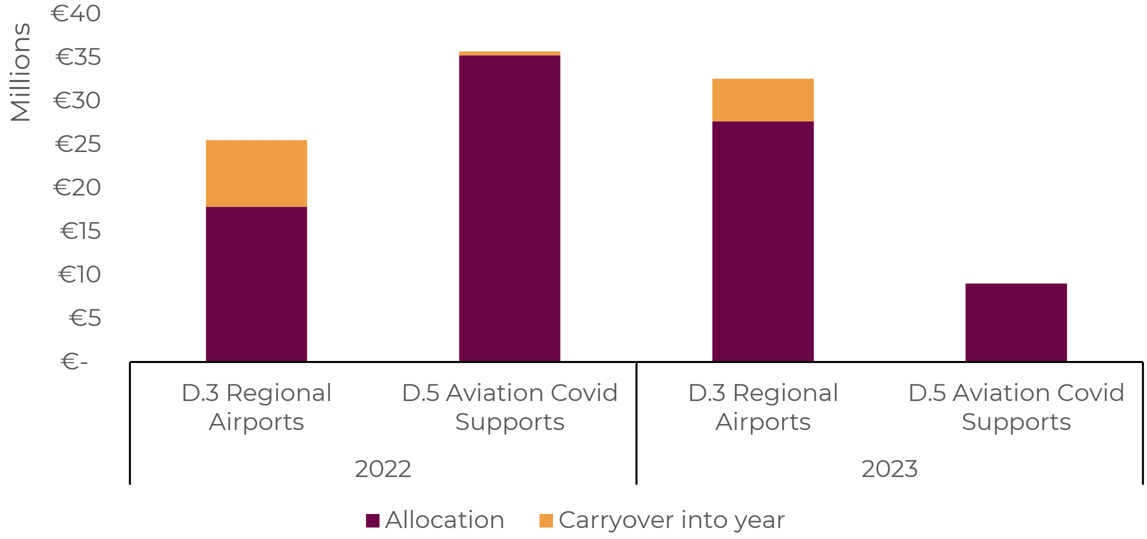
Source: PBO based on *Revised Estimates for Public Services 2023* (December 2022) p.318.

Climate Related expenditure has been reported by the Department of Public Expenditure, NDP Delivery and Reform since 2019 in the *Revised Estimates Volume for Public Services*. The *Climate Action Plan 2021* committed the Department to the development and implementation of definitions that would help identify and monitoring government spending that could potentially have adverse effects on climate and environmental outcomes.[34] Figure 16 highlights the two schemes within the Department of Transport which a recent IGEES report has identified as potentially harmful.[35]

As can be seen in Figure 16, the spending allocation for subhead D.5 'Aviation Covid Supports' has decreased compared to 2022 (by €26.25 million / 74.5%) in line with the Government's position on reducing the amount of Covid-19 funding provided.[36] Furthermore, the spending allocation for subhead D.3 '*Regional Airports*' saw a significant increase of €9.8 million (+54.8%) over 2022, predominantly due to an expected increase of 10 million passengers at State Airports in 2023.

[34] Laura Kevany and Niamh Foley, *Review of Fossil Fuel Subsidies and other Potentially Climate Harmful Supports* (Staff Paper, February 2023) p.2.
[35] Ibid., p.4.
[36]Department of Finance; Department of Public Expenditure, NDP Delivery and Reform, *Summer Economic* Statement (2023) p.24.

Figure 16: Subheads with potentially negative climate and environment impacts

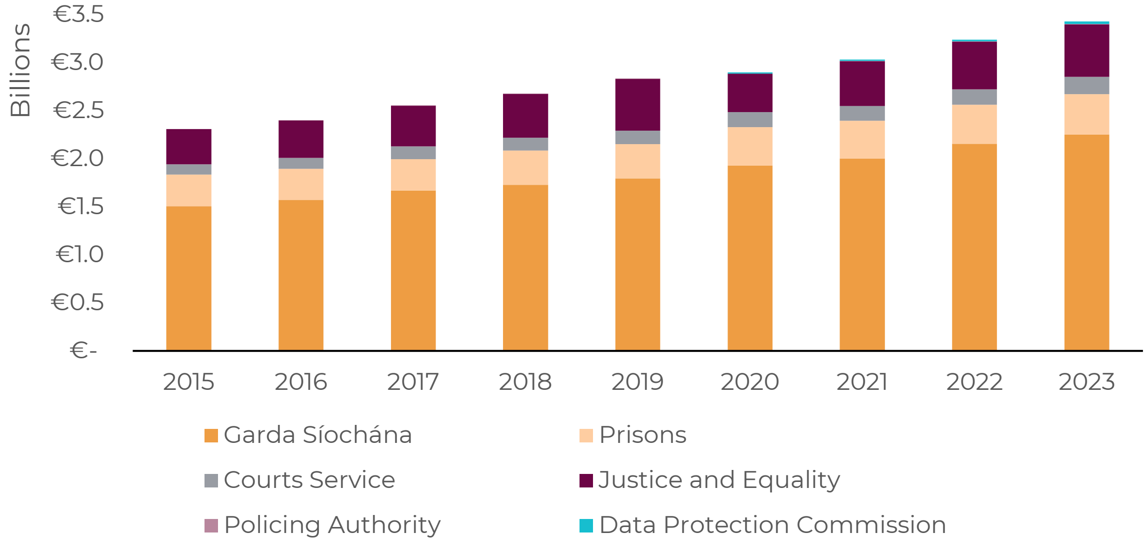


Source: PBO based on Department of Public Expenditure, NDP Delivery and Reform, 'Databank' (Accessed 4th September 2023).

Justice Vote Group

Justice Group spending has risen steadily over time, increasing from €2.34 billion in 2015 to €3.24 billion in 2022. For 2023, spending for the Justice group stood at €3.43 billion. Figure 17 below gives the breakdown gross spending in each Vote in the Justice Vote Group in the period 2015-2023.[37]

Figure 17: Gross Spending in the Justice Group 2015-2023



Source: PBO based on Department of Public Expenditure, NDP Delivery and Reform, 'Databank' (Accessed 25 August 2023).

The overall pattern of Justice Group expenditure has remained reasonably steady, as a proportion of Exchequer spending. While there have been various developments in respect of the Department's various aegis bodies in recent years (for example the ongoing establishment of a Gambling Regulatory Authority, the 2020 movement of asylum-seeker/refugee reception/integration functions into the Department of Children, Equality, Disability, Integration and Youth), these have had little or no effect on the Department's overall share of Exchequer funding, though capital expenditure has gradually formed a larger component of expenditure.

Budget 2023 introduced a number of measures for the Justice Vote group providing €3.3 billion, or a 5% increase on its allocation for the previous year. This provided funding for additional recruitment of both Garda and civilian staff, as well as more recent funding to provide for additional Garda overtime. Other areas earmarked for funding in the Group included Youth Justice, International Protection and contributing to the response to the Ukrainian crisis. Measures under Budget 2023 included:

- Funding for an additional 1,000 extra Garda,

[37] The composition of this Vote Group has changed during this period. This analysis focusses on the Votes currently forming the Justice Vote Group.

- Funding for an additional 400 civilian staff, and
- An additional €10 million for Garda overtime (Provided for in August 2023).

Aside from costs associated with general Administration, together with Garda Superannuation, Legal Aid, both criminal and civil, are the leading expenditure items across the Justice Group. The biggest share of non-Administrative capital costs have been incurred by the Courts Service, under Public Private Partnership payments, associated with projects and services including the Criminal Courts Complex. The Data Protection Commission and the Policing Authority did not estimate any non-Administration costs for 2022 and 2023. The Department has been responsible for Exchequer expenditure ranging from 2.9% to 3.8% in the period 2012-2023, while capital spending has increased from 2% to 9% in this period.

Garda and Prison Officer Recruitment

Numerous violent criminal acts (mainly in Dublin City Centre) have achieved a high profile recently, and brought a sharp focus on Garda presence, including calls for greater numbers in the force. It is noted that the main fiscal response by the Minister for Justice was to add €10 million to the existing overtime fund for Gardaí. Medium-term projections of costs (in March 2023 terms) of hiring extra officers (and attendant civilian staff) are set out in a PBO paper from earlier in 2023. In this paper, it is estimated that approximately €88 million would be required in order to increase present Garda WTE numbers to the present Government target of 15,000. As of 31 July 2023, there are 13,717.5 WTE Gardaí, at the time of publication of the above paper, this figure stood at13,955 officers, indicating that more spending would be required in order to meet the Government target. It should be noted that this paper carries the caveat that opinion is divided as to the effect of additional police numbers on crime levels.

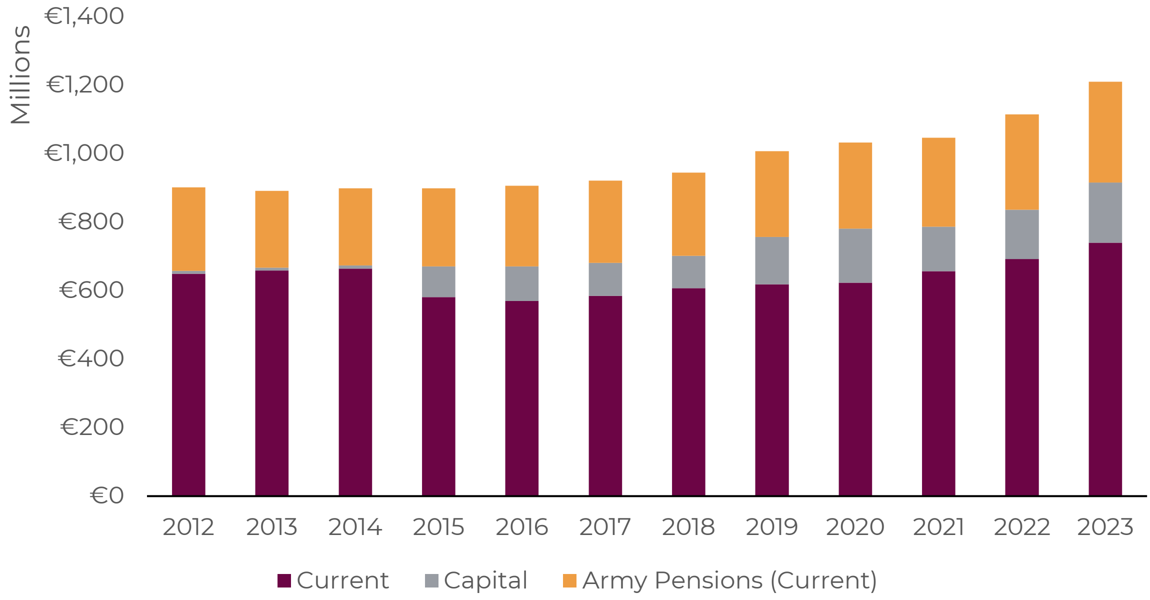
It is possible that the direct assumption of recruitment of civilian staff by AGS (via the Policing, Security and Community Safety Bill 2023) will have an effect on its spending needs in years to come, but these effects are unknown at this point.

In addition, in August 2023 a recruitment campaign for new prison officers was announced, with the Irish Prison Service intending to recruit 250 officers during 2023, and 300 in 2024. In October 2023 terms, the PBO estimates that this recruitment drive will cost approximately €29.1 million. This estimate has been carried out with reference to the Public Spending Code, as issued by the Department of Public Expenditure NDP Delivery and Reform.

Defence Vote Group

In 2022, increases to defence spending were announced following the completion of the Commission on Defence, to bring Defence spending from €1.1 billion in 2022 to €1.5 billion by 2028 (based on 2022 prices). This additional funding is to provide for an extra 2,000 personnel (civil and military), capital equipment, and infrastructure.[38] Yet, this estimated cost in 2028 does not account for increases in funding needed to maintain the current existing levels of service, which were estimated at 2022 prices. Over the coming years, this means that to deliver the level of spending required to fully deliver the Commissions' objectives, additional funding will be needed.

Figure 18: Defence Spending (Vote 36) and Army Pensions (Vote 35) 2012-2023



Source: Department of Public Expenditure and Reform, 'Databank – Expenditure' (2023).

As of 2023, total spending for the defence sector accounted for €1.2 billion. Current spending on defence and pay and army pensions was €1.03 billion (85%) with the remaining €0.29 billion (15%) on capital spending. This is broken down into 61% current defence, 24% on Army Pensions and 15% on capital.

The High-Level Action Plan sets out the Government's position in relation to the Report of the Commission on the Defence Forces.[39] The Report of the Commission set out actions under 3 levels of ambition (LOAs), with

[38] Department of the Taoiseach, 'Government announces move to transform the Defence Forces and the largest increase in the Defence budget in the history of the State' (July 2022).
[39] Department of Defence and Defence Forces, *"Building for the Future – Change from Within"* (March 2023).

LOA 1 being the least substantial in terms of ambition (cost and reform), and LOA 3 being the most ambitious. Government has adopted LOA 2, estimated to cost €1.5 billion by 2028, with measures requiring significant capital spending, this includes:

Table 2: Commission on Defence Recommendations

Recommendation	Status
Replace current fleet of armoured personnel carriers	Accepted in principle
Addition of fixed wing aircraft with strategic reach capability and two additional medium-lift rotary wing aircraft	Accepted in principle
The replacement of the existing medium lift helicopter fleet with a fleet of eight super-medium helicopters	Accepted in principle
An accelerated programme of Naval vessel replacement to ensure a balanced fleet of nine modern ships by early in the next decade	Accepted in principle

Other measures which would involve considerable levels of additional capital spending are outlined under level of ambition 3 (LOA 3), estimated to require €3 billion to implement. These measures will revert to Government at a later date and are not being progressed at this time. These include:

- By 2040 the Naval Service would comprise a balanced fleet of at least 12 ships, supported by appropriate technology, as part of a joint Defence Forces structure; and
- As part of a national Air Defence Plan, the Air Corps would develop an air combat and intercept capability through the acquisition of a squadron of jet combat aircraft, allied to the development of associated operational, infrastructure and support arrangements.

In 2023, excluding spending on Army Pensions, Defence spending was €0.9 billion. This means an additional €0.6 billion would be needed to achieve the level of investment outlined by the Commission on Defence under LOA2. Other recommended measures would also affect current expenditure due to increased staffing and recruitment levels, these include:

Table 3: Commission on Defence Recommendations

Recommendation	Status
Increases in the Permanent Defence Force (PDF) establishment, including civilian staff, of some 2,000 personnel, bringing the total to approximately 11,500.	Approval is underway
A further 200 additional specialist personnel working under a matured Joint Cyber Defence Command	Accepted in principle

A further 100 additional specialist personnel as part a Joint Cyber Defence Command managing Cyber Defence, Defence IT Services, and CIS Services	Accepted in principle
Establishment of an Air Corps Reserve of 200, a Naval Service Reserve of 400 personnel and an Army Reserve establishment of 3,900	Accepted in principle

Based on the actions set out as part of LOA 2, we can expect growth in capital spending on defence as new equipment is purchased alongside growth in current spending (particularly on pay) as we progress towards 2028 levels of spending. While new public sector pay agreements, compulsory retirements on age grounds for members, along with recruitment and retention of staff, will affect the current spending in the defence sector. It should be noted inflationary pressures will erode some of the value of additional defence funding.

Given the ongoing war in Ukraine, and some countries donating their stocks of equipment, the cost for Ireland to replace and upgrade its existing equipment, by purchasing new and additional military capital equipment, as outlined in the Commission may be higher than initially envisioned under LOA2.

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