



Existing Level of Service (ELS) Explained

This note was written in order to assist the Committee on Budgetary Oversight in its engagement on the topic of Existing Level of Service. As part of its examination, the Committee engaged with officials from the Department of Public Expenditure, National Development Plan Delivery and Reform and representative of the Irish Fiscal Advisory Council on the [15th](#) and [22nd](#) of November 2023 respectively.

Key Messages

- In recent years, various approaches have been taken to attribute costs to drivers of increased spending in public services.
- One of these approaches, the Existing Level of Service (ELS), looks at the cost of delivering existing services on a no-policy change basis, in other words, providing services 'as is' and does not include the cost of new measures.
- The ELS projection for 2024 was estimated at €2.3 billion in the *Summer Economic Statement 2023*, however, this was then revised down to €1.8 billion in the *Expenditure Report 2024*.
- There was also a downward revision of ELS projections between Government publications for 2022 and 2023.
- Reductions in ELS estimates at budget time could potentially indicate that insufficient resources are being allocated for ELS in lieu of new measures. This could result in underfunding of established programmes, with a potential need for supplementary funding at a later stage to ensure continuity of service.
- The level of detail for various components of ELS in the Budget document have decreased over the years in certain Votes, for example in the Health Vote.
- Better detailing of the ELS components, as well as consistent definitions across documents, would provide greater clarity in the budget process.

Definition

The amount of funding required by Departments to carry out their existing functions, or Existing Level of Service (ELS) is evaluated on an annual basis and forms a significant element of the Budget package. **ELS funding refers to how much money is required by Departments to continue providing services at the same level if there were no new policy decisions** and includes:

- Carryover costs from previous year's budget decisions;
- Demographic pressures, including increased costs of providing existing services to a growing and changing population; and
- Existing central public service pay deals.

Understanding the costs of ELS is important as it must be factored into budget consideration before new measures can be provided for. ELS may sometimes decline; however, understanding rising ELS is essential to budgeting as meeting these costs reduces the available fiscal space for new measures.

The Fiscal Council has welcomed the publication of ELS information by Government; however, it has also noted certain areas for improvement.¹ In particular, the Fiscal Council noted that the ELS approach should be incorporated into broader medium-term forecasts such that it could “*shed light on the assumed costs of major drivers of public spending over the medium term and help improve focus on medium-term budgeting.*”²

Additionally, the estimates from the Fiscal Council's ‘Stand-Still’ approach indicate that the 2024 ELS provisions “*may be too low given expenditure and service levels in 2023.*”³

ELS Estimates

The [Mid-Year Expenditure Report 2021](#) set out the Medium Term Expenditure Strategy (MTES), which outlined an overall provision of 3% of the core current base each year to address ELS pressures. In advance of the Budget, the Department of Public Expenditure, NDP Delivery and Reform consult with Departments to determine the allocations for the Existing Level of Service. **As certain sectors are more exposed to increases in ELS costs, the 3% ELS provision as set out in the MTES, does not apply across all Departments in the same way.**

¹ Irish Fiscal Advisory Council, [Fiscal Assessment Report: May 2022](#) (2022) pp.59-60.

² Ibid. p.60.

³ Irish Fiscal Advisory Council, [Fiscal Assessment Report: December 2023](#) (2023) p.43.

Factors such as demand in the current year, impacts of new and existing initiatives on demand as well as the impact of demographics are considered as a key part of the Estimates process. **The amount determined as required for ELS costs in [Budget 2024 Expenditure Report](#) is €1.8 billion, or 2.4% of the core current base.** Table 1 provides a breakdown of ELS costs at Vote Group level for 2024.

Table 1: Estimated ELS allocation 2024 at Vote Group level

Vote Group	Value (Millions)
Agriculture, Food and the Marine	€7
Children, Equality, Disability, Integration and Youth	€198
Defence	€15
Education	€365
Enterprise, Trade and Employment	€4
Environment, Climate and Communications	€2.2
Finance Group	€22
Foreign Affairs Group	€3
Further and Higher Education, Research, Innovation and Science	€65
Health	€708
Housing, Local Government and Heritage	€165
Justice Group	€73.8
Public Expenditure, NDP Delivery and Reform Group	€63
Rural and Community Development	€12
Social Protection	€117
Taoiseach's Group	€0
Tourism, Culture, Arts, Gaeltacht, Sport and Media	€40
Transport	€40

Source: PBO based on Department of Public Expenditure, NDP Delivery and Reform; Department of Finance, [Budget 2024: Expenditure Report](#) (2023).

Discrepancies in ELS allocation for 2024 between various publications

The [Summer Economic Statement 2023](#) (SES) published in July 2023 sets out the budgetary strategy for the period to 2026 with €3.2 billion provided for ‘budgetary decisions’ in 2024.⁴ While the SES does not provide a breakdown of the ‘budgetary decisions’, the €3.2 billion in the SES consists of ELS costs (€2.3 billion) and the planned core capital expenditure increases (€0.9 billion) under the *National Development Plan* (NDP).⁵

The [Mid-Year Expenditure Report 2023](#) (MYER) published in July 2023 allocated €2.3 billion for ELS.⁶ While this provision is in line with the ELS allocation set out in the Summer Economic Statement 2023, it differs by €0.5 billion from the ELS figure of €1.8 billion set out in the [Expenditure Report 2024](#) published in October 2023.⁷

Table 2 summarises the inconsistencies in the ELS projections, highlighting the discrepancy of €0.5 billion between the ELS allocation in the SES/MYER and the ELS allocation in the Expenditure Report.

Table 2: Inconsistencies in ELS allocation between publications

Publication	Publication Date	ELS Amount
Summer Economic Statement	4 July 2023	€3.2 billion / €2.3 billion (excluding €0.9 billion core capital expenditure increases under the NDP)
Mid-Year Expenditure Report	31 July 2023	€2.3 billion
Expenditure Report	10 October 2023	€1.8 billion

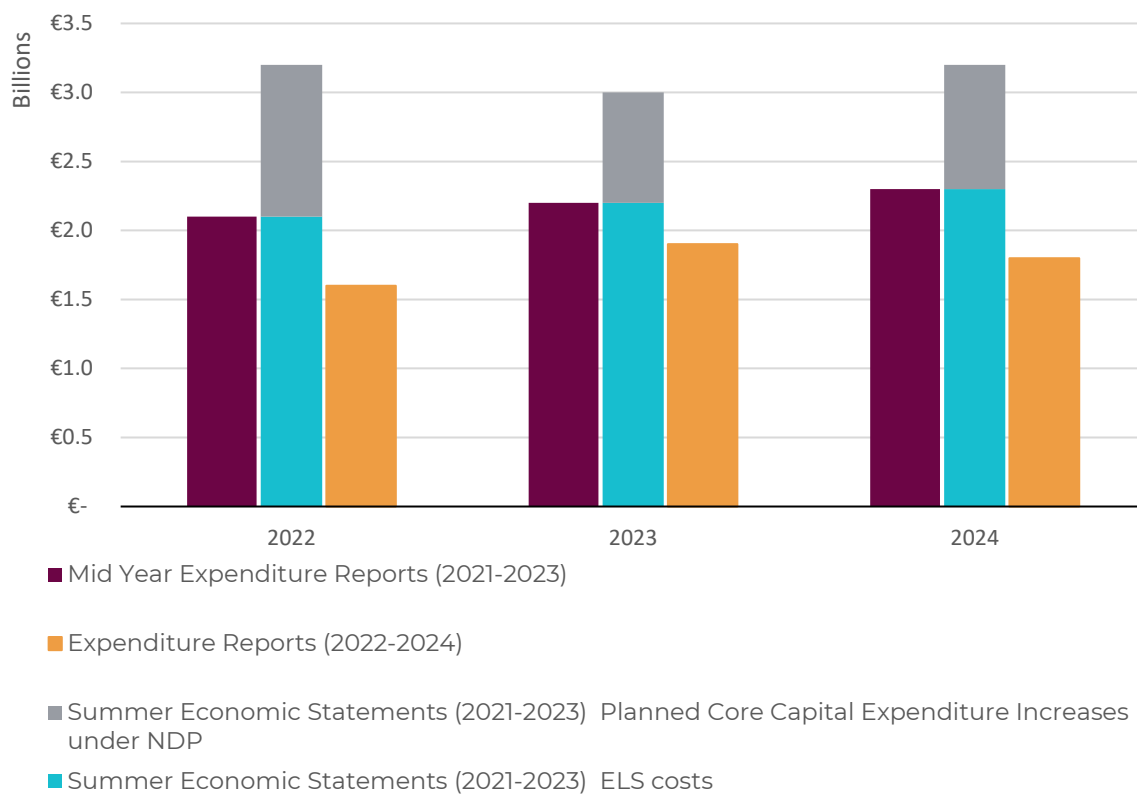
Source: PBO based on Department of Public Expenditure, NDP Delivery and Reform; Department of Finance, [Budget 2024: Expenditure Report](#) (2023), Department of Public Expenditure, NDP Delivery and Reform; Department of Finance, [Summer Economic Statement 2023](#) (2023) and Department of Public Expenditure, NDP Delivery and Reform, [Mid-Year Expenditure Report](#) (2023).

⁴ Department of Public Expenditure, NDP Delivery and Reform, [Summer Economic Statement 2023](#) (July 2023).

⁵ Houses of the Oireachtas, [Parliamentary Questions](#) (July 2023).

⁶ Department of Public Expenditure, NDP Delivery and Reform, [Mid-Year Expenditure Report](#) (July 2023).

⁷ Department of Public Expenditure, NDP Delivery and Reform, [Budget 2024 Expenditure Report](#) (October 2023).

Figure 1: ELS projections 2022-2024

Source: PBO based on the Summer Economic Statement [2021](#), [2022](#) and [2023](#); Mid-Year Expenditure Report [2021](#), [2022](#) and [2023](#); Expenditure Report [2022](#), [2023](#) and [2024](#).

Note: The ELS provision for 2024, as reported in the *Summer Economic Statement 2023* (€3.2 billion), includes the ELS costs (€2.3 billion) as well as the planned core capital expenditure increases under the NDP (€0.9 billion), while the MYER and Expenditure Report allocation is solely for ELS costs.

Figure 1 shows the trends for years 2022-2024 in the ELS allocation amounts between the three publications and highlights the inconsistency in the ELS provision. **This inconsistency can be problematic insofar as it leads to lack of clarity and transparency in the ELS funding reported between various Government publications.** Variations in ELS can impede the ability to scrutinise Government spending effectively, as well as hinder the accuracy of economic predictions and modelling. Furthermore, inconsistent reporting of ELS allocations can constrain the development of informed policy decisions.

Case Study: Health (Vote 38)

Budget 2022 introduced ELS formally into the Budget process.⁸ Using the components which form ELS (see page 2), the PBO has attempted to track these components (where possible) back to 2018. Table 3 shows that, in one form or another, components of ELS (such as 'demographics' and 'allocation from Central Pay Agreement Provision') have been detailed for the Health Vote in the Expenditure Reports 2018-2024.

Budget 2022 described ELS in three components, two components were covered in 2023, and just one measure was included for 2024. It is difficult to understand why less information is being provided year on year. **This represents a backward step, obscuring the relative importance of each component of ELS.** Without a clear and consistent reporting structure, it becomes challenging to pinpoint exactly what is driving ELS costs in a Vote.⁹ Variations in the granularity of reported allocations of the components of ELS provisions in the Health Vote make clear comparisons at Vote level impossible (either between different Votes, or year-on-year for a specific Vote).

Table 3: ELS descriptors in the Health Vote in Budgets 2018 to 2024

Year	Descriptor	Value (Millions)
2024	Increase for Existing Levels of Service	€708
2023	Carryover, Demographics and other ELS Pressures	€553
2023	Central Pay Agreement Provision (incl. Existing Building Momentum Deal)	€343
2022	Demographics	€177
2022	Carryover and other ELS Pressures	€344
2022	Allocation from Central Pay Agreement Provision	€196
2021	Demographics	€180
2021	Carryover of Budget 2020 Measures	€80
2021	Allocation from Central Pay Agreement Provision	€123
2020	Carryover of Budget 2019 Measures	€55
2020	Allocation from Central Pay Agreement Provision	€200
2019	Carryover of Budget 2018 Measures	€50
2019	Allocation from Central Pay Agreement Provision	€169
2018	Allocation of additional resources to fund existing services and new measures	€269
2018	Carryover	€97
2018	Allocation from Central Pay Agreement Provision	€165

Source: PBO based on Expenditure Reports 2018-2024.

⁸ Irish Fiscal Advisory Council, [Fiscal Assessment Report: May 2022](#) (2022) p.55.

⁹ The importance of clearly setting out each component of ELS was noted during the meeting of the Committee on Budgetary Oversight with officials of the Department of Public Expenditure, National Development Plan Delivery and Reform on the 15th of November 2023. Houses of the Oireachtas, [Committee on Budgetary Oversight debate](#) (2023).

ELS Allocation for 2024 in the Health Vote

The *Expenditure Report 2024* does not include the breakdown of ELS allocated for the Health Vote, a recent Parliamentary Question response by the Minister of Health indicates that the 2024 ELS allocation of €708 million comprises of €700 million for the HSE and €8 million for the Department of Health and non-HSE Agencies.¹⁰

Table 4 shows the ELS allocation for the HSE in 2024 (€734 million) which is offset by the €34 million savings target.

Table 4: Breakdown of the ELS allocation for HSE in 2024

Descriptor	Value (Millions)
Non-pay pressures related to price/inflation increases and demographic/demand increases (primarily in Acute Hospitals)	€386
Full year pay costs of existing pay agreements in 2024	€231
Other pre-committed cost increases	€117
Subtotal	€734
Savings Target	(€34)
Total	€700

Source: PBO based on Houses of the Oireachtas, [Parliamentary Questions](#) (November 2023).

Figure 2 shows the ELS costs for Health, as stated in the Expenditure Reports 2022 and 2023 as compared to the ELS provision within the HSE's National Service Plans (NSP) for the same years.

In both years, the ELS costs as stated by the HSE are greater than the allocation provided in the Expenditure Report. The HSE's NSPs include both operating budget (current) and capital budget allocations for ELS, whereas the Expenditure Report only appears to provide for the current ELS costs.

Figure 2 shows that differing approaches to the quantification of ELS are taken by the Department of Public Expenditure, NDP Delivery and Reform and the Health Service Executive, and as a result:

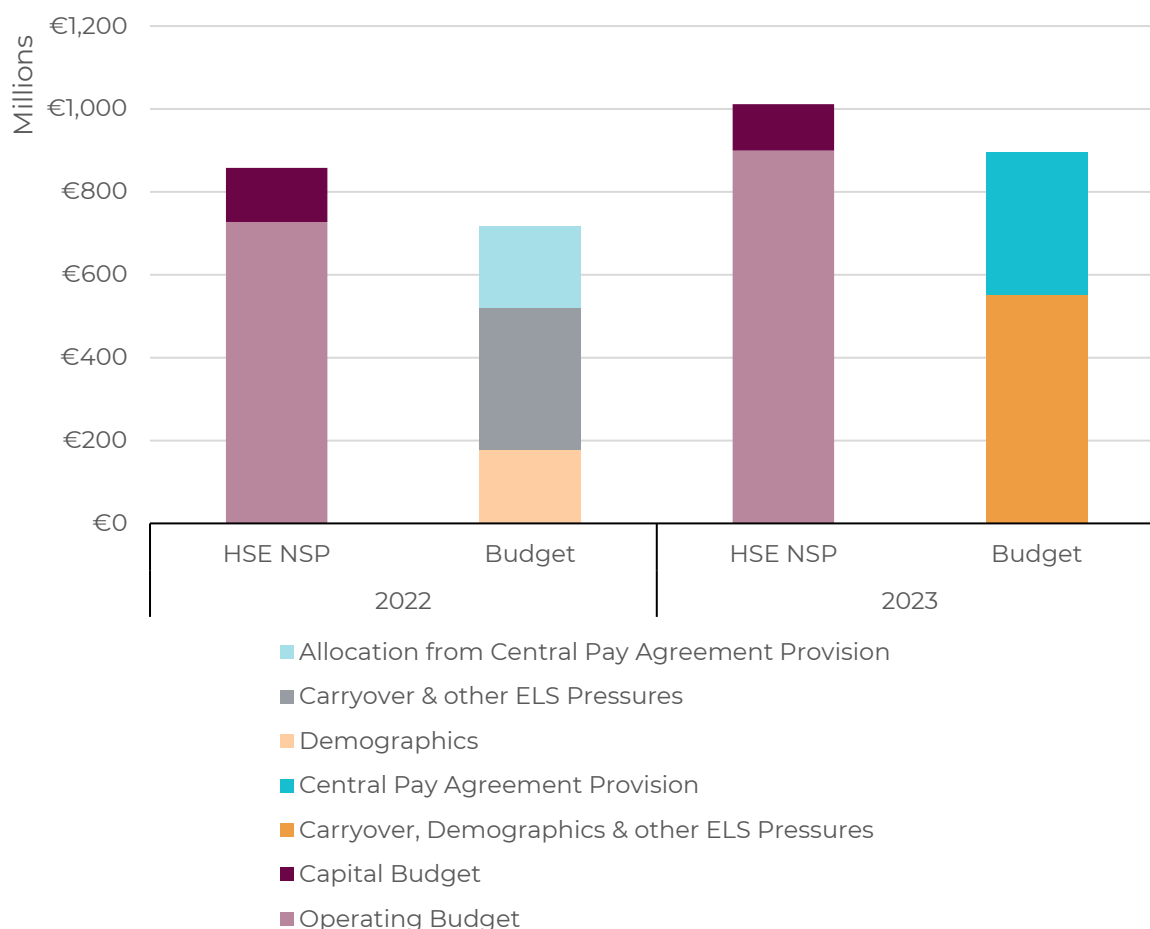
- For 2022 the HSE stated ELS costs were €140.5 million greater than the allocation for same provided in the Budget; and
- For 2023 the HSE stated ELS costs were €113.2 million greater than the allocation for same provided in the Budget.

¹⁰ Houses of the Oireachtas, [Parliamentary Questions](#) (November 2023).

It should be noted that direct comparison between these documents may not be fully appropriate as:

- Accounting practices differ (cash vs accruals); and
- It is not clear that the budget provision reflects capital ELS costs.

Figure 2: ELS Provision in Health (2022 & 2023)



Source: PBO based on Expenditure Report [2022](#) and [2023](#); HSE [National Service Plan 2022](#) (2022) and [National Service Plan 2023](#) (2023).

Wherever possible, a consistent approach should be taken to ELS, including:

- A consistent definition across documents, allowing for clear comparison of ELS provisions within them; and
- Ideally, a breakdown of ELS provisions should be provided, to state the cost associated with the primary components of ELS (see Definition p.2).

For more information on Health spending in Ireland, see upcoming PBO publication *Total Health Spending in Ireland & HSE Commentary* (2024).

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