2017

EXPENDITURE REPORT

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An Roinn Caiteachais Phoiblí agus Athchóirithe
Department of Public Expenditure and Reform

2017

Expenditure Report

BAILE ÁTHA CLIATH
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Executive Summary

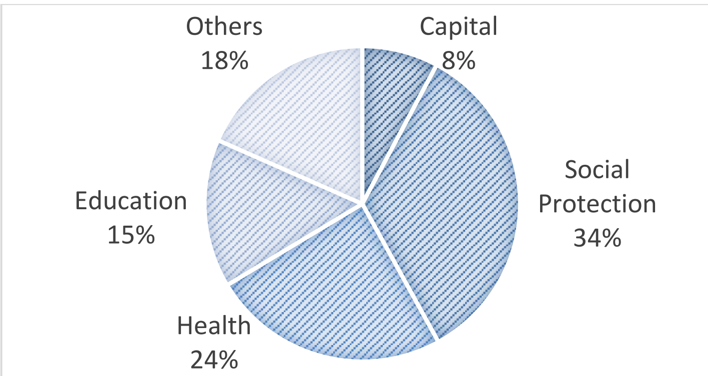
This document is the Expenditure Report for Budget 2017, as presented to Dáil Éireann. It sets out the Government's voted expenditure allocations and measures for 2017. It also provides the expenditure ceilings for 2018 and 2019. Strengthened economic growth combined with continued careful management of the public finances mean that it is possible to increase resources for public services and infrastructure for a third year in succession.

Total gross voted expenditure for 2017 will reach €58 billion as shown in the table below. This represents a year on year increase of under 3½%. Based on the 2017 Estimate for Gross Voted Expenditure, in the period from 2014 to 2017, expenditure will have grown by 9%. This is in comparison to three year expenditure growth figures of between 26% and 57% experienced in the 1999 to 2008 period.

Estimate of Gross Voted Expenditure 2017	
	€ million
Current Expenditure	53,494
Capital Expenditure	4,535
Total	**58,029**

The chart below shows the distribution of total Government voted expenditure across the main spending headings. It reflects the importance of strategic programmes in the social protection, health and education areas as part of Government's focus on strengthening our economy and society. Given the mutually reinforcing nature of public spending to meet both economic goals and social priorities, and the proportion of spend allocated to those three core areas as outlined in the Chart below, there is an obligation to ensure that expenditure increases are sustainable.

Prioritisation of Public Spending 2017



The 2017 allocations to Departments for current and capital expenditure are outlined in the tables below. Detailed information about these allocations is provided in Parts II and III of this Report.

Ministerial Vote Group Gross Current Expenditure Ceilings

	Revised 2016 Ceilings	2017 Ceilings	Change
	€ million	*€ million*	*%*
Agriculture, Food & the Marine	1,134	1,232	9%
Arts, Heritage, Regional, Rural & Gaeltacht Affairs	247	249	1%
Children & Youth Affairs	1,113	1,287	16%
Communications, Climate Action & Environment	345	358	4%
Defence	837	847	1%
Education and Skills	8,477	8,840	4%
Finance Group	430	439	2%
Foreign Affairs and Trade Group	692	704	2%
Health Group	13,695	14,152	3%
Housing, Planning, Community & Local Government[1]	911	1,076	18%
Jobs, Enterprise, & Innovation	297	304	2%
Justice Group	2,300	2,363	3%
Public Expenditure & Reform Group	910	937	3%
Social Protection	19,614	19,844	1%
Taoiseach	204	182	-11%
Transport, Tourism, & Sport	663	680	3%
Provision for 2016 Christmas Bonus	220		-
Year-end savings	(110)		-
Gross Current Expenditure Ceiling	**51,982**	**53,494**	**3%**

*Rounding affects total

Ministerial Vote Group Gross Capital Expenditure Ceilings

	Revised 2016 Ceilings	2017 Ceilings	Change
	€ million	*€ million*	*%*
Agriculture, Food & the Marine	217	238	10%
Arts, Heritage, Regional, Rural & Gaeltacht Affairs*	135	119	-12%
Children & Youth Affairs	25	24	-3%
Communications, Climate Action & Environment	121	171	41%
Defence	68	74	9%
Education & Skills	595	690	16%
Finance	25	25	1%
Foreign Affairs & Trade	6	11	83%
Health	414	454	10%
Housing, Planning, Community & Local Government	473	702	48%
Jobs, Enterprise & Innovation	503	555	10%
Justice & Equality	158	180	14%
Public Expenditure & Reform	140	152	8%
Social Protection	11	10	-9%
Taoiseach	0	0	-
Transport, Tourism & Sport	1,075	1,129	5%
Unallocated amount	200		-
Total Gross Capital Expenditure	**4,167**	**4,535**	**9%**

*Rounding affects total

[1] The ceilings for the Departments of Housing, Planning, Community and Local Government and the Department of Communications, Climate Action and the Environment reflect the transfer of functions in relation to environmental services.

Additional funding provided in 2016 and 2017 will fund a range of measures including:

- Provision is made for an 85% Christmas Bonus in 2016 for people in receipt of long term social welfare payments;
- Health gross voted expenditure increases by 3½%;
- State Pension and working age weekly payments increase by €5 per week. Social insurance improvements for the self-employed. 15% increase in rent supplement;
- Current expenditure in the Department of Children and Youth Affairs increases by 16% to fund the carryover cost of the extension of the Early Childhood Care and Education Scheme and the introduction of a new single affordable childcare scheme;
- Current expenditure in the Department of Education and Skills increases by 4% funding an additional 2,400 teaching posts and additional supports for higher education, including supports for post graduate students;
- The increase in expenditure of almost 30% in the Department of Housing, Planning, Community and Local Government will fund measures under the Action Plan for Housing and Homelessness. 16,000 households will be accommodated under the Housing Assistance Payment and Rent Supplement. Local Infrastructure Housing Activation Fund (€200m) in total) will relieve critical infrastructural blockages;
- Department of Agriculture, Food and the Marine expenditure increase of 9% to provide additional funding for the Rural Development Programme and a new Animal Welfare Scheme for Sheep with an expected 34,000 participants;
- Funding in respect of the 1916 commemorations partially reallocated towards measures including expansion of the National Rural Development Schemes and additional resources for town and village regeneration;
- 13% increase in the Department of Communications, Climate Action and Environment to fund measures including investment in renewable energy and efficiency measures and to progress the National Broadband Plan;
- 10% increase in capital funding for the Department of Jobs, Enterprise and Innovation to support enterprise agencies achieve an aim to grow their level of client employment further during 2017 to beyond 436,000 jobs as well as demonstrating the Government's continued commitment to regional balance in the delivery of new jobs during 2017 through the 8 Regional Action Plans;
- Recruitment of an additional 800 Gardaí and up to 500 civilian staff; and
- Investment in Public Transport services and infrastructure.

Further detail in relation to expenditure measures is set out in Part II of this Report.

Introduction

Budget 2017 represents another step in Ireland's economic and fiscal recovery. As outlined in the Mid-year Expenditure Report, this hard won recovery represents a solid foundation on which to build a fairer and more just society. In forming the Budget, the Government has balanced the need for economic and budgetary sustainability with the continued provision of much needed public services and investment in social infrastructure. This balance between the need for continuing financial prudence and investing in physical and social infrastructure for the future is at the core of the Government's budget decisions.

The choices made in the Estimates about where and how we spend public funds are anchored in light of the challenges facing the economy. Recent events have shown that while there is resilience in Ireland's economic performance, significant domestic and international challenges remain. This Budget has been formulated to prepare for these challenges while continuing to invest in key areas.

This Expenditure Report sets out the Government's decisions in relation to spending by Government Departments for 2017 and its voted funding over the period from 2017 to 2019. The structure of the Report is as follows:

Part I provides an overview of the main macro-economic, fiscal and expenditure policy considerations which have been taken into account in setting the expenditure strategy for the period 2017 to 2019. It also sets the scene for the Estimates 2017 by considering the trends in expenditure over an extended period up to the present.

Part II outlines the multi-annual expenditure ceilings agreed for each Government Department. It includes summary data on the overall ceilings for current and capital spending. It also sets out information in relation to each Department describing the nature of its funding allocations for current spending, the public services to be delivered in 2017, and a summary of the new measures being funded from the Budget announcements.

Part III contains the full details of the expenditure allocations for 2017 with a presentation of the Estimates for Public Services for each Vote.

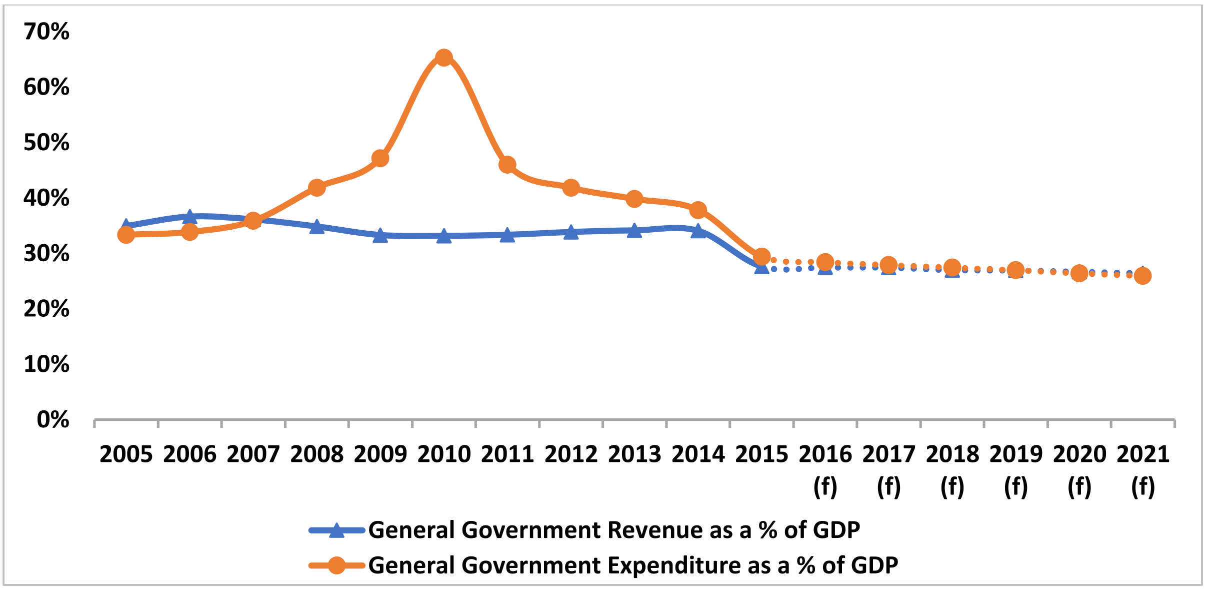
PART I Expenditure Strategy

Economic and Fiscal Context

The performance of the economy is a key backdrop to medium term expenditure planning. The Irish economy's strong return to growth has contributed to the restoration of stability in the public finances, most notably through higher tax receipts and reduced pressure on welfare payments from lower unemployment. Looking ahead, the official macro-economic outlook forecasts growth of 4.2 percent this year and an average of over 3 percent between 2017 and 2021. While these forecasts are somewhat lower than what would have been the consensus forecasts earlier in the year, projected economic growth remains robust even following the decision by the UK to exit the EU, exchange rate developments and a more general slowdown in worldwide growth. Public expenditure strategy has a key role to play in safeguarding the return to more stable, and sustainable, economic growth by prudent and prioritised investment in economic and social priorities.

Figure 1 below plots the trajectory of the public finances since 2005. It shows the scale of the gap between revenue and expenditure which developed from 2008 onwards necessitating significant levels of borrowing to finance the day to day running of the State and public services.

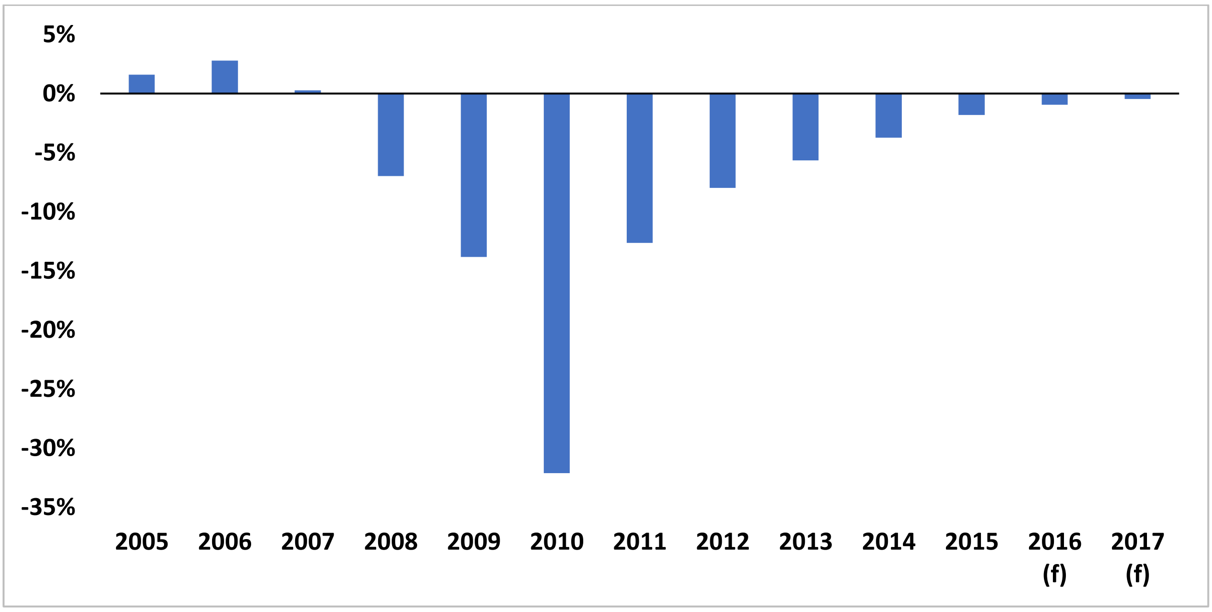
Figure 1 Public Finances as a % of GDP, 2005 to 2021



Source: CSO and Department of Finance

While substantial progress has been made in reducing the deficit in recent years, Figure 2 shows the State continues to need to borrow each year to pay for public services and investment. In 2017, the deficit between revenues and expenditure is expected to be approximately €1.25 billion. While this is much lower than previous years, it is nonetheless the tenth year in a row that we have had to borrow to meet the day to day costs of running public services. We need to continue working on improving the public finances to put Ireland on a long-term sustainable path and ensure debt levels will be reduced over time.

Figure 2 General Government Surplus/Deficit as a % of GDP, 2005 to 2017

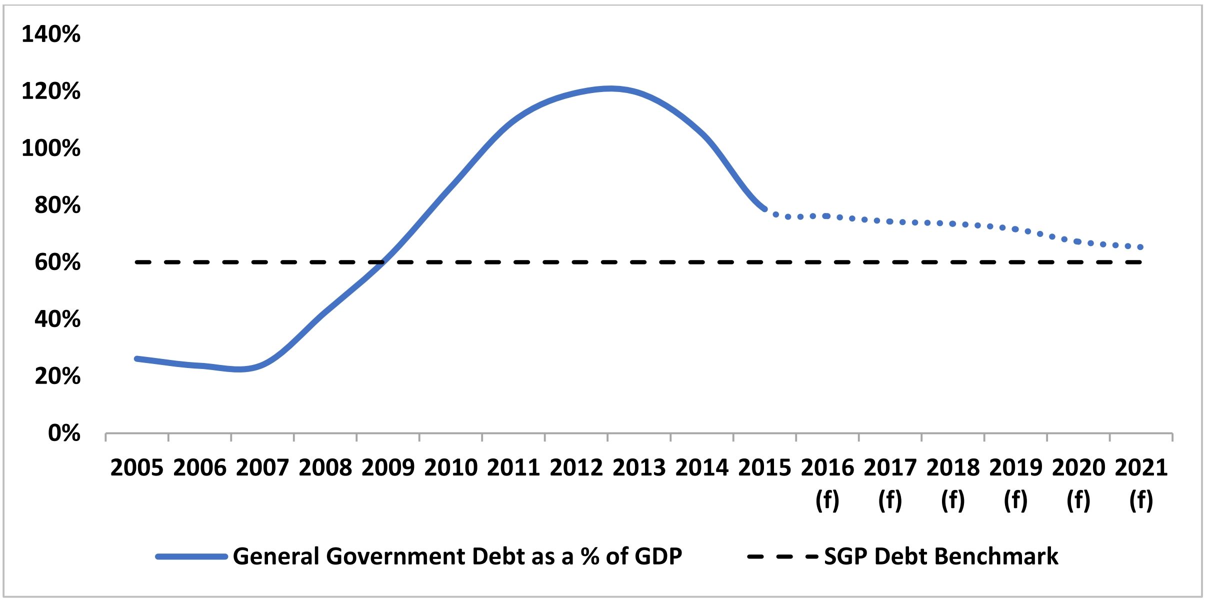


Source: CSO and Department of Finance

The public debt, as a percentage of GDP, having peaked in 2012 at around 120 percent has now fallen below 80 percent and is expected to remain below that threshold by the end of this year. This is still a high level of indebtedness by international standards generally and particularly for a small open economy that is potentially subject to greater volatility in economic performance on account of external shocks. Reducing public debt further will help make the fiscal position more robust, protect against Ireland's disproportionate openness to external economic shocks and the potential for increases in the interest rate paid on Government debt over the medium-term from current very low levels.

As Figure 3 illustrates, it will be necessary to run primary Budget surpluses[2] for a number of years to come in order to ensure that Ireland's debt remains on a firm downward trajectory and approaches recommended EU norms (the 'debt benchmark') within a reasonable timeframe.[3]

Figure 3 General Government Debt as a share of GDP, 2005 to 2021



Source: Department of Finance

[2] Measured by total revenue less total expenditure net of debt interest payments.
[3] Ireland is not fully subject to this requirement until 2019.

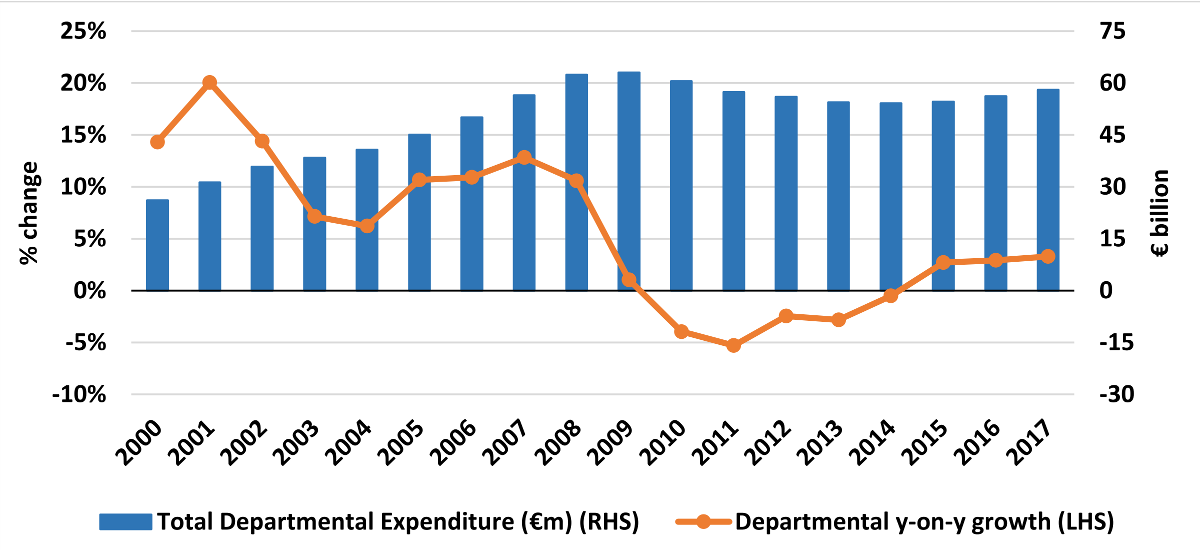
Expenditure Management and Policy

Expenditure Trends

To assist the assessment of the expenditure levels detailed in Parts II and III, it is worthwhile to review trends in public expenditure since the turn of the century. Figure 4 shows the total levels of Gross Voted Expenditure and the annual growth rates of expenditure between 2000 and 2017.

In the early years of this century, expenditure growth was consistently high. The typical expenditure growth rates were 10% or higher from 2000 to 2008 (excluding 2003 and 2004). Over this period, on the basis of unsustainable growth in tax revenues fuelled by the economic boom, there was an unprecedented doubling in Total Gross Voted Expenditure from €26 billion in 2000 to €62 billion in 2008. As set out in Figure 4 below, Gross Voted Expenditure fell significantly in the period between 2010 and 2014 reflecting the need to restore health in the Government finances following the financial and economic crisis.

Figure 4 Gross Voted Expenditure and Annual Expenditure Growth, 2000 to 2017[4]



Source: Department of Public Expenditure and Reform

[4] There was a technical restructuring of Health expenditure from 1 January 2015, reflecting the disestablishment of the HSE Vote in accordance with Health Services Executive (Financial Matters) Act 2014. This affects the comparison of data between 2014 and 2015. Accordingly, in order to allow a like-for-like comparison, the 2015 figure above shows the percentage change in gross voted expenditure between 2014 and 2015 using an adjusted 2014 expenditure figure for Health, as previously presented in the Revised Estimates Volume 2015.

From 2015 onwards, against the backdrop of some improvement in economic conditions and in recognition of the need for increased public services and public investment, expenditure has increased by an average of 3% annually. The evolution of the composition of expenditure is shown in Table 1.

Table 1 Total Voted Government Expenditure, 2011 to 2017

	2011	2012	2013	2014	2015	2016	2017
Pay	15.3	15.0	14.7	14.4	15.2	15.7	16.3
Pensions	2.9	3.1	2.8	3.0	2.9	2.9	3.0
Social Welfare - Live Register	3.9	3.8	3.7	3.3	3.1	2.8	2.9
Social Welfare – Other	17.0	16.9	16.6	16.0	16.7	16.8	16.9
Other Programmes	13.7	13.3	13.3	13.8	13.1	13.7	14.3
(of which) Health non-pay	*6.1*	*5.9*	*6.2*	*6.5*	*6.3*	*6.7*	*6.8*
Education non-pay	*2.1*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*	*2.0*
Other	*5.5*	*5.3*	*5.0*	*5.3*	*4.8*	*5.1*	*5.4*
Gross Current Expenditure	**52.8**	**52.1**	**51.0**	**50.5**	**51.1**	**52.0**	**53.5**
Gross Capital Expenditure	**4.5**	**3.8**	**3.4**	**3.6**	**3.8**	**4.2**	**4.5**
Gross Total Expenditure	***57.4***	***56.0***	***54.4***	***54.1***	***54.9***	***56.1***	***58.0***

Source: Department of Public Expenditure and Reform.

Note - Rounding affects totals

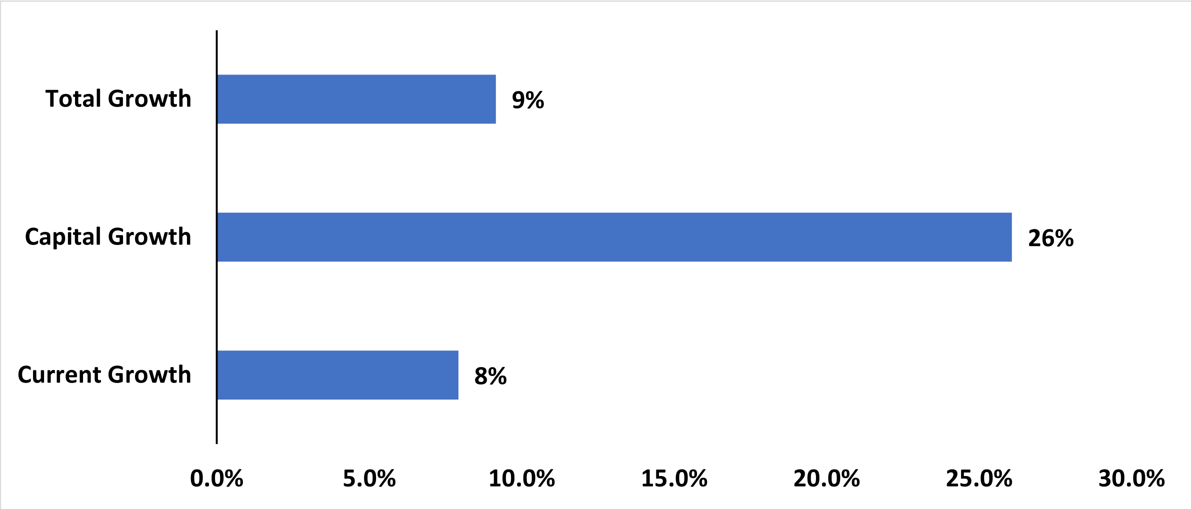
Note - The total spending figure for 2015 is an adjusted appropriation account figure whereas those for 2016 and 2017 are forecast outturn and estimate respectively.

Note - Figures pre-2015 have been adjusted to allow for a like-for-like comparison with later years to reflect the effect of the disestablishment of the HSE Vote on 1 January 2015.

Figure 5 shows the cumulative growth in Gross Voted Expenditure since 2014. This clearly highlights the recovery in public spending over that period which, through the expenditure allocations set out in Part II and Part III of this Volume, is now being sustained into 2017. This gives rise to a projected growth of 8 per cent in current spending. In addition, a notable feature of the recovery in public spending is the very strong growth in capital spending.

This growth reflects the Government's priority for increased capital investment in key areas such as social housing, roads and schools. This expenditure will continue to deliver on supporting growth-enhancing investment as well as underpinning progress on social priorities.

Figure 5 Trough to Peak: Growth in Voted Expenditure by Expenditure Type, 2014 to 2017



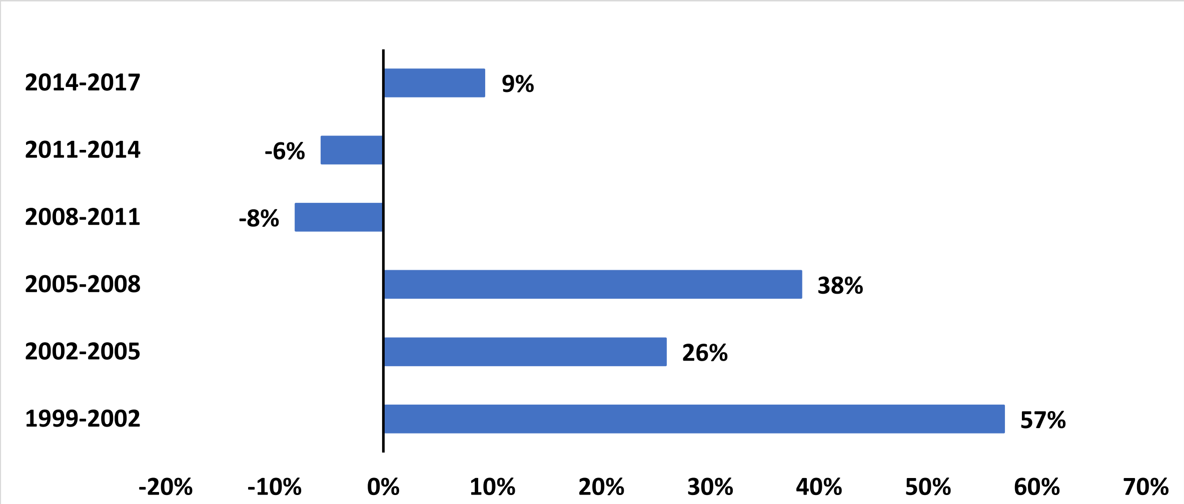
Source: Department of Public Expenditure and Reform

Sensible Spending

The Government has emphasised the need for the continuation of a prudent and responsible approach to fiscal and expenditure policy. The need for sound public finances has only become more apparent in the wake of the UK decision to exit the EU. The recovery in the economy has meant that real increases to public spending can continue to be made on a sustainable basis to deliver both on economic priorities and also on the social goals for a fairer and more inclusive society. Expenditure policy is strongly predicated on the complementary and mutually reinforcing nature of public spending to meet economic goals and spending on social priorities that provides the essential cohesion to our society and communities within which our economy operates.

However, there is also an obligation to ensure that funding invested in new services will not only be affordable now but also for the foreseeable future. This will ensure that the State will not repeat the mistakes of the past by funding expenditure increases from temporary or cyclical revenues. Figure 6 details the levels of growth in Departmental expenditure in three-year intervals since 1999. This shows that in the period from 2014 to 2017, expenditure will have grown by 9%. This is in comparison to three-year expenditure growth figures of between 26% and 57% that were experienced in the 1999 to 2008 period. This Government has committed to continue to follow a sustainable path for increases to services and investment, which is intended to avert the need for expenditure reductions in bad times, as was experienced with such severity from 2008 to 2014. It is important to highlight that since 2014 public expenditure policy has enabled sustainable growth in spending at a rate that is prudent and responsible in terms of our recent economic history. This has been achieved while successfully meeting Ireland's required deficit targets and complying with the fiscal rules over the past number of years.

Figure 6 Gross Voted Expenditure Growth: Three-Year Intervals



Source: Department of Public Expenditure and Reform

Ireland's Fiscal Framework

The strongly pro-cyclical nature of fiscal policy during the years to 2008, as highlighted above, contributed to the fiscal and economic crisis. Ireland's expenditure strategy is now set within the context of a reformed fiscal framework with both national and EU elements that has been developed and implemented to guard against a return to unsustainable management of the public finances. A key element of this framework are the EU Fiscal Rules, the objective of which is to ensure that Governments can plan fiscal policy based on stable and sustainable levels of expenditure and revenues rather than leave fiscal and expenditure policy exposed to the boom-bust cycle.

This year represented an important shift in the context of fiscal policy, with Ireland successfully exiting the Excessive Deficit Procedure and moving into the 'Preventive Arm' of the Stability and Growth Pact. Ireland is now in the same fiscal framework as 21 other EU Member States, where Government deficits remain lower than 3% of GDP, while there are 6 EU Member States that are still subject to Excessive Deficit Procedures. The core principle of the Preventive Arm is to prevent the likelihood of an excessive deficit occurring and to ensure medium to long-term sustainability in the public finances. This is managed, within the Preventive Arm, through the achievement of the Medium Term (budgetary) Objective, which is a fiscal target for Member States to achieve. For Ireland, the Medium Term Objective is to achieve a deficit of 0.5% of GDP in structural terms.

A second key component of the Preventive Arm that shapes the expenditure strategy is the Expenditure Benchmark, which helps to guide expenditure to the achievement of the Medium-Term Objective by explicitly setting the rate at which aggregate public expenditure can grow (net of discretionary revenue measures[5]). The Expenditure Benchmark essentially limits growth in public expenditure to the medium-term potential growth rate of the economy when the economy has achieved the Medium-Term Objective, and to a rate less than the medium-term potential growth rate while the structural budget is converging to the Medium-Term Objective. The fundamental objective of the Expenditure Benchmark is to ensure that the level of spending can be sustained and can continue to be supported irrespective of the economic cycle.

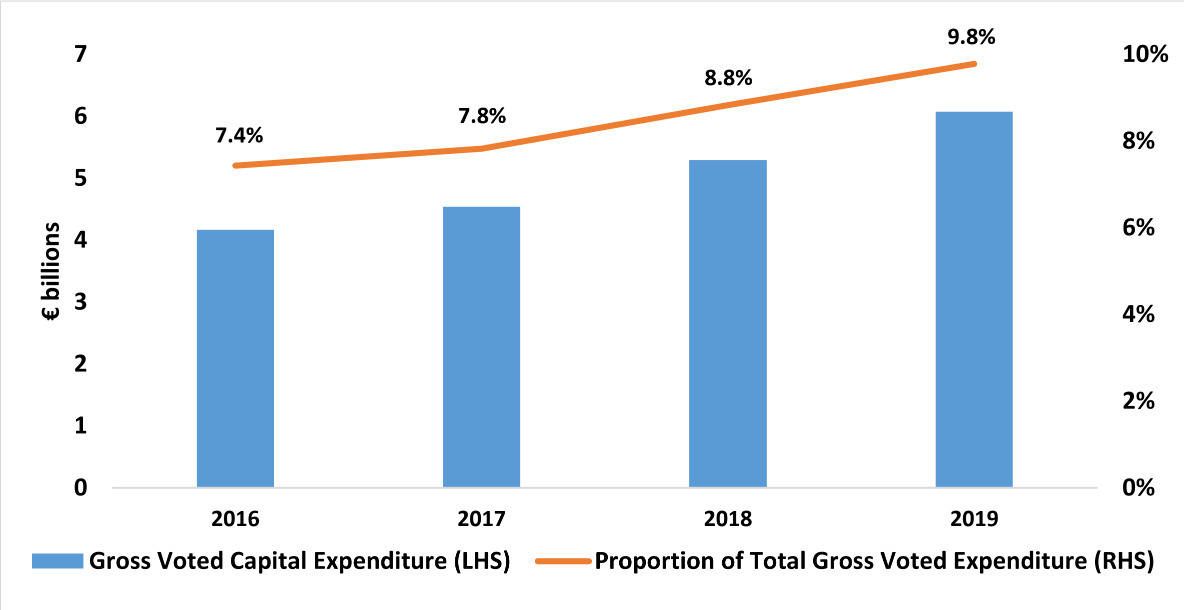
Recent analysis by institutions such as the OECD, the European Commission and the IMF firmly suggests that placing a limit on expenditure growth can be effective in reducing the risks of excessive deficits and pro-cyclicality. In practical terms, this means that unrealistic and unsustainable spending commitments can be prevented in times of high growth which makes expenditure retrenchment less severe in times of recession.

There is some evidence of unintended consequences of expenditure rules on account of indications internationally of the existence of a negative relationship between public investment (capital expenditure) and the use of an expenditure limiting fiscal rule. The current approach within the EU fiscal rules aims to alleviate the risk of reduced public investment by averaging capital expenditure over a 4-year period and allowing flexibility clauses for investment in some circumstances. This Government has prioritised increases to capital spending, using the in-built incentives within the fiscal rules, to seek to ensure that growth-enhancing spending will not be negatively impacted by the expenditure limits.

[5] Discretionary Revenue Measures are specific policy measures that have a measurable impact on Government revenues. For example, the monetary impact of changing Income Tax rates or thresholds are considered to be Discretionary Revenue Measures.

Figure 7 details the future funding for capital expenditure and the capital share of total expenditure over the next few years. These allocations will assist in contributing to social objectives.

Figure 7 Capital Spending and Capital Share of Total Spending, 2016 to 2019



Source: Department of Public Expenditure and Reform

Drivers of Expenditure

Demographics

The underlying population demographics of Ireland present obvious implications for expenditure policy. The size and age structure of the population has direct impacts on the demand for housing, schools, hospitals, income supports and infrastructural investment. Although Ireland has a comparatively young population currently, the population as a whole is projected to grow and become increasingly older over the medium-term.

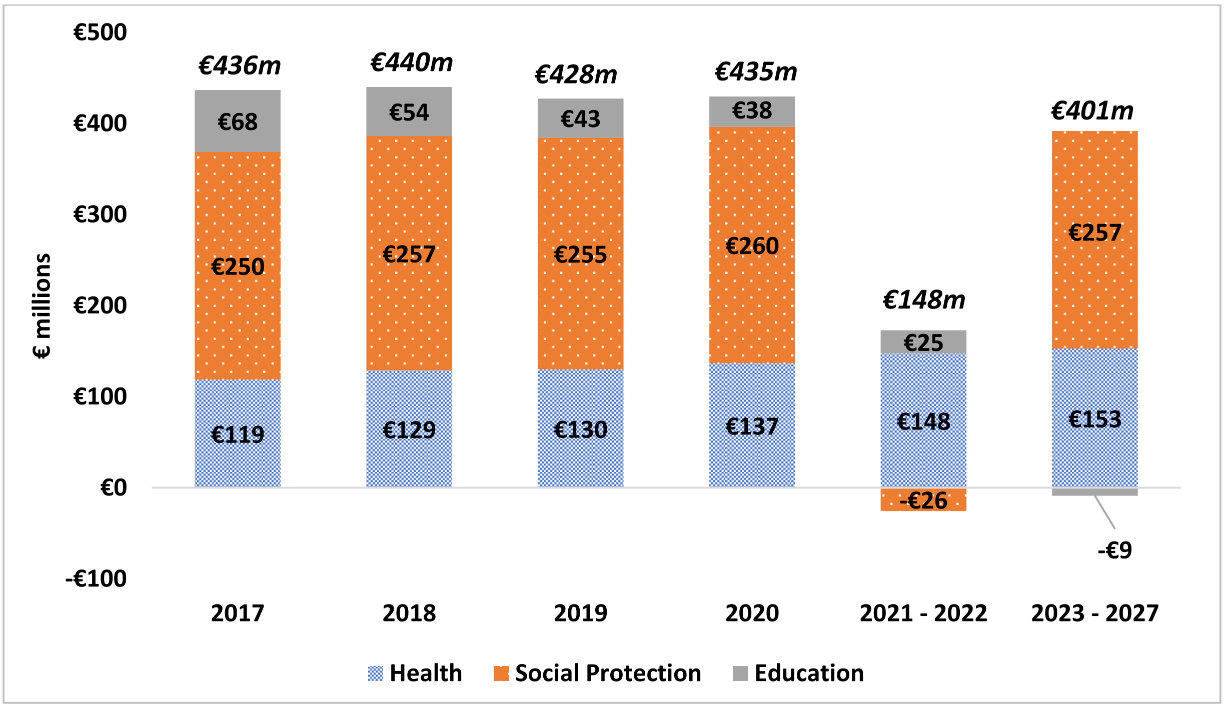
An Irish Government Economic and Evaluation Service (IGEES) paper accompanying this report, *Budgetary Impact of Changing Demographics 2017 – 2027*[6], investigates the possible impacts of population growth and changing population composition over the next decade. The paper finds that in the short-term, from 2017 to 2020, pure demographic cost pressures across the three sectors of Health, Education and Social Protection is estimated to be between €428m to €440m annually.

In particular, the ageing of the population causes consistent incremental pressures on Health and Social Protection expenditures in the medium-term. Population ageing and the declining birth rate now evident are also likely to impact on the structure of spending in the education sector. There is a temporary reduction in the overall demographic cost pressure in 2021-2022 as a result of the change in policy underpinning the age of retirement. Based on legislation, the pensionable age will increase to 67+ in 2021.

Figure 8 illustrates annual demographic cost pressure projections broken down across the three sectors from 2017 - 2027.

[6] Published on Budget 2017 website: www.budget.gov.ie

Figure 8 Annual Demographic Cost Pressure (€ millions) across Sectors, 2017 to 2027



Source: Connors et al, 2017 (Publication on Budget website)

The Departmental expenditure ceilings for 2017-2019, as detailed in Part II of this Volume, contains provisions for Departments impacted by changing demographics. However, providing for these expenditure pressures has direct implications on the State's ability to allocate funding to other policies in an era of constrained resources. It remains important that there is continued focus on evaluating the totality of Departmental expenditure to ensure that effective services can continue to be provided for our ageing population.

Public Sector Pay

Overall in 2017, gross public service pay will increase by €660m.There are two core drivers of the public service paybill: the numbers of public servants employed and the rates at which they are remunerated. Expenditure pressures exist with respect to both.

Firstly, enhanced public services have a staffing component: extra nurses, doctors, special needs assistants, teachers and gardaí in terms of frontline public service provision. Filling the gaps left by the recruitment moratorium reduces the strain on frontline services, and public servants, leading to improved service delivery. This process has been underway since 2015.

Secondly, public service unions seek the reversal of the pay cuts over the crisis period, a critical component of the budgetary consolidation imposed during the financial emergency, in line with the economic recovery.

These twin demands, for new staff and pay restoration, must be balanced with the other Government expenditure needs outlined in the Budget book: housing, childcare, pensions, enterprise supports, infrastructure, etc. Strong fiscal planning is required to ensure that increases in the paybill are proportionate, appropriate and sustainable.

The Lansdowne Road Agreement is the negotiated pathway to pay restoration for public servants. While providing the flexibility to negotiate on specific issues, it:

1. Gives certainty to multi-annual budget allocations for pay restoration; and
2. Allows additional resources to be directed to recruitment to improve public services.

In line with the Agreement, Budget 2017 allocates €290 million to pay restoration. Provision has also been made for an additional 6,100 staff, an increase of 2%.

Labour Market

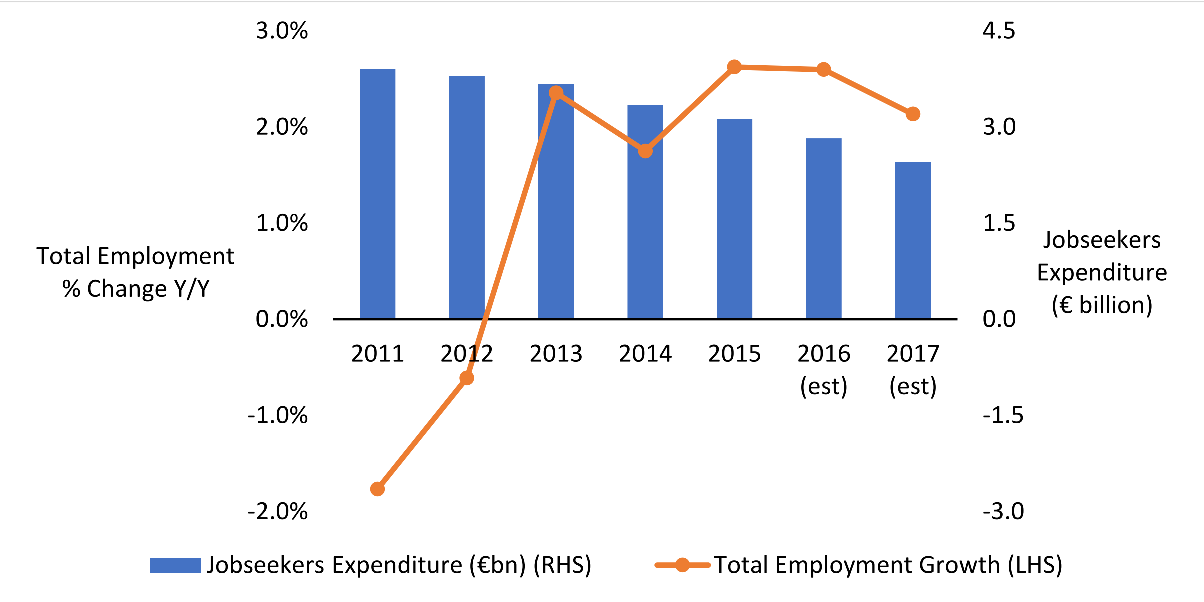
The policies implemented over the last number of years to improve job opportunities and job prospects not only ensure better futures for our citizens but also reduce expenditure on Jobseekers payments, which can be used to fund other services and investment. The level of employment has grown, on average, by 2.6% for the last two years and there is an expected growth of 2.1% next year. Since the lowest point of employment during the crisis period in Q3 2012, the number of people in jobs has increased by 182,000[7]. Each of the regions has benefitted in terms of job growth since 2012.

Looking at the other side of the labour market, the level of unemployment has dropped from 15% in 2012 to an expected level of 8.3% this year. It is expected that unemployment will reduce further next year, to 7.8%. This trend shows that our labour market is on the path towards the objective as set out in the *Programme for a Partnership Government*, to reach full employment by 2020 and to reduce unemployment to 6%.

[7] CSO Quarterly National Household Survey. Seasonally-adjusted employment between Q3 2012 and Q2 2016.

Figure 9 shows the trends in Jobseekers expenditure and the growth in employment. The impact of job creation and the implementation of a number of labour activation measures has meant that jobseekers expenditure is expected to drop by around 33% or €1.2 billion between 2013 and 2017.

Figure 9 Annual Growth in Employment and Jobseekers Expenditure 2011 to 2017



Source: Department of Finance and Department of Social Protection

Reformed Expenditure Frameworks

Social Impact Assessment Framework

Existing ex-post Budgetary Social Impact Assessment ("SIA") exercises conducted by the Departments of Finance, Public Expenditure and Reform and Social Protection, and externally by the ESRI, use a micro-simulation (SWITCH) model to assess the impact of certain tax and welfare policy measures across different household types based on a large-scale nationally representative survey. While this model is useful in terms of analysing the impacts of certain tax and welfare measures, it has a specific scope and does not take account of the full impact of all policy decisions across households (e.g. indirect tax measures and state-funded services).

A paper accompanying this report sets out a Social Impact Assessment (SIA) framework that will not only take account of the existing practices currently in place but also add to the greater body of work in this area by exploring how SIA exercises might be broadened in scope specifically with regard to incorporating expenditure on public services. By doing so it may, in the future, be possible to compare the distributional impact of changes to various types of public service spending and the implications for household outcomes.

The new framework proposal involves establishing an IGEES SIA series of papers for publication throughout the year which will supplement the micro-simulation exercise undertaken at Budget time. The first of these SIA papers – examining the General Medical Services Scheme (GMS) and Targeted Childcare Scheme – also accompany this report.[8]

Spending Review

The fiscal and economic landscape in Ireland has changed considerably since the last Comprehensive Review of Expenditure in 2014. However, increasing and competing public service demands will mean managing expenditure is likely to prove challenging. This means that, while their purpose may change somewhat, spending reviews will remain a core feature of Ireland's expenditure planning and management framework. The next spending review will take place in advance of *Budget 2018*.

[8] Published on the Budget 2017 website: www.budget.gov.ie

The purpose of future reviews will move from improving the deficit position to ensuring all expenditure is considered when Government are making budget decisions. A regular, systematic review of existing spending counters the increasing tendency to focus on only the incremental, annual improvements in expenditure.

Spending reviews should also be used to further embed the principles of expenditure efficiency and effectiveness into the wider budget process. This can be facilitated through extending the availability of relevant evaluations and performance information and ensuring such evaluations become central to the budgetary process.[9]

Capital Review

The mid-term review of the Capital Plan will begin next year with the aim of preparing a revised programme of capital investment to the House.

The increase in total planned capital spending over the course of the Review was increased in the Summer Economic Statement by over €5 billion. This brings the total State backed investment, including State companies, to approximately €47 billion over the lifetime of the Plan.

Government priorities over the next number of years include:

- Major transport projects such as the Luas Cross City and the New Metro North;
- Major health projects like the new National Children's Hospital and a new National Maternity Hospital, a new National Forensic Mental Health Hospital and a number of oncology units;
- The major nationwide schools building programme in place to meet the demands of our growing population;
- Roll-out of the National Broadband Plan throughout the country over the coming years; and
- Major flood relief schemes for Cork and Enniscorthy planned to commence construction.

[9] The Irish experience of spending reviews is discussed in the IGEES paper *Spending Reviews in Ireland: Lessons for the Future* accompanying this report (available at www.budget.gov.ie)

Reforms to Budgetary Engagement

The Government is committed to building upon recent reforms of the budgetary architecture to ensure a more inclusive process with greater Parliamentary engagement.

The National Economic Dialogue (NED), held in June this year, was attended by representatives of community, voluntary and environmental groups as well as the Oireachtas Select Committee on the Arrangements for Budgetary Scrutiny, businesses, unions, research institutes, the academic community and the diaspora. The NED facilitated an open and inclusive exchange in advance of Budget 2017 on the competing economic and social priorities facing the Government. It was informed by the macro-economic and fiscal parameters, including the EU budgetary framework, which were set out in the Summer Economic Statement. The Chair of the NED noted in his subsequent Report that, "not all proposals could be accommodated within the fiscal space that had been identified in the Summer Economic Statement". The contributions to the budget debate make a constructive addition to attaining a broad consensus in identifying priority areas for Budget 2017, which included:[10]

- **Childcare**. The general argument at the NED was that investment in childcare would yield benefits in terms of equality objectives but also in terms of competitiveness – reducing costs for working families and facilitating labour force participation;
- **Housing**. Housing also emerged as an area where many delegates argued in favour of increased public spending and broader governmental effort. This was not surprising given the housing challenges which Ireland faces but it is worth reflecting on housing in the context of the discussion above on balancing economic and social objectives. It seems clear that an ambitious programme of social housing would help to tackle one of the current great social challenges; and
- **Infrastructure**. Many NED delegates argued for increased spending on infrastructure, including broadband in the context of rural disadvantage.

For the first time this year the Department of Public Expenditure Reform published a Mid-Year Expenditure Report. This Report set out the detailed expenditure context for Budget 2017, including baseline Ministerial Expenditure Ceilings for all Departments. This report provided the starting point for the examination by the Oireachtas of budgetary priorities for 2017.

[10] The *Chairman's Report on the National Economic Dialogue* expands on key themes emerging from the NED.

The Committee on Budgetary Oversight was established in July of this year to strengthen the role of the Oireachtas in budget analysis and scrutiny. Having met with the Ministers for Public Expenditure and Reform and Finance, as well as other expert witnesses, the Committee published its report on Budget 2017 on 3 October. The spending plans contained in Estimates 2017 and the assessment presented in this Expenditure Report responds to the expenditure issues raised by the Committee in its report. A summary of the response to the Committee's views on public expenditure matters will be published on www.budget.gov.ie.

Conclusion

This Budget represents another step in restoring resources to key priority areas while also ensuring the viability of the public finances. The expenditure allocations in this Report have been formulated while reaching broad consensus on key priorities, and with the objective of sharing the gains of the recovery with all members of society.

However, we have to be mindful of the considerable expenditure pressures (with demographic and pay considerations) facing the State's finances, especially in the context of external challenges to be faced though the UK's decision to leave the EU. Therefore, it is important to evaluate how we spend our money to ensure that limited resources provide much needed public services and social infrastructure. This balance between the need for continuing financial prudence and investing in physical and social infrastructure for the future is at the core of the Governments budget decisions this year.