2019

Expenditure Report
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Executive Summary

This document is the Expenditure Report for Budget 2019, as presented to Dáil Éireann. It sets out the Government’s voted expenditure allocations and measures for 2019. It also provides the expenditure ceilings for period 2020 to 2021. Since 2015, economic circumstances have allowed for increases in expenditure on an annual basis. The allocation in 2019 follows this trend and will continue the focus on ensuring ongoing improvements in public services and infrastructure by providing appropriate levels of increases in expenditure each year.

Total gross voted expenditure for 2019 will reach €66.6 billion as shown in the table below. This allocation is consistent with delivering a broadly balanced budget in headline terms next year.

<table>
<thead>
<tr>
<th>Estimate of Gross Voted Expenditure 2019</th>
<th>€ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Expenditure (Underlying)</td>
<td>59,155</td>
</tr>
<tr>
<td>Costs Relating to Prior Years</td>
<td>104</td>
</tr>
<tr>
<td>Gross Current Expenditure</td>
<td>59,259</td>
</tr>
<tr>
<td>Capital Expenditure</td>
<td>7,302</td>
</tr>
<tr>
<td>Total Gross Expenditure (Underlying)</td>
<td>66,457</td>
</tr>
<tr>
<td>Total</td>
<td>66,561</td>
</tr>
</tbody>
</table>

*Rounding affects total

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 protecting the most vulnerable in society and prioritising core social services.

Prioritisation of Public Spending 2019

The 2019 allocations to Departments for current and capital expenditure are outlined in the table below. More information about these allocations are provided in Parts II and III of this Report.
**Ministerial Vote Group Gross Current Expenditure Ceilings**

<table>
<thead>
<tr>
<th>Vote Group</th>
<th>2018* € million</th>
<th>2019 € million</th>
<th>Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, Food and the Marine Group</td>
<td>1,285</td>
<td>1,341</td>
<td>4.4%</td>
</tr>
<tr>
<td>Business, Enterprise &amp; Innovation Group</td>
<td>316</td>
<td>330</td>
<td>4.5%</td>
</tr>
<tr>
<td>Children and Youth Affairs Group</td>
<td>1,355</td>
<td>1,479</td>
<td>9.1%</td>
</tr>
<tr>
<td>Communications, Climate Action &amp; Environment Group</td>
<td>372</td>
<td>391</td>
<td>5.2%</td>
</tr>
<tr>
<td>Culture, Heritage &amp; the Gaeltacht Group</td>
<td>249</td>
<td>264</td>
<td>6.0%</td>
</tr>
<tr>
<td>Defence Group</td>
<td>869</td>
<td>888</td>
<td>2.1%</td>
</tr>
<tr>
<td>Education &amp; Skills Group</td>
<td>9,490</td>
<td>9,822</td>
<td>3.5%</td>
</tr>
<tr>
<td>Employment Affairs &amp; Social Protection Group</td>
<td>20,001</td>
<td>20,484</td>
<td>2.4%</td>
</tr>
<tr>
<td>Finance Group</td>
<td>458</td>
<td>481</td>
<td>5.1%</td>
</tr>
<tr>
<td>Foreign Affairs Group</td>
<td>742</td>
<td>781</td>
<td>5.3%</td>
</tr>
<tr>
<td>Health Group</td>
<td>15,464</td>
<td>16,360</td>
<td>5.8%</td>
</tr>
<tr>
<td>Housing, Planning &amp; Local Government Group</td>
<td>1,673</td>
<td>1,919</td>
<td>14.7%</td>
</tr>
<tr>
<td>Justice Group</td>
<td>2,483</td>
<td>2,572</td>
<td>3.6%</td>
</tr>
<tr>
<td>Public Expenditure and Reform Group</td>
<td>989</td>
<td>1,052</td>
<td>6.3%</td>
</tr>
<tr>
<td>Rural &amp; Community Development Group</td>
<td>144</td>
<td>152</td>
<td>5.7%</td>
</tr>
<tr>
<td>Taoiseach’s Group</td>
<td>184</td>
<td>189</td>
<td>2.7%</td>
</tr>
<tr>
<td>Transport, Tourism and Sport Group</td>
<td>735</td>
<td>755</td>
<td>2.6%</td>
</tr>
<tr>
<td><strong>Provision for 2018 Christmas Bonus</strong></td>
<td>265</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Year-end underspends-unallocated</strong></td>
<td>(175)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Gross Current Expenditure</strong></td>
<td>56,900</td>
<td>59,259</td>
<td>4.1%</td>
</tr>
</tbody>
</table>

**Memo Item**

- *Health costs relating to prior years*  
  - (104)
- **Underlying current expenditure increase**  
  - 56,900  
  - 59,155  
  - 4.0%

*2018 figures adjusted for in-year policy decisions  
**Rounding affects total
### Ministerial Vote Group Gross Capital Expenditure Ceilings

<table>
<thead>
<tr>
<th>Group</th>
<th>2018</th>
<th>2019</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>€ million</td>
<td>€ million</td>
<td>%</td>
</tr>
<tr>
<td>Agriculture, Food and the Marine Group</td>
<td>248</td>
<td>255</td>
<td>2.8%</td>
</tr>
<tr>
<td>Business, Enterprise &amp; Innovation Group</td>
<td>555</td>
<td>620</td>
<td>11.7%</td>
</tr>
<tr>
<td>Children and Youth Affairs Group</td>
<td>28</td>
<td>32</td>
<td>14.3%</td>
</tr>
<tr>
<td>Communications, Climate Action &amp; Environment Group</td>
<td>209</td>
<td>256</td>
<td>22.5%</td>
</tr>
<tr>
<td>Culture, Heritage &amp; the Gaeltacht Group</td>
<td>54</td>
<td>75</td>
<td>38.7%</td>
</tr>
<tr>
<td>Defence Group</td>
<td>77</td>
<td>106</td>
<td>37.7%</td>
</tr>
<tr>
<td>Education &amp; Skills Group</td>
<td>745</td>
<td>941</td>
<td>26.2%</td>
</tr>
<tr>
<td>Employment Affairs &amp; Social Protection Group</td>
<td>10</td>
<td>14</td>
<td>40.0%</td>
</tr>
<tr>
<td>Finance Group</td>
<td>26</td>
<td>26</td>
<td>0.7%</td>
</tr>
<tr>
<td>Foreign Affairs Group</td>
<td>13</td>
<td>21</td>
<td>61.5%</td>
</tr>
<tr>
<td>Health Group</td>
<td>513</td>
<td>667</td>
<td>30.0%</td>
</tr>
<tr>
<td>Housing, Planning &amp; Local Government Group</td>
<td>1,692</td>
<td>2,113</td>
<td>24.9%</td>
</tr>
<tr>
<td>Justice Group</td>
<td>144</td>
<td>220</td>
<td>52.6%</td>
</tr>
<tr>
<td>Public Expenditure and Reform Group</td>
<td>174</td>
<td>201</td>
<td>15.1%</td>
</tr>
<tr>
<td>Rural &amp; Community Development Group</td>
<td>88</td>
<td>141</td>
<td>61.1%</td>
</tr>
<tr>
<td>Taoiseach’s Group</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transport, Tourism and Sport Group</td>
<td>1,332</td>
<td>1,613</td>
<td>21.1%</td>
</tr>
<tr>
<td><strong>Total Gross Capital Expenditure</strong></td>
<td><strong>5,908</strong></td>
<td><strong>7,302</strong></td>
<td><strong>23.6%</strong></td>
</tr>
</tbody>
</table>

*2018 figures adjusted for in-year policy decisions

**Rounding affects total
Selected Key Areas of Current Expenditure 2019

In 2019, voted Government expenditure will be €66.6 billion. Maintaining the approach of recent years, additional resources in 2019 will be focused on incrementally improving the scope and availability of public services which will broadly impact on all sectors and regions of the economy. Outlined below are summaries of the key spending areas. Details of the services to be delivered by all Departments are set out in Part II of this Report.

Social Protection

In order to protect the most vulnerable in society, the Government will provide an allocation of €20.5 billion for the Department of Employment and Social Protection. This will allow for a measured increase in social welfare payments. The significant provision of supports through the social protection system represents an important strand of the Government’s commitment to tackle poverty and social inequality in Ireland.

Health

€16.4 billion will be allocated to the Health sector in 2019 and this investment reflects the Government’s commitment to improve access to health and social services for the people of Ireland in 2019, through investment across community and hospital services and the National Treatment Purchase Fund.

Housing and Homelessness

Reflecting the key challenges facing the State in this area, roughly €1.9 billion will be allocated to the Department of Housing, Planning and Local Government in 2019. This investment will support an additional 16,760 households being accommodated under the Housing Assistance Payment and ensure that the increased demand for emergency homeless services is effectively addressed and will assist in supporting homeless households with long term and sustainable housing.

Children

Almost €1.5 billion is being invested in the Department of Children and Youth Affairs specifically to support children and young people in Ireland. Central to the continued development of our younger generations will be the delivery of services through organisations such as the Child and Family Agency (Tusla). Increased funding for Early Years Care and Education demonstrates the Government’s commitment to support the provision of services for the care, development and wellbeing of children and young people.

Education and Skills

The Government will spend over €9.8 billion in the Education sector in 2019. Responding to Ireland’s changing population, demographic profile and developments in our labour market today and into the future, this significant allocation will support the delivery of key services across all levels of the Education system.
**Justice**

The area of Justice and Equality incorporates a diverse array of Government activity and includes support for human rights, immigration and asylum, the oversight of policing and the delivery of services across the court system, in prisons and through An Garda Síochána. To support all these areas, the Government is committing over €2.5 billion of expenditure in 2019. This investment will provide support for the continued provision of policing services in 2019 including the recruitment of up to 800 trainee Gardai, increased provision to the Criminal Legal Aid system and the Office of the Data Protection Commissioner.

**Capital Investment in Infrastructure**

The National Development Plan (NDP), published in February 2018, demonstrates the Government’s commitment to meeting Ireland’s infrastructure and investment needs over the next ten years, through a total investment estimated at €116 billion over the period. This represents a very substantial commitment of resources and is expected to move Ireland close to the top of the international league table for public investment (as detailed in the NDP).

The NDP sets out the investment priorities that will underpin the successful implementation of the new National Planning Framework (NPF). This will guide national, regional and local planning and investment decisions in Ireland over the next two decades, to cater for an expected population increase of over 1 million people.

In 2019, capital expenditure will increase by approximately €1.4 billion or 23.6% over the revised 2018 amount. The revised amount for 2018 includes additional funding of €60 million for Housing and €20 million for Health. The funding for 2019 represents a significant increase from €5.9 billion in 2018 to €7.3 billion in 2019.

This level of capital funding will ensure that ongoing employment is maintained and will help create new opportunities while ensuring the efficient planning of public infrastructure investment to appropriate regional development. It will also provide clarity to the construction sector, allowing the industry to provide the capacity and capability required to deliver Government’s long-term investment plans.

In 2019, capital expenditure will increase by approximately €1.4 billion or 23.6% over the revised 2018 amount. The revised amount for 2018 includes additional funding of €60 million for Housing and €20 million for Health. The funding for 2019 represents a significant increase from €5.9 billion in 2018 to €7.3 billion in 2019.

This level of capital funding will ensure that ongoing employment is maintained and will help create new opportunities while ensuring the efficient planning of public infrastructure investment to appropriate regional development. It will also provide clarity to the construction sector, allowing the industry to provide the capacity and capability required to deliver Government’s long-term investment plans.

Investments in 2019 will include:-

**Transport**

An additional €281 million will be allocated to advance projects, giving the Department an overall allocation of €1,613 million in 2019. The additional funding will progress and deliver major public transport projects such as MetroLink, BusConnects, Greenways, Luas and DART expansion schemes. There will also be significant additional investment in local and regional roads projects.

**Housing**

The Department will receive an additional €421 million, bringing their allocation up to €2,113 million in 2019. Building on the progress already achieved under Rebuilding Ireland, some 52,000 additional new social homes will be delivered over the period 2018-2022 adding much needed houses to the social housing stock.
**Education**

The 2019 provision for Education will be €941 million, an increase of €196 million over their 2018 allocation. The Department will continue to deliver new buildings, equipment and furnishing of Primary and Post-Primary Schools. Significant new projects will commence in the Higher Education sector. There will be increased ICT grants made to schools in support of the Digital Strategy for Schools.

**Health**

The Department will receive €667 million in capital funding in 2019, €154 million above their 2018 estimated spend. The additional expenditure will ensure the prioritisation of projects in areas such as Primary Care, Community Nursing Units, Ambulance Bases, Mental Health and Acute Services.

**Justice**

The overall capital ceiling for Justice will increase to €220 million in 2019, a considerable increase of €76 million over the 2018 allocation. The additional expenditure will allow the Department to progress construction of the Forensic Science Laboratory, refurbishment and construction of a new female prison wing in Limerick prison, purchase additional Garda vehicles and communications systems.
Introduction

The decisions detailed in the 2019 Expenditure Report reflect the positive position of the economy, the labour market and the public finances. The strong growth that Ireland has experienced in the past few years, and the impressive improvement in the labour market, has allowed this Government to provide further resources for public services. The commitment to increase the overall level of provision also goes hand in hand with the commitment to reform and improve the delivery and impact of existing programmes. For this reason, the Government has committed to delivering a series of public service reforms, as set out in *Our Public Service 2020*, and has initiated the spending review process to identify where the efficiency and effectiveness of existing programmes can be improved. This increased focus on reform means that expenditure levels can grow broadly in line with the economy, and in a much more sustainable manner than experienced in the past, while still delivering steady improvements in the lives of citizens. This approach will allow the Government to achieve its stated aim of broadly balancing the public finances.

It is also important to note the key role played by public expenditure in building and maintaining the prosperity of Ireland. Public expenditure in the areas of infrastructure, education, childcare and health not only delivers on immediate social and economic needs, but these investments deliver sustained longer-term returns. This commitment to improving the levels of physical and human capital will boost Ireland’s international competitiveness, the longer-term potential of the economy and Ireland’s appeal on the world market. In improving Ireland’s international appeal, the Government is cognisant of the current movements in the global trading environment, within which the Irish economy must remain competitive. Imminent risks and threats exist on account of the UK’s exit from the EU in March 2019, and the emergence of protectionism amongst some of Ireland’s key trading partners. For this reason, the Government is committed to targeting a balanced book next year, while improving the long-term structural potential of the economy through carefully planned investment. This will ensure that improvements in living standards can be maintained throughout this uncertain period.

This Expenditure Report sets out the Government’s decisions on spending allocations for each Government Department in 2019 and details voted expenditure ceilings over the period 2019 to 2021. The structure of the Report is as follows:

**Part I** provides an overview of the main fiscal and expenditure policy considerations which have been taken into account in setting the expenditure strategy for the period 2019 to 2021.

**Part II** outlines the multi-annual expenditure ceilings agreed for each Ministerial Vote Group. It also sets out information in relation to each vote group, describing the nature of its funding allocations for current spending, the public services to be delivered in 2019, and a summary of the new measures being funded from the Budget announcements.

**Part III** contains the full details of the expenditure allocations for 2019 with a presentation of the Estimates for Public Services for each Vote.
Part I - Public Expenditure Strategy
Chapter 1
Economic and Fiscal Context

The current economic and fiscal context underpins the Government’s goal to protect the most vulnerable in this society and promote real and sustainable increases in living standards for all. This has to be achieved while also ensuring that the public finances are managed appropriately in avoiding pro-cyclical policies and building fiscal buffers for the future. In noting the importance of maintaining a strong economy and sustainable fiscal position, this Government recognises how the right choice of public expenditure can both improve the quality of life for our people while adding to the productive capacity of the economy. The objective is to improve the levels and impact of this expenditure while also ensuring a healthy fiscal position.

The official macroeconomic outlook, published today, estimates growth of 7.5% this year, 4.2% in 2019 and 3.6% in 2020. The outlook further predicts average growth rates of 2.6% between 2021 and 2023. In terms of risks for this outlook, the probability of a ‘disorderly’ Brexit – failure to agree either a transitional arrangement or trade agreement (or both) between the EU and the UK – has increased in recent months and there remains considerable uncertainty regarding what form any post-exit arrangement will take. In addition, trade tensions have escalated in recent months, which is concerning from an Irish perspective given Ireland’s deep integration in the world economy.

Figure 1 illustrates the deficit position since 2007, through the crisis period towards a more normal phase experienced currently. The scale of the deficits throughout the crisis period were caused by very significant levels of borrowing to maintain and deliver key public services. Even with significant levels of borrowing, there was still a need for total consolidation measures totalling €30 billion in this period in order to reduce the levels of deficit. The decisive policy action taken over these years and the hard work of the Irish people have restored public finances and have put the economy back on a sustainable footing.

Source: Central Statistics Office; and the Department of Finance
Public debt, having peaked in 2012 at around 120% of GDP, has now fallen to 64% and is expected to fall within range of the 60% of GDP Stability and Growth Pact target by next year. However, the marked reduction in the debt ratio that occurred in 2015 was primarily as a result of the unprecedented GDP growth that year. Using the modified GNI (GNI*) measure as the base, the public debt ratio is elevated over 100% in 2018 and 2019. This remains a very high level of indebtedness by international standards and limits the scope for absorbing economic and fiscal shocks. Ensuring that the public debt ratio is further reduced will assist in making the underlying public finances more sustainable, and particularly for a small open economy, protect against the risks of external/domestic shocks and the risk of increases from current very low levels in the interest rate paid on public debt.

As Figure 2 illustrates, the current trend details that Ireland’s debt remains on a firm downward trajectory and is projected to approach the Stability and Growth Pact (SGP) ‘debt benchmark’ of 60% of GDP just beyond 2019.

1.2 The Labour Market
The labour market has transformed over the last number of years. Government policies and action plans introduced in recent years to improve job opportunities have contributed to this transformation. Improvement in the labour market allows for savings in Live Register related costs and the reprioritisation of funds to other areas. The level of employment has grown on average by 3.2% for the past two years. It is expected that employment will increase by 3% in 2019. Since the lowest point of employment during the crisis period in Q3 2012, the number

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1 This adjusted level indicator adjusts Gross National Income (GNI) for the retained earnings of re-domiciled firms and depreciation on foreign-owned domestic capital assets in the GNI figures, to provide a more accurate measure of national income.
of people in jobs have increased by 381,000\(^2\). In this time, each region has benefitted in terms of job growth.

The reduction in unemployment is reflected in the significant increase of those in employment. The level of unemployment has decreased from 15% in 2012 to an expected average level of 5.8% in 2018. It is expected that unemployment will decrease further next year to 5.3%. This trend shows that our labour market has achieved the objective to reduce unemployment and reach full employment, as set out in the Programme for Partnership Government. Figure 3 below shows the trends in jobseekers expenditure and the growth in employment. The impact of job creation has meant that job seekers expenditure is expected to decrease by around 47% or €1.7 billion between 2013 and 2019.

**Figure 3** Annual Growth in Employment and costs of Jobseekers 2007 to 2019

Source: Department of Finance; and Department of Employment Affairs and Social Protection

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**Note**: Change in survey; the total employment figures have been adjusted to reflect the change in survey structure, from Quarterly Household Survey to Quarterly Labour Force Survey.
This chapter outlines the policy priorities behind the setting of expenditure ceilings in this Budget, provides an overview of historical trends in public expenditure and details the medium-term drivers of expenditure. The chapter also discusses the prioritisation for investment in infrastructure.

2.1 Expenditure Policy – Supporting Sustainable Investment

There has been a strong return to growth in the economy over the past number of years. While there is a degree of uncertainty around the measurement and magnitude of this growth, the significant improvements in the labour market, in taxation receipts and in the levels of trade have given this Government the confidence to provide further resources for public services. Impactful public expenditure does not operate separately from the rest of the economy, instead it plays a significant role in building and maintaining the prosperity and economic growth in Ireland. It is vital for a developed economy, like Ireland, to continue to invest in its people and its physical capital. With this in mind, this Government has prioritised additional funding in the areas of infrastructure, education, childcare and health. This not only delivers on immediate social and economic needs, but these investments deliver sustained longer-term benefits.

While the Government is committing further investment, another key focus must be the commitment to reform and improve the delivery and impact of existing programmes. For this reason, the Government has committed to delivering a series of public service reforms, as set out in Our Public Service 2020, and has initiated the spending review process to identify where the efficiency and effectiveness of existing programmes can be improved. This increased focus on reform means that more benefits can be garnered from existing spending which can deliver improvements in the lives of citizens. This helps the Government in achieving its stated fiscal target of broadly ‘balancing the books’ this year and next year, while not compromising on its other aims to improve the services for the people of Ireland.

The goal of utilising public expenditure to enhance long-term growth and improving the underlying capacity of the economy can mitigate against imminent risks. From an external point of view, the Government is focussed on meeting the challenges that are emerging in the global trading environment, in which a small open economy, such as Ireland, must remain competitive. For this reason, the Government is committed to ensuring that Ireland will remain an attractive location for trade and investment. The targets of delivering a broadly balanced budget next year and the commitment to further reduce the debt levels will give confidence internally and externally. In addition, the prioritisation of capital investment will further improve the longer-term returns for the Irish state.
The strong growth in capital spending is a notable feature of the recovery in public spending (see figure 4 below), with 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 sustaining progress on social priorities.

![Figure 4](image)

**Figure 4**  
Growth by Expenditure Type, 2014 to 2019

<table>
<thead>
<tr>
<th>Expenditure Type</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Growth</td>
<td>25%</td>
</tr>
<tr>
<td>Capital Growth</td>
<td>103%</td>
</tr>
<tr>
<td>Current Growth</td>
<td>20%</td>
</tr>
</tbody>
</table>

2.2 Expenditure Trends

Since the turn of the century, public expenditure levels have experienced significant transitions. Figure 5 illustrates the total levels of Gross Voted Expenditure and the annual growth rates of expenditure between 2000 and 2019. Expenditure growth was consistently high in the early years of this century, with expenditure growth rates of 20% and 14.4% in 2001 and 2002. Expenditure levels stood at the low nominal level of €26 billion in 2000 but rapidly accelerated to €62 billion in 2008 due to the unsustainable growth in tax revenues driven by the economic boom. Gross Voted Expenditure decreased significantly in the period between 2010 and 2014 following the financial and economic crisis.

Following the economic collapse, there was a period of negative or nil expenditure growth as public spending was brought back under control. Although the expenditure cutbacks had significant social costs, Scott and Bedogni (2017) found that the consolidation played a role in the stabilisation of the State’s finances.

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Scott, Robert and Jacopo Bedogni; *The Irish Experience: Fiscal Consolidation 2008-2014*; IGEES, 2017
Expenditure has increased annually from 2015 onwards, reflecting the need for enhanced public service and public investment. The steady growth in expenditure reflected a significant effort to moderate the level of expenditure increases and to secure a sustainable long-term path to growth.

Figure 6 illustrates the cumulative growth in Gross Voted Expenditure over specific intervals after 1999. There has been sustained and steady increases in public spending, which contrasts sharply with pre-crisis expenditure growth rates. The expenditure allocations for 2019, as set out in Part II of this Report is now being sustained into 2019.

4 REV 2018 included a significant technical adjustment in relation to the funding of Irish Water, with all funding for domestic water services now being provided from voted expenditure.
2.3 Investment in Infrastructure

Increased capital spending that enhances the growth potential of our economy seeks to make the economy more resilient and better able to respond to future risks. The NDP outlined investment in infrastructure of almost €116 billion in the ten year period to 2027, which combines €91 billion directly from the Exchequer, as well as nearly €25 billion by State-owned commercial company’s resources. Public capital investment will therefore move from relatively low levels in recent years as a result of the economic crisis, to being amongst the highest in the EU (as a percentage of national income). This responds to the deficits in our infrastructure, as well as the needs of a fast-growing population. Under the National Development Plan it is projected that public capital investment will reach 3.8% of national income (GNI*) in 2021 and 4% by 2024, with sustained investment averaging 4% on an annual basis over the period 2022 to 2027. This increased investment is being done in a prudent and measured way to take account of the external uncertainties facing the Irish economy, as well as the risks of overheating.

Four major funds with a combined allocation of €4 billion over the lifecycle of the NDP have been established. The funds will drive the delivery of specific core priorities detailed in the NPF:

- A €2 billion allocation to the Urban Regeneration and Development Fund will secure more compact, sustainable growth in Ireland’s five cities and other large urban centres.
- A €1 billion Rural Development Fund will support job creation in rural areas, address de-population of rural communities and support improvements in our towns, villages and their hinterlands that enhance the quality of life of communities and enhance their attractiveness for families who want to live and work there.
- A €500 million Climate Action Fund will support initiatives that contribute to the achievement of Ireland’s climate and energy targets.
- A €500 million Disruptive Technologies Fund will see investment in the development and deployment of disruptive innovative technologies and applications, on a commercial basis, targeted at tackling national and global challenges. They include the Rural Regeneration and Development Fund; the Urban Regeneration and Development Fund; the Climate Action Fund and the Disruptive Technologies Innovation Fund.

2.4 Medium-Term Drivers of Expenditure

The Mid-year Expenditure Report outlined pre-commitments of €1.1 billion in relation to current expenditure arising from demographic costs of €0.4 billion, public service pay of €0.4 billion and carryover of current year measures of €0.3 billion. This section discusses the first two elements of these pre-commitments, demographics and public service pay that combined amount to 1½ per cent of gross current expenditure.
2.4.1 Demographics

The IGEES paper, *Budgetary Impact of Changing Demographics 2017 – 2027*\(^5\), forecasts the likely additional costs over the next decade due to increased demands for public spending across the health, education and social protection areas. This paper projects the annual increased costs due to demographics at €428m and €435m in 2018 and 2019. The paper sets that in the medium term, 2021 to 2022, there is a large reduction in the overall demographic cost pressure, falling to an average annual demographic pressure of €148m. This significant fall off in cost is driven by pension expenditure and is due to the change in policy underpinning the age of retirement. Based on legislation, the pensionable age will increase to 67 in 2021. From 2023 to 2027 the annual cost of demographics reverts to just over €0.4 billion.

As outlined in Chapter 1, the level of unemployment has decreased from 15% in 2012 to an expected average level of 5.8% in 2018. The impact of job creation has meant that job seekers expenditure is expected to decrease by around 47% or €1.7 billion between 2013 and 2019. Over this period, these expenditure reductions have been available to partially offset the impact of demographic-related costs. As we approach full employment, in the period after 2019 there will be limited offsetting reductions in job seekers expenditure available.

While Ireland currently has a younger demographic profile relative to other countries, our population will get larger and older over the coming years and this will exert pressure on expenditure and on our public finances. The size and age structure of the population influences the demand for public services, particularly for the areas of education, childcare, healthcare, income supports and additional infrastructural investment. In the absence of achieving greater efficiency in Government expenditure, the requirement to meet demographic related costs will impact on the resources available for other areas.

2.4.2 Exchequer Pay Bill

The Exchequer pay bill comprises the total number of public servants and their rates of pay. Having increased in the last number of years, due to the hiring of additional public servants and through the implementation of public service pay agreements, in 2019, the Exchequer pay bill is expected to be €18.7 billion.

In terms of pay rates, the 2019 pay bill increase encompasses a 1 per cent rise for staff with annualised salaries of up to €30,000 in January 2019 and a 1.75 per cent increase for all public servants in September. If accepted, a deal between the Government and public service unions will also see increases specifically for new entrants from March 2019.

In relation to staffing, public services are predominantly delivered by front line public service staff. The Government is committed to sustainably increasing the number of staff on the front line. However, given the limited additional resources available to Government, in future years, it will be important to reflect the balance between further increasing rates of pay for public servants and the hiring of additional staff. This is not only with a view to ensuring

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\(^5\) Connors, Duffy and Newman; *Budgetary Impact of Changing Demographics 2017 – 2027*; IGEES, 2016
sustainability in the pay bill but is also geared towards managing the long term liability associated with public service pensions. This was highlighted by in a recent spending review analysis on pension bill projections in the public service.

In terms of improving public service pension sustainability, 2019 will see the conversion of the Pension Related Deduction into a permanent Additional Superannuation Contribution. In general, this will see those on pre-2012 pension arrangements pay 10% on salaries over €32,000, while public servants on the Single Pension Scheme will pay 6.6%.

Further analysis on pay and staffing was published in July as part of the Spending Review 2018⁶. These papers included an analysis of key issues in managing the Exchequer pay bill, in addition to several sectoral papers dealing with trends, allowances, workforce composition and workforce planning. The results and recommendations from these papers is discussed further in Box 1 below in Chapter 3.

⁶ Available at http://www.per.gov.ie/en/spending-review/
Chapter 3

Budgetary Reforms and Transparency

Introduction

Significant reforms have been implemented to Ireland’s budgetary framework in recent years. These reforms seek to embed sound expenditure management practice that maintains a focus on the extent to which public spending is delivering on key policy objectives. Key elements of this reform include Performance Budgeting, the role of the Irish Government Economic and Evaluation Service and the multi-annual spending review process.

Since its introduction on a pilot basis in 2011, the Performance Budgeting initiative has undergone significant refinement. By linking key outputs and outcomes to the financial and human resources for each Department and Office, Performance Budgeting facilitates meaningful dialogue on what is being delivered with public funds. REV 2018 saw further developments in this area with the rollout of a pilot programme for Equality Budgeting. This initiative is to be expanded in REV 2019 to broaden the areas on which reporting is conducted to include poverty, socioeconomic inequality and disability.

The National Development Plan has set an investment in infrastructure of almost €116 billion over the ten year period to 2027. Such a level of investment requires a strong framework to drive its implementation and increased transparency on the projects and programmes being supported by this investment.

In the last two years over 50 analytical papers have been produced for the spending review process. These papers provide an evidence base to inform budgetary decisions over a number of years and importantly provide greater transparency on the efficiency and effectiveness of public spending. This transparency is crucial to moving the discussion away from the overall quantum of spending, and instead providing a focus on the efficiency of spending, while also supporting a more informed public and parliamentary engagement on these matters.

3.1 Equality Budgeting

The Programme for Partnership Government commits to developing a process of budget and policy proofing as a means of advancing equality, reducing poverty and strengthening economic and social rights. Equality Budgeting involves providing greater information on the likely impacts of proposed and ongoing budgetary measures, which, in turn, enhances the potential to better facilitate the integration of equality concerns into the budgetary process, avoid unintended adverse outcomes and enhance the Government’s decision making framework.

An equality budgeting pilot was announced on Budget day last year and adopted for the 2018 budgetary cycle. The approach is anchored in the performance budgeting framework that is currently in place. It involves Departments setting concrete measurable targets for equality
objectives in the Revised Estimates Volume and reporting on progress in the Public Service Performance Report. For the pilot exercise, a number of diverse policy areas were selected with associated objectives and indicators. The learning from the pilot is being used to inform the expansion of the equality budgeting initiative to further develop the gender budgeting elements, and to broaden its scope to other dimensions of equality including poverty, socioeconomic inequality and disability. An Equality Budgeting Expert Advisory Group has also been established. This group is comprised of a broad range of relevant stakeholders and policy experts to provide advice on the most effective way to advance Equality Budgeting policy and progress the initiative.

Another element in responding to the Programme for Government commitment regarding equality budgeting has been the development of a Social Impact Assessment (SIA) Framework, which is designed to focus on policy areas that cannot easily be incorporated into the existing SWITCH model, specifically the impacts of public expenditure on recipient households. The framework allows evaluators to broaden the scope of the current SIA practice to take account of not only tax and social welfare measures, but also assess how changes in public expenditure policy can impact on household outcomes and living standards. 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. To date, SIAs have been carried out in relation to targeted childcare schemes, the general medical services scheme, the national minimum wage and an assessment of living standards during the recovery period. Further SIAs have been published today, including papers on female labour force participation, social housing supports and targeted childcare supports.

3.2 Green Budgeting

Climate change and environmental degradation are among the most pressing and complex policy challenges of our times. Given the urgency of addressing these challenges, it is necessary to align Government spending and taxation policies with climate and environmental goals. To this end, Ireland is committed to joining the Paris Collaborative on Green Budgeting. By joining this initiative, Ireland will make common cause with other OECD countries to develop new and innovative ways of embedding climate change in the budgetary process. This initiative will offer greater transparency on climate action to the general public, and will signal those policy areas where action needs to be accelerated.

As a first step in Green Budgeting, this year’s Revised Estimates Volume (REV) will list all of Exchequer climate-related expenditure in a separate section of that report. In conjunction with the Revised Estimates Volume, a short policy paper is planned to be published setting out the Government’s commitment to green budgeting and how this can be applied and advanced in an Irish context.

It is also intended to publish several proposed revisions to the Public Spending Code in the coming weeks. These technical revisions, particularly the reforms to the discount rate and the shadow price of carbon, will ensure that the initial appraisal of all Government investment decisions will incorporate an appropriate assessment of the climate consequences of those decisions.

3.3 Focussed Policy Assessments published by the Prevention & Early Intervention Unit

Under *A Programme for a Partnership Government*, the Department of Public Expenditure & Reform has established a Prevention and Early Intervention Unit (PEIU). The focus of the PEIU’s work is on prevention and early interventions that can improve the life outcomes of children as well as the quality of life of older people dealing within long term conditions such as chronic illness; which the PEIU is locating within the context of population health.

There is a strong common-sense appeal of such interventions; most people are familiar with the idiom that “prevention is better than cure”. However, effective prevention and early interventions rely on both knowing what to do (scientific understanding of cause and effect) and being in a position to act (the capacity of the government to intervene). Today, the PEIU is publishing three Focussed Policy Assessments on the IGEES website:

- *Immunisation* – an intervention that seeks to produce immunity to potentially life threatening or life limiting diseases and their associated complications;
- *Aftercare* – an intervention that supports young people in preparing to leave State care and making the transition to adulthood and independent living; and
- *Diabetic RetinaScreen* – an intervention that focuses on the early detection of diabetic retinopathy, a major cause of blindness among adults in Ireland

These reports are part of a series that considers key prevention and early interventions supported by public resources. The approach is to describe each intervention by following a common structure: rationale for the intervention; public resources provided to support the delivery of the intervention; outputs and services provided; and achievements of the intervention relative to its stated goal. As a whole, this series of descriptive reports will provide the evidential base for a thematic consideration of prevention and early interventions in Ireland.

3.4 National Development Plan

Project Ireland 2040 – the National Development Plan (NDP) and the National Planning Framework (NPF) – was launched by the Government in February, 2018. The NDP sets out a 10 year vision for Ireland’s public capital infrastructure priorities out to 2027 and is strictly

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aligned with the National Strategic Outcomes for Ireland’s new spatial strategy, which are contained in the NPF\textsuperscript{10}.

A high-level Project Ireland 2040 Delivery Board has been established. The board includes Secretaries General of the main capital spending Departments and their Agencies. The Project Delivery Board will continue to provide strategic direction and leadership to the NDP and NPF implementation process. The Delivery Board will monitor and oversee implementation structures and performance across the various sectors to ensure a co-ordinated and collaborative whole of Government approach to NDP and NPF delivery. Measures being taken in this regard include:

- The Infrastructure Projects and Programmes Office has been established in DPER to coordinate reporting on the NDP and drive reforms in relation to areas such as project appraisal and selection;
- The Capital Projects Tracker has been updated and further developed as an interactive tool to provide more comprehensive information on the cost and delivery of the various infrastructure projects and programmes identified in the NDP;
- A Construction Sector Group has been established to ensure regular and open dialogue between Government and the construction sector in relation to issues that may impact on the successful delivery of the NDP on a value-for-money basis for the State.

3.5 Spending Review 2018

In order to ensure that public expenditure policies are sustainable over the longer term, ensuring value for money across all areas of expenditure is vitally important. The Spending Review 2018 took place during the first half of this year and is the second in a series of rolling, selective reviews which will cover the totality of Government spending over a three year period to 2019. The Spending Review harnesses the expertise within the Irish Government Economic and Evaluation Service to support the development of better policy options for Government by broadening and deepening the knowledge of a range of complex policy areas. In the last two years, over 50 analytical papers have been produced. These papers:

- Provide an evidence base in relation to Departmental spending that informs the choices made in relation to budgetary allocations;
- Identify areas of existing expenditure that require ongoing analysis where issues emerge during the Spending Review;
- Outline key sectoral trends and provide analysis with international comparisons on expenditure levels and efficiency.

The results of the 2018 review were published alongside the Mid-Year Expenditure Report 2018 and include key sectoral trend analysis and a number of individual topic papers\textsuperscript{11}. The publication of these papers in advance of the Budget Estimates process allows for more transparent and informed dialogue around expenditure choices. Given the rolling multiannual

\textsuperscript{10} Link for NPF: http://npf.ie/
\textsuperscript{11} Available at http://www.per.gov.ie/en/spending-review/
nature of the process, and its focus on the totality of spending, issues arising in a paper published in a particular year can also usefully inform discussions in subsequent years.

Building on the output of the Spending Reviews in 2017 and 2018, the intention is that the Spending Review in 2019 will once again focus on an assessment of efficiency, effectiveness and sustainability of specific spending programmes. The Spending Review in 2019 will continue to support the development of better policy options for Government by broadening and deepening the knowledge of a range of complex policy areas to facilitate future discussions regarding the evolution of Government expenditure. The Spending Review is firmly linked to the positive budgetary and operational reforms that are improving how the business of Government is carried out. The Spending Review utilises the skills of the professional economists and evaluators across the IGEES network, and provides a platform for these professionals to showcase the benefits of evidenced-based policy development. The outputs of the Spending Review in 2018 are also closely aligned with the current public service reform programme, Our Public Service 2020.

3.6 Outcomes of the Spending Review 2017 and 2018

Over the past two years, 50 analytical papers have been published as part of the Spending Review. As discussed above, these papers provide an evidence base to inform the Estimates process and to identify future areas that require ongoing analysis. This section will discuss some of the selected outcomes of the spending review process over the last two years and how these have influenced the Estimates process and in setting priorities for reform.

3.6.1 Education and Skills

Decisions taken as part of Budget 2019 will see the creation of a new ring-fenced funding line, the Human Capital Initiative, to be established within the National Training Fund to draw down €60 million per annum from the accumulated surplus, over the 5 year period 2020-2024. A major objective of the Initiative, consistent with the Expert Group on Future Funding Report, is to incentivise continued reform and innovation in third level provision, building on best practice examples available nationally and internationally through such mechanisms as graduate conversion, accelerated course completion, flexible and blended learning, intensified focus on employability and strengthened linkages and relationships with enterprise. The €300 million ring-fenced allocation will complement the 0.3% cumulative increase in the NTF levy, initiated in Budget 2018, which will generate a further €69 million recurrent investment in the Education sector in 2019 and €74 million in 2020. In addition to this, the State is providing c. €58 million to meet demographic, pay and pension pressures in the Higher Education sector. This represents a significant response to projected demographic pressures impacting on the HE sector over the next five years, as highlighted in the Expert Group Report on Future Funding. This represents a significant investment which will assist in future-proofing our workforce; provide additional investment in Higher Education; address skills needs at a regional level via the Regional Skills Fora and enable the Education sector to take a more medium term approach to budgeting through an agreed multi-annual allocation. The Spending Review paper, supported by the independent review of the NTF and the
corresponding Department of Education and Skills NTF Review Implementation Plan, will ensure that this investment supports a co-ordinated HE and FET response in meeting the skill and education needs of the economy.

3.6.2 Justice and Equality

As part of the Spending Review, the Department of Public Expenditure and Reform published two papers on policing. These related to (i) the Efficiency and Control of Overtime Expenditure in An Garda Síochána and (ii) Policing Civilianisation in Ireland focusing on lessons from international practice. These papers have directly informed both the budgetary process for 2019 as well as the medium term policing reform agenda. The overtime paper recommended new governance measures to help control overtime as well as the development of a medium term plan to reduce overtime expenditure. Following on from this, the Senior Leadership Team in An Garda Síochána are now considering the governance proposals and are also finalising a financial sustainability plan for overtime. This plan has already led to the initiation of new control measures to generate financial savings on overtime spending. In addition, the overtime budget for 2019 will be lower than the existing allocation for the first time since 2014, as part of a multi-annual approach to reducing overtime to international norms (4%-5% of pay bill excluding parading briefing) over the coming three years. The recent C&AG annual report also cited the findings of the overtime paper as part of the chapter on management of overtime.

The paper on policing civilianisation contained important findings about the role of workforce planning and demand analysis in driving policing reform and the need to learn from the civilianisation experiences of other jurisdictions who are already much further along the strategic HR reform agenda. The recently published report of the Commission on the Future of Policing in Ireland cited the civilianisation paper in its finding that more thorough workforce planning is required to inform the resource requirements for a new structure in An Garda Síochána. This report also used evidence from the civilianisation paper in its finding that the existing civilianisation targets (21% civilians as part of Garda workforce excluding reservists) is too modest. Finally, evidence from the paper on redeployment and the pace of civilianisation informed the technical budgetary discussions for 2019 on the Garda vote.

3.6.3 Employment Affairs and Social Protection

A number of papers have been published in the area of Employment Affairs and Social Protection in the Spending Reviews of 2017 and 2018. There have been significant outcomes in improving service provision and enhancing the knowledge base of the schemes analysed. The section will pay particular attention to the outcomes in the areas of employment supports, disability, work incentives and staffing.

Firstly, the 2017 review of Employment Supports and the 2018 review of Public Employment Services paper identified cost inefficiencies and reduced demand for the provision of labour market activation services. Allocations in this area of the Department of Employment Affairs and Social Protection have been reprioritised as part of the estimates in 2018 and 2019. Secondly, as part of Spending Review 2017, the Department of Public Expenditure & Reform
published a review of the Disability Allowance programme. On the back of recommendations in the paper, Disability Allowance data will now be included as part of the Jobseeker’s Longitudinal Database. This should support increased efficiencies in the operation of the scheme in the medium-term. Thirdly, the Spending Review analysis of replacement rates developed models to better understand the interaction between social welfare, health and housing benefits. It identified that while most people have an incentive to take up employment, some family cohorts with housing benefits may face disincentives to taking up employment. This has helped inform the Estimates for 2019. Finally, the section on the Department of Employment Affairs and Social Protection within the Expenditure Trends paper identified resourcing challenges and future demands for staffing which fed into the estimates for pay expenditure in 2019.

3.6.4 Efficiency of Public Expenditure

Discussion in relation to the overall level of resources allocated across key sectoral areas can be better informed by research that looks at the outcomes and outputs delivered with the allocated resources. Spending Review 2018 papers address these issues with papers on both a cross-sectoral basis and sectoral basis.

Cross-Sectoral

An issue that arises in this discussion is the overall level of expenditure in Ireland when compared to other countries. The Comparative levels and efficiency of Irish Public Spending paper addresses this particular issue. As outlined in the paper and in Table 1 below, while at first glance, spending in Ireland as a percentage of GDP is well below Euro-area (EA) norms, when account is taken of certain differences between Ireland and other EA countries, this gap in spending tends to shrink. Firstly, using GNI* for Ireland the gap in total spending decreases from 20 per cent of GDP to 5 per cent of GNI*. Secondly, accounting for the differing age structures across EA countries, (Ireland has a relatively young population in comparison to other EA countries) the gap as a percentage of GNI* falls further to only -0.6 per cent.

Table 1: Snapshot of 2015 gap between Ireland and Euro-area average expenditure (%)

<table>
<thead>
<tr>
<th>Total Expenditure</th>
<th>Non Age-Adjusted</th>
<th>Age-Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>-19.7</td>
<td>-16.9</td>
</tr>
<tr>
<td>GNI</td>
<td>-11.5</td>
<td>-7.9</td>
</tr>
<tr>
<td>GNI*</td>
<td>-4.9</td>
<td>-0.6</td>
</tr>
</tbody>
</table>

The composition of the population has an important impact on how resources are allocated and should be factored into an analysis of comparative spending across countries in particular sectors. With Ireland having the highest proportion of younger people and the lowest proportion of older-age people, it should be expected that spending on pensions and healthcare should be lower in Ireland than other countries and conversely, spending on areas such as education would be higher.

A key focus of recent budgetary reforms has been to move the focus on to the efficiency and effectiveness of expenditure. The paper looks at comparative efficiency of public spending

across the areas of Health, Social Protection, and Education utilising healthy life years at birth as a proxy for the efficiency of the health systems, those not at risk of poverty as the standard measure for Social Protection and PISA scores for Education. Figure 7 below illustrates the analysis for Education and Health spending. The results indicate that Irish public expenditure in education is relatively efficient due to the close proximity to the efficiency frontier and Ireland is assessed to be the most efficient country when education expenditure is age-adjusted and estimated in GDP terms. In contrast, the analysis indicates that there are inefficiencies in Ireland’s public health expenditure which becomes more pronounced when adjustment is made to take account of Ireland’s high proportion of young people in comparison to its EA peers.

Figure 7  Plots of Inputs and Outcomes for Education and Health Sectors

![Plot of Public Education Expenditure and Pisa Scores](Image)

![Plot of Public Health Expenditure and Health Life Years](Image)

Source: Meaney, Oyewole and Bedogni, 2018. ‘Comparative levels and efficiency of Irish Public Spending’

Health Sector Efficiency Research

An example of a paper that looks at efficiency in a particular sector is Hospital Inputs and Outputs: 2014 to 2017 (Lawless, 2018)\(^{13}\), a paper analysing the trends in acute sector inputs and outputs over the period 2014 to 2017. The paper used data available from the monthly Management Data reports as published by the HSE. Hospital outputs are limited to day case and inpatient discharges, Emergency Department presentations and waiting list numbers. The paper found that there is a clear disconnect between the increased investment made over the three years and the subsequent improvement in terms of output levels.

There continues to be a significant issue with regard to hospital budget management. By December 2017, all but two hospitals reported being over budget with an average overspend of 7%. This represents very little improvement since 2012 when the C&AG identified that all but one hospital reported being over budget at end-year with an average overspend of 7%.

The paper Health Budget Oversight and Management (Connors, 2018) published today further addresses issues in relation to budget management in the health sector\(^{14}\).

\(^{13}\) Available at [https://www.per.gov.ie/en/spending-review/](https://www.per.gov.ie/en/spending-review/)

3.6.5 Staffing and Workforce Planning

Staffing and Workforce planning emerged as a key theme of this year’s Spending Review. As the Irish economy recovers and demand for public services increase, it is important for Departments to take stock of their staffing and pay bill trends to guide future workforce projections and planning. Strategic workforce planning will allow for an improvement in how services are delivered by ensuring that public service staffing is allocated in a manner that achieves the greatest outcome for clients.

Box 1: Spending Review Research on Staffing and Workforce Planning

An overall scene-setting paper for this area was published as part of the Spending Review, *Public Service Pay Bill Management – Key Issues* (Howlin, McGrath, Reidy and Smith, 2018), which assesses the recent trends in public sector numbers and discusses policy levers for the sustainable management of the Public Sector Pay Bill. The paper supports framework for a structured approach to fiscal planning, competitive rates of pay for public servants and embeds workforce planning across the public service to ensure the appropriate level and composition of employment, while noting that effective workforce planning can support improvements in productivity.

**Sectoral Research**

**Health**

*HSE Staff Trend Analysis 2014-2017* (Connors, 2018), assesses the rising trends in staffing and pay costs in the health sectors and provides recommendations on improving governance structures within the sector to mitigate the risk of future pay overruns.

**Justice**

*Overtime Spending in An Garda Síochána - Efficiency and Control* (Dormer, 2018) assesses the 185% increase in the Garda overtime bill since 2013. The paper recommends an improvement to governance structures with the recruitment of a dedicated senior professional manager as well as the establishment of a new senior management committee in order to bring a greater focus to the oversight of overtime expenditure.

*Policing Civilisation in Ireland - Lessons from International Best Practice* (Gavin, 2018) provides a peer country comparison of the levels of civilianisation within different police forces and makes recommendations for increasing the share of civilians within An Garda Síochána. This focusses on the more medium-term benefits of efficiency and specialisation improvements on the back of increased civilianisation. The paper also notes that there needs to be continued efforts by An Garda Síochána to fully embrace Workforce Planning, including a detailed analysis of future demands for policing services.

**Education**

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Two papers analysing the key drivers of spending in the primary, secondary and tertiary sectors, *Pay Expenditure Drivers at Primary and Secondary Level—schools* (DPER, 2018) and *Understanding the Funding needs in Higher Education* (DPER, 2018), with particular focus on overall staffing levels. The papers analyse the current ratio of pupils to teachers at first and second level, the workforce planning challenges of managing peaks in student numbers passing from primary education in 2018 to secondary education in 2024 and the implication of demographic pressures for higher education.

**Revenue**

A paper looking at efficiency improvements due to ICT spending in the Revenue Commissioners, *Revenue Digitalisation – Efficiency, Effectiveness and Insights* (Brassill, 2018), also looks at the implications of automation on workforce planning. The paper found that the digitalisation aided the reduction in staff numbers realised under the Employment Control Frameworks, by permanently removing, streamlining and/or automating business activities.

### 3.7 Reporting and Accountability

In response to demographic changes, increased service demands and Government policy initiatives, resource allocations for most Government Departments will increase significantly in 2019. These increases will need to be matched with clear and effective accountability for the use of these funds.

The recent reforms to the budgetary process operate within the wider expenditure management and reporting framework. Specifically in relation to reporting, the principles of Government accounting are mainly derived from the Constitution, and from the institutional and financial relationships between parliament and the executive which have been developed over the years. The *Public Financial Procedures* set out these principles and outline the essential features of financial management. In line with the agenda of Civil Service Renewal, the Department of Public Expenditure and Reform is examining ways of modernising government financial reporting including reforms relating to greater fiscal transparency in the area of central government financial reporting. Work is underway, under the EU Commission Structural Reform Programme and with the input of the OECD, on an assessment of the central government financial reporting framework that will inform this work on modernising government financial reporting.

In the area of accountability, across the public service, Accounting Officers have a responsibility to make certain that allocated resources are in line with policy priorities and are managed efficiently. In order to support senior management across the public service, work will be undertaken to review:

- **Accounting Officers and the management of Votes**: Accounting Officers have a responsibility to ensure that there is a clear framework for control and accountability for public funds, in line with the allocations that have been voted by Dáil Éireann. The current arrangements in relation to the management of votes by Accounting Officers
will be reviewed in order to ensure that resources are managed efficiently and controlled.

- **Monitoring and measuring performance**: Performance is measured and monitored in an ongoing way in Government Departments and Offices. Performance management systems in place should serve to strengthen accountability across the public service. The Spending Review 2018 highlights improvement to date in identifying data gaps. However, there is potential to further improve and identify performance metrics and indicators, which will aid the efficient use of public expenditure in the future, and facilitate accountability within Government and before the Oireachtas Committees.

- **Control mechanisms to manage voted allocations by the Dáil**: The Public Spending Code is currently under review, to ensure effective capital appraisal in delivery of the NDP and to underpin sound control mechanisms in managing the allocations voted by the Dáil.
Chapter 4
Conclusion

This Budget will allocate additional resources to public services and public infrastructure, with particular focus on investment in Ireland’s physical and human capital. This is underpinned by the improvements in the underlying growth of the economy and the labour market. This Government is committed to increasing spending in a much more sustainable manner than experienced in the past, while still delivering steady improvements in the lives of citizens. This can be achieved through the prioritisation of growth-enhancing investment which gives greater returns and through improving the impact of existing public spending. This is why the Government is committed to reforming how business is carried out to improve services for citizens. This has been the driver of the significant public service reforms set out in Our Public Service 2020 and the introduction of the spending review process over the past two years. This will allow the Government to strive towards achieving the twin aims of broadly ‘balancing the books’ and making meaningful improvements to the lives of citizens.

The prioritisation of growth-enhancing spending will boost Ireland’s international competitiveness, the longer-term potential of the economy and Ireland’s appeal on the world market. The Government is cognisant of the current movements in the global trading environment, in which the Irish economy must remain competitive. Imminent risks and threats exist next year on account of the UK’s exit from the EU in March 2019, and the emergence of protectionism amongst some of Ireland’s key trading partners. For this reason, the Government is committed to targeting a balanced book next year, while improving the long-term structural potential of the economy through important investment. This will ensure that improvements in living standards can be maintained throughout a period of unprecedented uncertainty for the Irish state.