

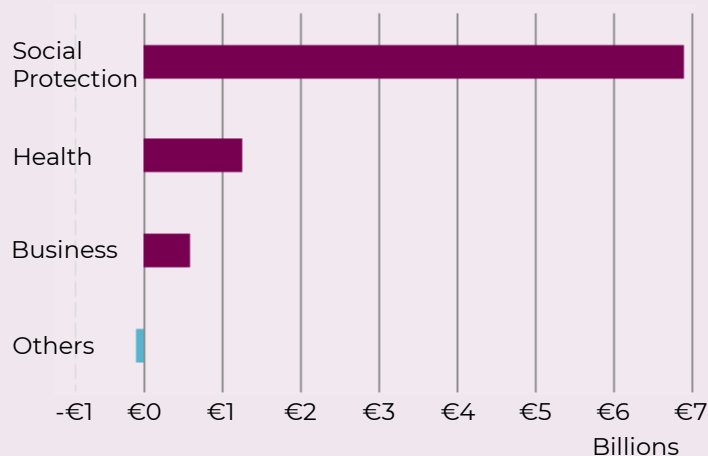


PBO Analysis of Voted Spending on Public Services at end-October 2020

Voted spending increases to €8.6 billion above pre-pandemic expectations.

Government spending of Voted monies to the end of October has continued to exceed its pre-pandemic projections, with **gross spending** now just over **€8.6 billion above profile**. The Departments of **Employment Affairs & Social Protection** and of **Health** account for **€8.14 billion of the variance**. Gross spending is €12 billion higher than at the same point in 2019.

Figure 1: Gross Spending above/below Profile at end-October 2020



In Budget 2021, the expenditure ceiling for 2020 was revised upwards to an estimated €87.1 billion. With spending of €65.5 billion at end-October, the Government are anticipating significant additional expenditure by the end of 2020. Almost €21.6 billion or one quarter of the total spending for the year may occur in the last two months of 2020.

This revised ceiling of €87.1 billion was set out prior to the imposition of nationwide Level 5 public health restrictions (from 22 October) with an estimated cost in unemployment payments, wage subsidies and business supports of approximately €200 million per week for the anticipated six-weeks of 'lockdown'. This additional spending, on the Pandemic Unemployment Payment (PUP), Employment Wage Subsidy Scheme (EWSS) and the new Covid Restrictions Support Scheme (CRSS)¹ in addition to foregone revenue, could amount to €1.25 billion.² There could also be implications for spending in other policy areas such as public transport. This ceiling could increase again if level 5 restrictions are extended.

With several Votes (including Social Protection) expected to submit requests for Further Revised and Supplementary Estimates over the next number of weeks to Dáil Éireann, there is an urgent need for clear tracking of COVID-19 pandemic spending and the formulation of useful performance metrics addressing these new schemes and policies.

¹ "A qualifying person will be able to make a claim to Revenue under the CRSS for a cash payment to be known as an 'Advance Credit for Trading Expenses'". Source: Revenue Commissioners [CRSS Guidelines](#) – 3 November 2020 (p.5).

² Source: Merrionstreet.ie, '[Government outlines changes to Covid Support Schemes to further support economy and society](#)', 20 October 2020. The CRSS is processed by the Revenue Commissioners and is not listed as Voted spending, it is netted off income and corporations tax receipts.

Key Spending Developments

Introduction

Each month, the Government reports on the money collected and spent by central government in the Department of Finance's *Fiscal Monitors*. Due to the high-level nature of the data contained in the Fiscal Monitor, the PBO has sought the monthly co-operation of selected Departments in relation to more detailed financial data for Voted spending. Some of the issues in relation to the very aggregated nature of the spending data in the Fiscal Monitor were raised by the PBO prior to the COVID-19 pandemic with both the Department of Finance and of Public Expenditure & Reform but no changes have been made.

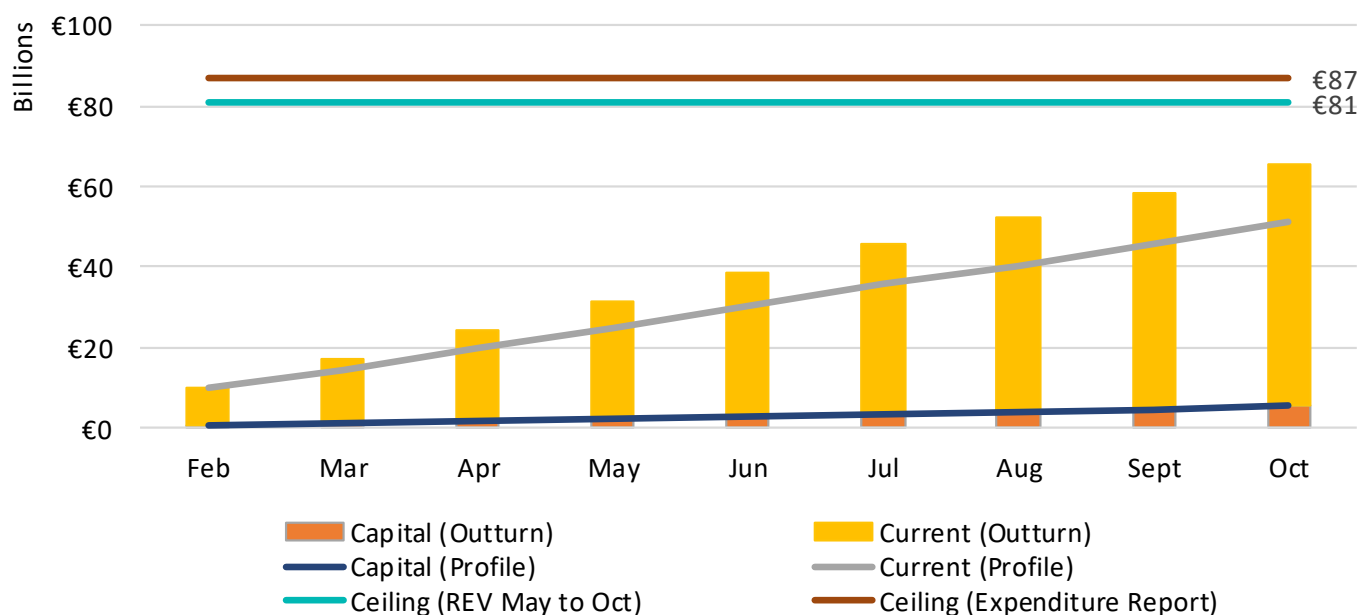
Based on the October 2020 Fiscal Monitor and responses from Departments, this PBO Note analyses overall gross Voted spending³ at the end of October 2020 - with a specific focus on the Votes most impacted by the COVID-19 pandemic.

The PBO would, once again, like to acknowledge the assistance of several Government Departments in providing information for this publication and to thank them for their co-operation.⁴

Overall Spending

Overall Voted spending is heavily weighted towards current, day to day, expenditure, as seen in Figure 2.

Figure 2: Current and Capital gross Voted spending against profile – 2020



Source: Fiscal Monitors February to October 2020⁵, PBO calculations, REV (published May to October 2020), and DPER Expenditure Report 2021.

Note: The two ceilings set out in Figure 2 are the Government Expenditure Ceiling for 2020 which currently stands at €81,330 million based on the Estimates that have been brought to Government to date and the €87.1 billion set out in the *Expenditure Report 2021* published 13 October.

³ This is the spending set out in the Estimates on Budget day, and subsequently set out in more detail in the Revised Estimates which is then scrutinised by Dáil Committees and considered by the Dáil itself.

⁴ Social Protection, Transport, Enterprise, Trade & Employment, Health, and Housing, Local Government & Heritage.

⁵ These totals include non-Voted spending from the Social Insurance Fund (SIF) and National Training Fund (NTF) as the totals for both are aggregated in the Fiscal Monitor.

While current spending has accelerated beyond profile since early summer, capital spending has remained within profile - mainly due to underspends in many Votes. It is unclear to what extent this underspend will remain as year-end approaches i.e. whether the pandemic will prevent Departments from meeting infrastructure-related targets.

As the spending profiles for 2020 were not revised in response to the pandemic, they are of little value in assessing ongoing spending. The PBO recognises that revising profiles may be challenging. It notes, however, that the Department of Social Protection carried out an internal re-profiling exercise – this has been a worthwhile initiative on the part of that Department.

Between March and October, voted spending has been approximately €7 billion per month. However, with potential spending for 2020 of €88.3 billion, and spending at end-October at €65.5 billion, it appears the Government are, potentially, anticipating average spending of approximately €11.4 billion per month for November and December.

What impact do underspends against profile have?

The majority of Vote Groups which are spending below profile and have done so consistently throughout 2020 are generally those Departments which have either:

- not required significant spending measures linked to the pandemic; or
- are currently offsetting excess spending in some areas with underspending in others.

Some Vote Groups have underspends on current or more usually capital spending, offsetting overspends on the other side e.g. Transport has total above-profile gross spending of €127 million; however, it is €307 million over-profile in terms of current spending, which is offset by below-profile capital spending of €180 million. See Table 1 for the full breakdown.

If all Vote Groups which had under-profile current and/or capital spending were performing at profile on their underspending side, then spending at end-October could potentially have reached €66,533 million. Actual spending is €985 million (€245 million current and €740 million capital) below the pre-pandemic profile for such Votes which has an off-setting effect (Table 1). As a result, actual gross spending at end-October is €65,547 million.

Table 1: Pre-pandemic profiles at end-October: summary of gross voted spending against profile

Vote Group	Current	Current	Capital	Capital
	+ € m	- €m	+ €m	- €m
Agriculture, Food & The Marine		-€26		-€35
Business, Enterprise & Innovation		-€13	€587	
Children & Youth Affairs		-€73	€3	
Communications, Climate Action & Environment		-€7		-€142
Culture, Heritage & The Gaeltacht	€22			-€45
Defence		-€51		-€17
Education & Skills	€83		€91	
Employment Affairs & Social Protection	€6,904			-€8
Finance		-€18		-€2
Foreign Affairs & Trade		-€28		-€2
Health	€1,363			-€122
Housing, Planning & Local Government	€129			-€66
Justice & Equality	€76			-€74
Public Expenditure & Reform		-€26		-€33
Rural & Community Development	€24			-€14
Taoiseach		-€3		
Transport, Tourism & Sport	€307			-€180
Totals	€8,908	-€245	€681	-€740

Source: PBO based on Fiscal Monitor (October 2020).

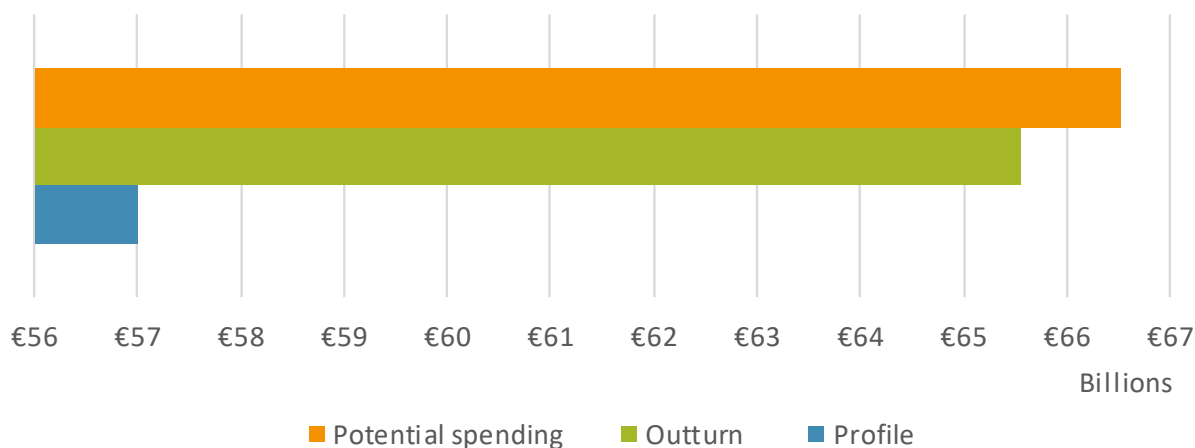
The largest variation is on the Capital side where €740 million of budgeted allocation (in respect of thirteen Vote Groups) is presently unspent. By year-end, more Votes may begin to spend closer to profile as Departments seek to utilise their in-year allocations rather than surrender them to the Exchequer. Where a Vote has not spent its entire allocation in a year, it may carry-over up to 10% of its capital allocation into the following year.⁶

Figure 3 shows:

- That spending would have reached €66,532 million, had there been no underspends against the pre-pandemic profile at end-October (see Table 1);
- Actual spending (outturn) at end-October (€65,647 million); and
- Pre-pandemic profile of spending to end-October (€56,994 million).

⁶ As per [Section 91\(2\)\(a\)](#) of the Finance Act 2004. See also section [D2.19](#) of the Public Financial procedures guidebook (the 'Blue Book').

Figure 3: Potential, actual and profiled spending at end-October



Source: PBO based on Department of Finance, Fiscal Monitor: October 2020 (November 2020).

The PBO has regularly pointed out that the **spending set out in the Fiscal Monitor would be more amenable to parliamentary scrutiny if the profiles had been revised**. It is not possible to tell if above profile spending is driven by pandemic schemes, or by growth in underlying non-pandemic (core) spending.

For example, approximately €502 million in spending for Covid-19 support measures is to be made available across several Votes to “*be provided by way of Supplementary Estimates before the end of the year*”.⁷ However, while formal approval must be sought through the Estimates process this spending may have already been incurred through the re-prioritisation of the existing allocation and therefore included in the outturn. It must be reiterated therefore that the high-level data in the Fiscal Monitor, which is the official publication setting out actual spending against profile, **is of almost no use in parliamentary scrutiny**.

Individual Departments have co-operated with the PBO to address this lack of detail but **it is the responsibility of the Departments of Finance and of Public Expenditure & Reform to ensure that profiles are updated and spending is reported regularly** – at least at Vote and Programme level for the most fiscally significant Departments. Additionally, the Fiscal Monitor gives almost no narrative to describe why there are deviations in spending. The responses from Government Departments to the PBO suggest that this information is available and could be used to supplement the high-level data in the Fiscal Monitor.

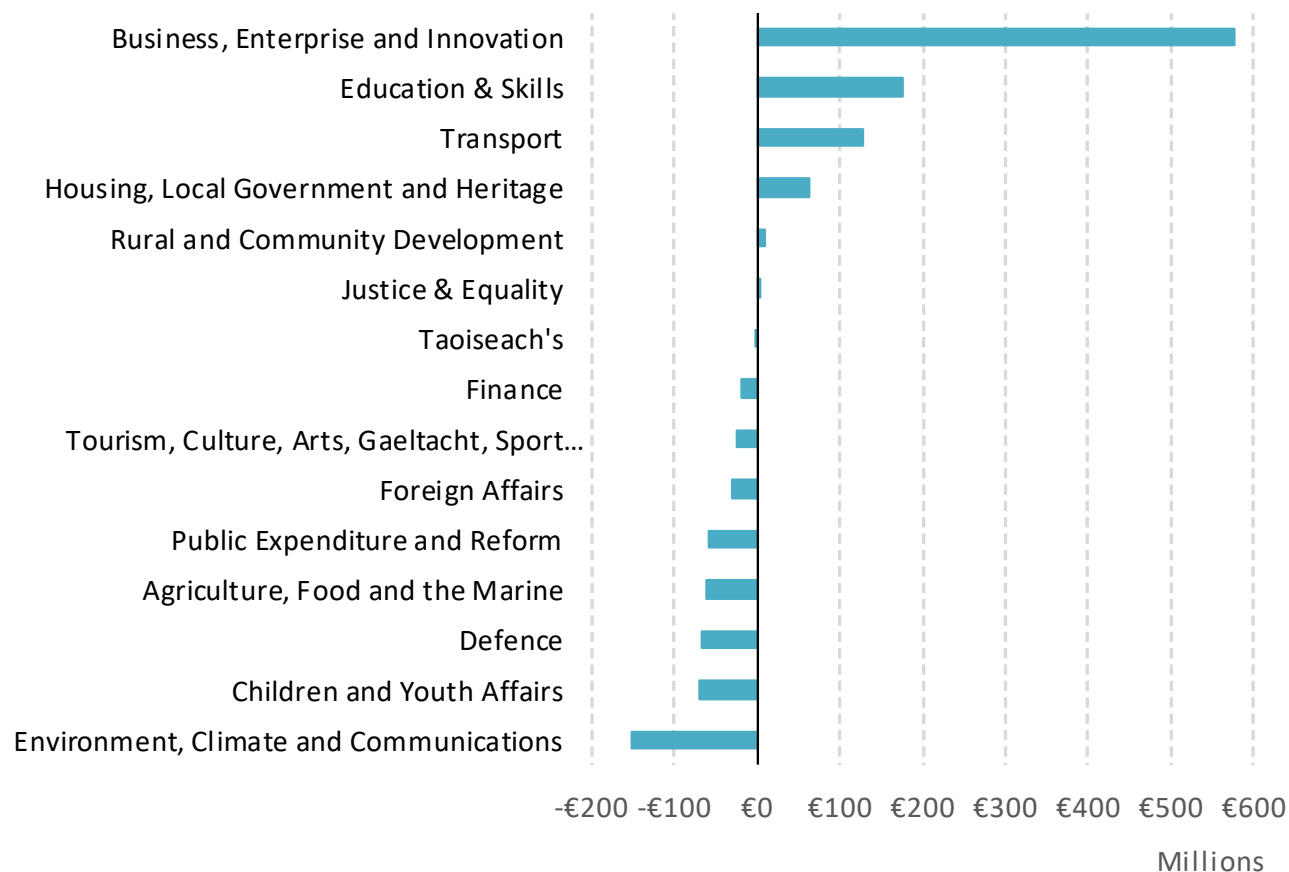
⁷ Budget 2021 Announcements – Additional 2020 Covid-19 Supports (p.39). Expenditure Report 2021.

Vote Performance Against Profile

Figure 4 illustrates the performance against profile of all Vote Groups (excluding the Health and the Employment Affairs & Social Protection Vote Groups which are discussed later).

Nine Vote Groups are currently below profiled levels of spending for end-October (€486 million). This below-profile spending is outweighed by above-profile spending in the other six Vote Groups (€953 million).

Figure 4: Gross Expenditure (Current and Capital aggregated) against Profile (Excluding Health & Employment Affairs & Social Protection) at end-October 2020



Source: PBO based on Department of Finance, Fiscal Monitor: October 2020 (November 2020).

Of the Vote Groups showing an overspend, Budget 2021 already committed to providing for Supplementary Estimates for Education & Skills (Education €80 million, Further and Higher Education, Research, Innovation and Science €23 million),⁸ Housing (€344 million), and Rural & Community Development (€10 million).⁹

The overspend against profile for Transport mostly relates to Public Service Provision Payments (PSPPP) to public transport operators which is currently €285 million above a profiled €226 million year-to-date. A Revised Estimate recently approved by the Dáil has seen the total PSPPP allocation for 2020 increase from €303 million to over €765 million.¹⁰

⁸ The new Votes 26 and 45 respectively.

⁹ Budget 2021 Announcements – Additional 2020 Covid-19 Supports (p.40). Expenditure Report 2021, DPER.

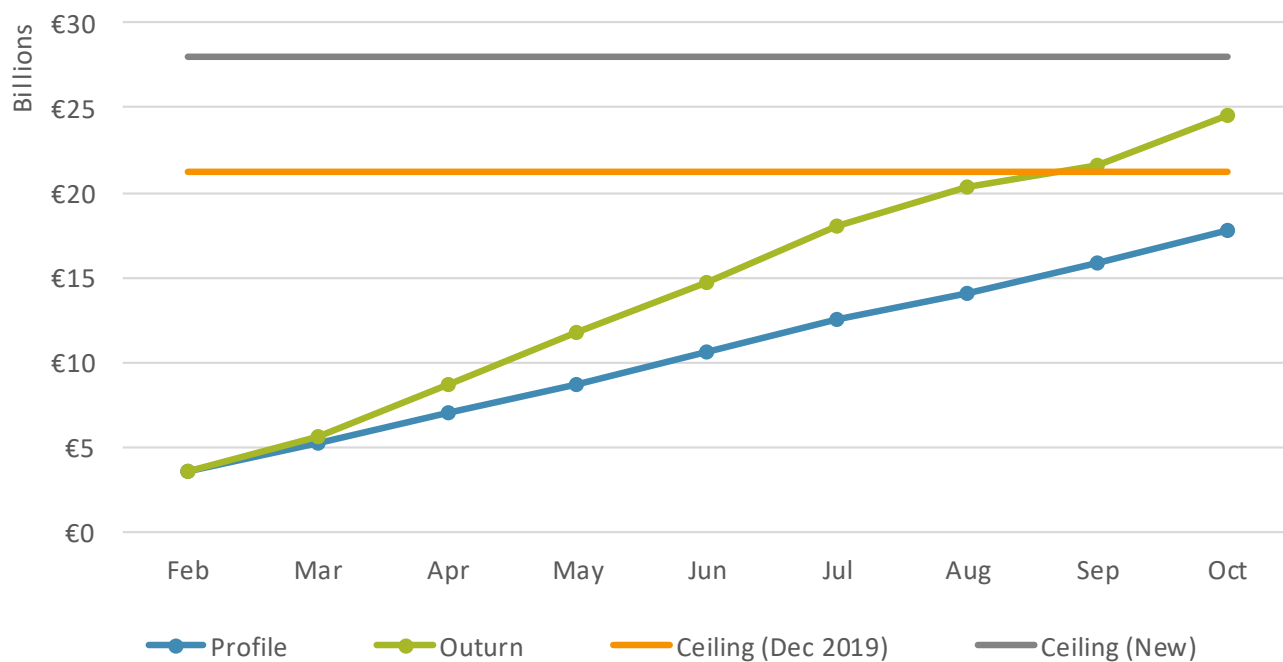
¹⁰ €303 million was allocated in the Revised Estimates Volume originally published December 2019.

Employment Affairs & Social Protection (Vote 37) and the Social Insurance Fund (SIF)

Exchequer spending on unemployment supports and wage subsidy payments continues to have a very significant impact on the public finances. Spending of €24.6 billion (against a profiled €17.7 billion) represents an almost €7 billion overspend year-to-date.

As has been the case since March, the comparison of spending against profile adds little value other than to provide a guide as to how much the Exchequer has likely spent, cumulatively, on all pandemic unemployment and wage subsidy supports.

Figure 5: Vote 37 and SIF aggregated spending against profile (Feb-Oct 2020) (billions)



Source: PBO, based on Fiscal Monitors for April to October 2020.

Note: The new ceiling (horizontal yellow bar) represents the ceiling for the Revised Estimate approved by the Dáil in 2020 to date.

As mentioned in the PBO's September [analysis](#), the Department had revised its own Vote 37 profiles for 2020. This was based on the receipt of an increased allocation for 2020 in May of this year to fund the supports put in place during the first 'lockdown'. With the various extensions and revisions to the Pandemic Unemployment Payment, Temporary Wage Subsidy Scheme, and the Employment Wage Subsidy Scheme, even these revised profiles are now out of date.

The Department is in the process of finalising a Further Revised Estimate for Dáil consideration which will look to account for:

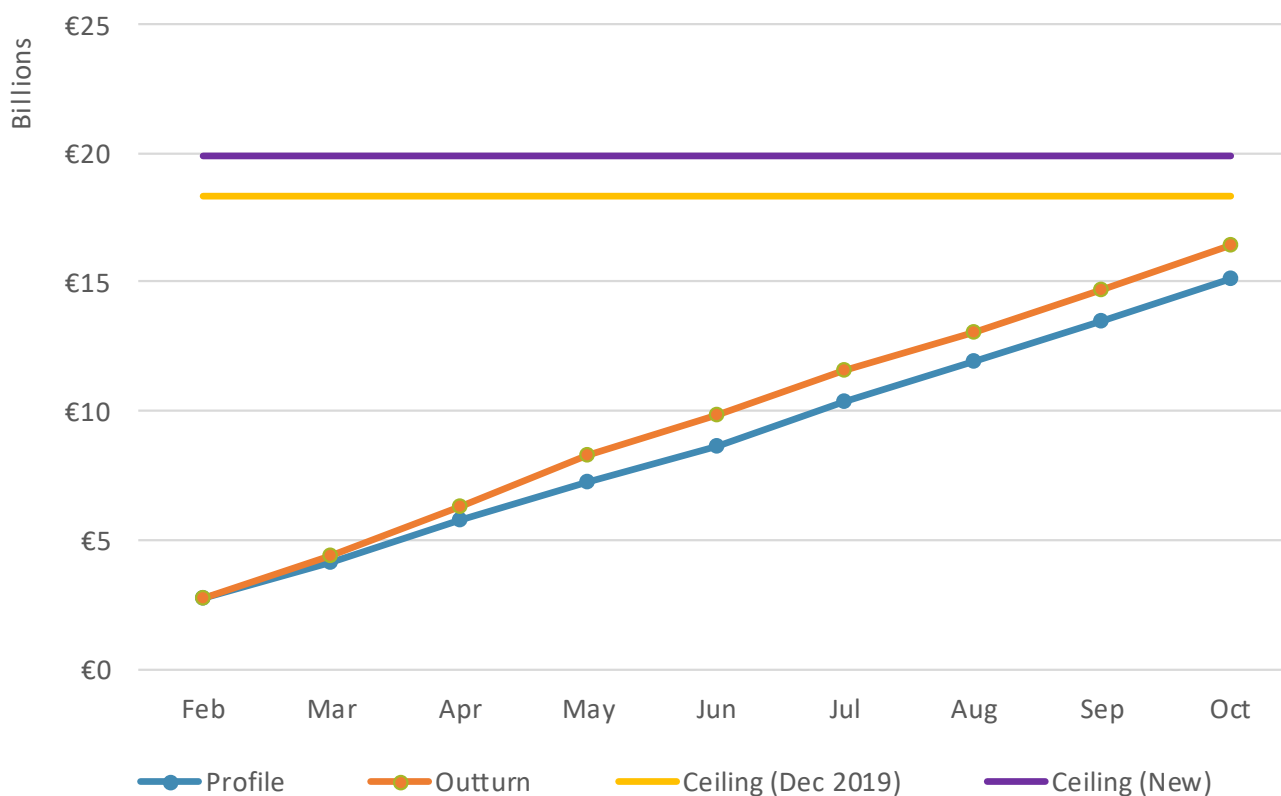
- the additional spending linked to the extension of the aforementioned schemes;
- funding earmarked for the Vote in the July Stimulus;
- the transfer of functions relating to employment policy to the Department of Enterprise, Trade and Employment;
- the 6-week period of level 5 public health measures; and
- the payment of the 'Christmas Bonus' i.e. a double payment in December for many Social Protection scheme recipients in December 2020.¹¹

¹¹ Letter of 3 November 2020 from the Department of Employment Affairs & Social Protection to the PBO.

Health (Vote 38) and the Health Service Executive (HSE)

Spending increases on Health have stabilised, with no significant deviations in monthly spending reported in recent months (Figure 6). According to the Department there were no further Cash Acceleration Requests from the HSE in October. This leaves €500 million of the additional €2 billion COVID-19 related (current expenditure) funding approved for 2020 still available.¹²

Figure 6: Health spending against profile (Feb-Oct 2020)



Source: PBO, based on Fiscal Monitors for April to October 2020.

Note: The new ceiling (horizontal purple bar) represents the ceiling for the Revised Estimate approved by the Dáil in 2020 to date.

HSE COVID-19 related spending

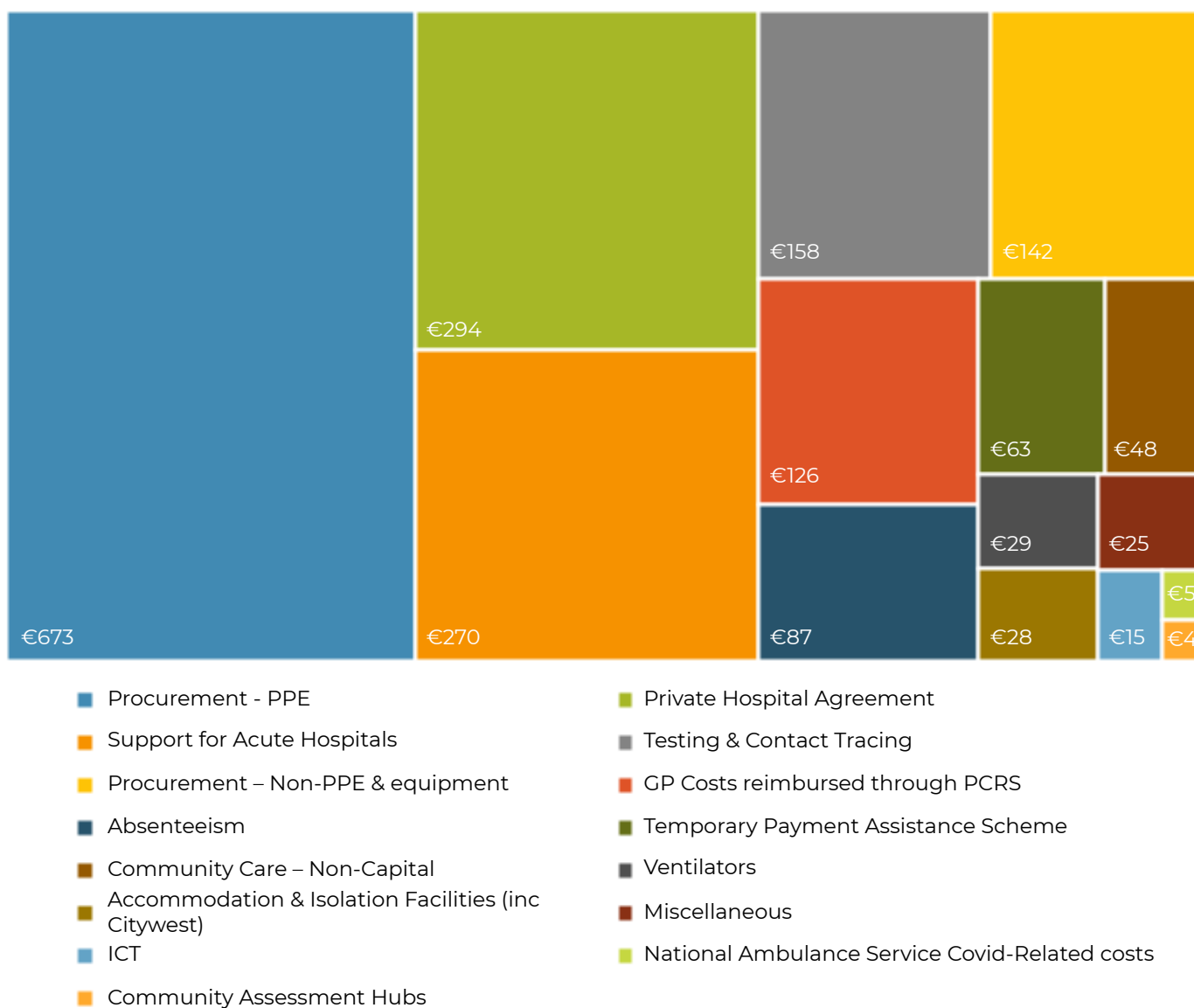
Figures 7 and 8 set out the current and capital spending by the HSE on specific COVID-19 related measures. The figures provided are as of 23 October 2020 and total €2,083 million – comprising of current spending of €1,967 million and capital spending of €116.1 million. Total spending as of 18 September stood at €1,885 million (€1,780.8 million – Current, €104.2 million – Capital).

Almost €1.4 billion has been spent to date on the procurement of Personal Protection Equipment (PPE), the agreement reached with private hospitals for the use of their facilities, Acute Hospital supports, and €158 million on Testing & Contract Tracing. An additional €40 million was spent on Testing and Contact Tracing between 18 September and 23 October.¹³

¹² Letter of 4 November 2020 from the Department of Health to the PBO.

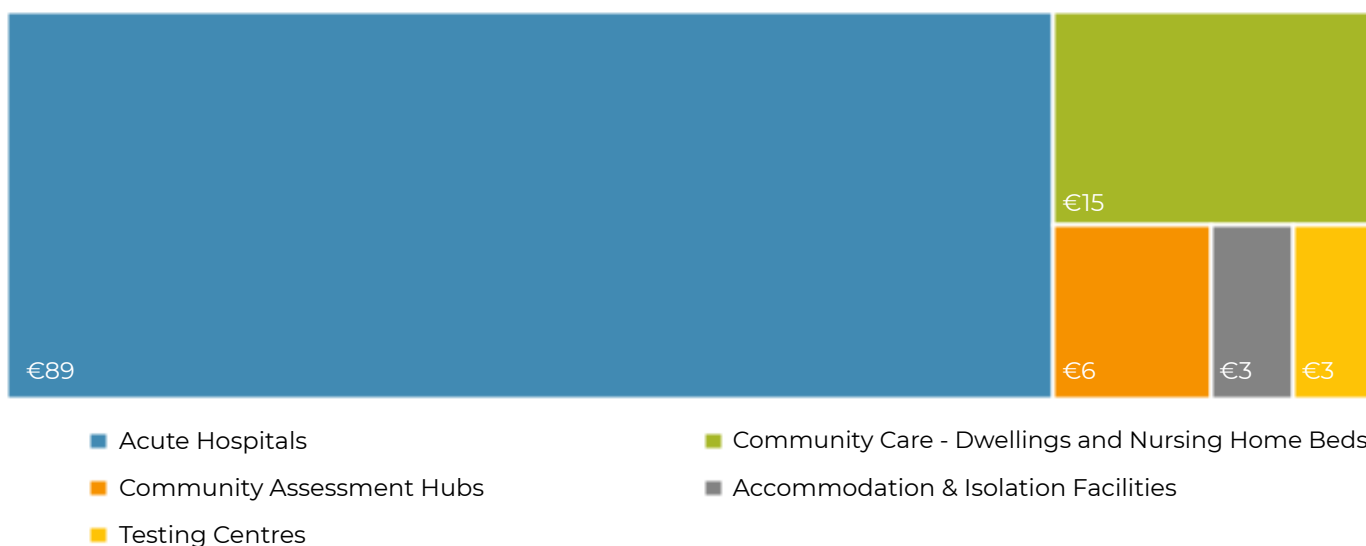
¹³ *Ibid.*

Figure 7: HSE Covid-19 Related non-Capital Spending to 23 October 2020 – total €1,967 million



Source: Department of Health correspondence to the PBO, 4 November 2020.

Figure 8: HSE Covid-19 Capital Spending to 23 October 2020 – total €116 million



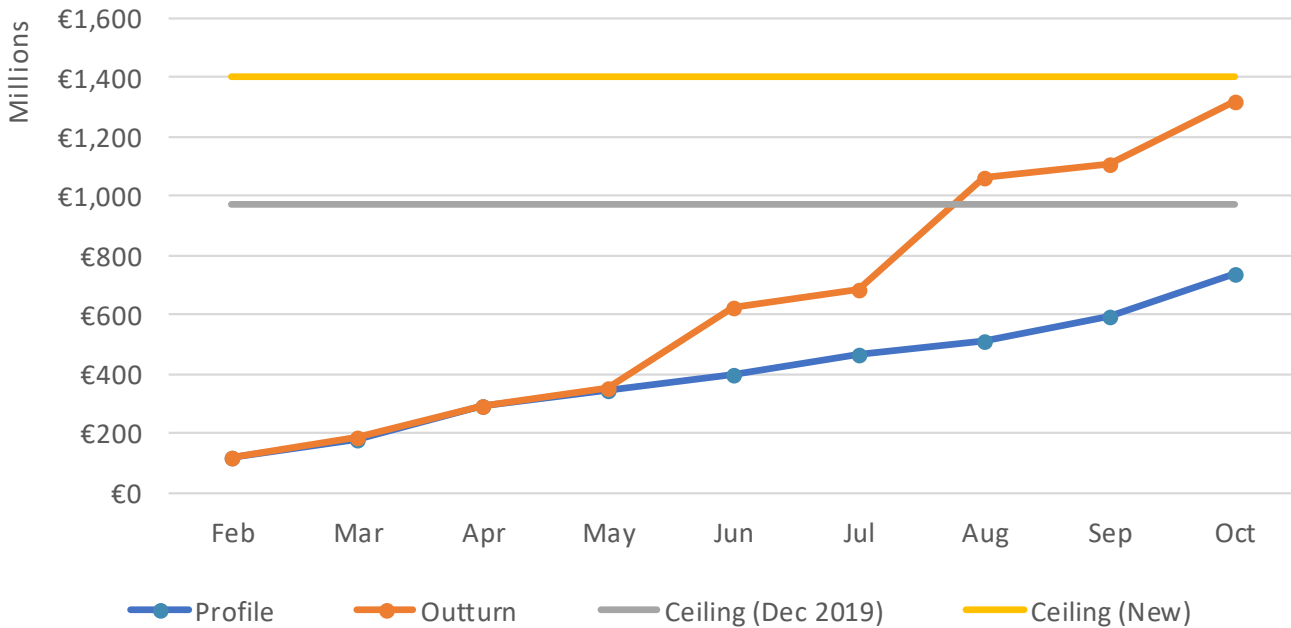
Source: Department of Health correspondence to the PBO, 4 November 2020.

Business, Enterprise & Innovation

Spending via Vote 32 has continued to increase with two significant increases to its allocation received during the year. While the Revised Estimate provided for a near-doubling of the 2020 allocation, the €450 million assigned in the July Stimulus has yet to be formally incorporated within the expenditure ceiling through the Estimates process.

Due to these adjustments, both the profiles (currently €575 million ahead) and ceilings are of little use when scrutinising the in-year performance of the Vote. A Further Revised Estimate for the Department of Enterprise, Trade and Employment will be necessary.

Figure 9: Vote 32 spending against profile (Feb-Oct 2020)



Source: PBO, based on Fiscal Monitors for April to October 2020.

Note: The new ceiling (horizontal yellow bar) represents the ceiling for the Revised Estimate approved by the Dáil in 2020 to date.

Tracking spending and performance

In the early weeks and months of the pandemic, it was clear that the Government needed to implement several measures to address both the public health and economic crises which were arising as a result. As the scale of the pandemic grew and the extent of the response became evident, the opportunity was there to formalise the manner in which COVID-19 related spending was set out in the Estimates being brought to the Dáil for scrutiny and approval, and to adopt performance metrics which would look to ensure the measures effectiveness and efficiency.

The PBO welcomes the creation of specific Covid-19 subheads within Votes, and the level of detail on spending which can therefore be measured. Health, Social Protection, and Children & Youth Affairs have especially well-developed structures in this regard.

As discussed in our post-Budget 2021 commentary, which can be read [here](#), **the PBO would call for Covid-19 spending subheads to be a standard feature of Estimates presented to the Dáil and for performance metrics to be developed in order to ensure targeted and appropriate use of the funds.**