



Rialtas na hÉireann  
Government of Ireland

# MID-YEAR EXPENDITURE REPORT 2021

July 2021

Prepared by the Department of Public Expenditure & Reform  
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## Foreword

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The Summer Economic Statement published this month set out the parameters for Budget 2022 and the fiscal strategy out to 2025. The Government's expenditure strategy over the medium term reflects the commitment to return the public finances to a more sustainable position while addressing our infrastructure challenges, continuing to enhance our public services and social supports, and supporting a balanced recovery from the pandemic.

Across 2020 and 2021, Government will have made available over €31 billion for direct expenditure measures with approximately €15 billion this year to support our people, businesses and key public services deal with the impacts of Covid-19. In line with the approach in Budget 2021, expenditure to fund temporary measures to address the impact of the pandemic is dealt with separately from expenditure on the delivery of core programmes and infrastructure. The careful phased withdrawal of this spending is essential both to support society and the economy to recover from the impact of Covid-19 and to return our public finances to a sustainable position.

As outlined in the Summer Economic Statement, including the expenditure funded under the National Recovery and Resilience Plan (NRRP), part of the EU's response to Covid, we have set aside €7 billion for temporary Covid spending next year. This represents an increase of almost €3 billion on the amount included for Covid spending in the Stability Programme Update and includes an amount to be held in reserve to allow Government respond as the situation with the virus evolves. This is a prudent approach given the uncertainty that still exists in relation to Covid-19 and the requirement to ensure that supports are carefully withdrawn in a manner that supports recovery in the economy.

Brexit remains a challenge for our communities and businesses. The Summer Economic Statement includes an amount of expenditure of €1.1 billion for measures funded by the Brexit Adjustment Reserve (BAR). Funding under the BAR will be used to support employment, businesses and local communities negatively affected by Brexit, including those in the fishing industry and will be allocated across Budget 2022 and Budget 2023.

The strategy in relation to core expenditure is to grow overall expenditure each year by c. 5 per cent on average over the period to 2025. The average annual growth rate in core current expenditure is just under 4¾ per cent with total capital spending, including that funded under the NRRP, growing by

an annual average of over 8½ per cent, and reaching over €13.6 billion in 2025. These increases in capital investment in the period to 2025, follow the significant increases in 2020 and 2021 and would see total capital spending as a percentage of national income, as measured by GNI\*, increase from 3.4 per cent in 2019 to 5 per cent in 2025.

The level of resources set aside in the Summer Economic Statement for core spending is significant - almost €93 billion in 2025 compared to just over €70 billion in 2020. This level of resourcing requires an ongoing and enhanced focus on value for money. As we look to ensure that the recovery from Covid-19 is fair and balanced it will be important to utilise these reforms to provide the evidence to inform decision making. The development of the Wellbeing framework for Ireland can support this approach, in terms of developing a shared understanding of what makes for better lives and influencing public debate on strategic priorities.

The strong position of the public finances before the Covid crisis put us in a position to deliver a significant fiscal response to support our people and businesses and key public services through the crisis. As the impact of the crisis recedes, we must start on the road to returning the public finances to a more sustainable position. This will require that we manage spending within the expenditure allocations agreed by Government and voted by Dáil Éireann and that we build on the budgetary reforms already in place to drive spending efficiency and effectiveness. This is essential to ensure the delivery of sustainable improvements in public services within the expenditure framework set out in the Summer Economic Statement.

Michael McGrath T.D.

Minister for Public Expenditure and Reform

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# Chapter 1 - Voted Expenditure Position June 2021 & Update on Covid-19 Related Expenditure

## 1.1 Introduction

Across 2020 and 2021, significant supports have been put in place by Government to respond to Covid-19. The supports agreed to date include over €31 billion in direct expenditure measures, with over €16½ billion allocated during 2020, provision for almost €12 billion made as part of Budget 2021, and further funding of approximately €3 billion to be allocated for the measures in the *Economic Recovery Plan (ERP)*. This funding has enabled the introduction of a range of schemes and measures across Government to support our people and businesses impacted by the pandemic and to ensure that our key public services can respond effectively to the crisis.

The Revised Estimates for Public Services (REV) 2021 set out overall Departmental allocations of €82.4 billion, with €5.4 billion of the temporary Covid funding being unallocated in the Contingency Reserve and Recovery Fund. Given the resurgence of the virus in late 2020, there was higher than anticipated expenditure on the Covid income and employment support schemes and Government agreed further measures to support workers and businesses including the extension of the Pandemic Unemployment Payment (PUP) and the Employment Wage Subsidy Scheme (EWSS). These measures and the higher levels of expenditure on the Covid schemes were reflected in Further Revised Estimates presented to Dáil Éireann that bring the overall allocations provided in the Estimates to €86.6 billion. Funding for measures included in the ERP, and certain funding earmarked within the Contingency Reserve for key public services would require Supplementary Estimates later in the year of c. €4 billion to bring overall expenditure for the year to €90.7 billion, before taking into account any offsetting underspends.

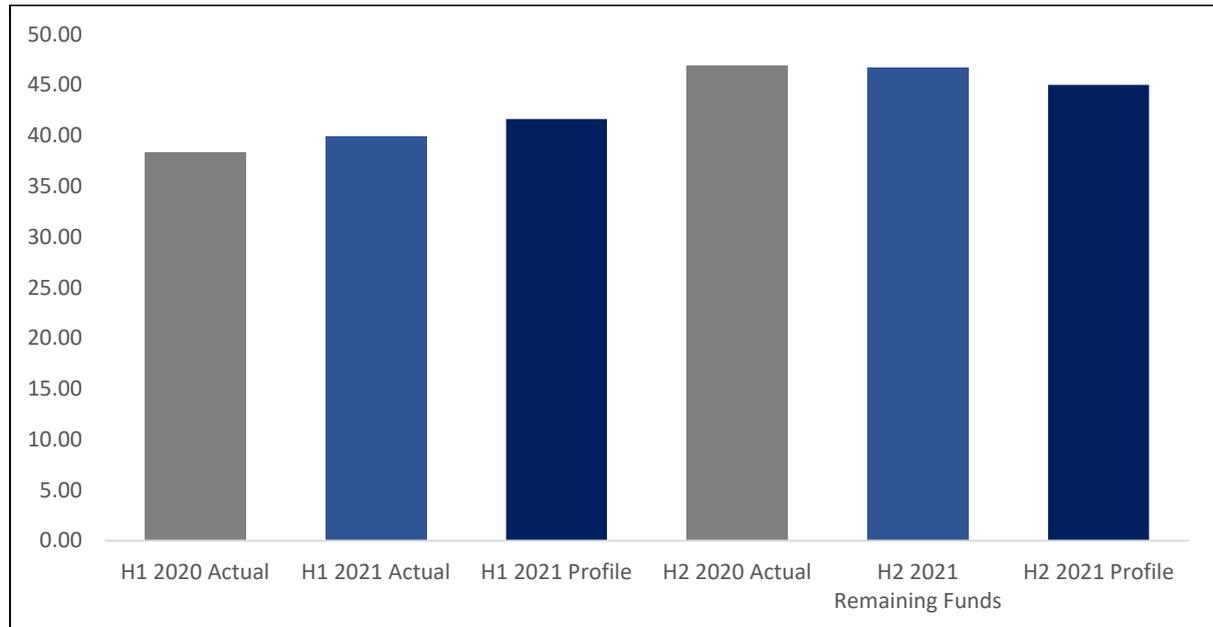
## 1.2 Update on Voted Expenditure end June 2021

The expenditure profiles for the period to end-June reflect the Further Revised Estimates agreed by Dáil Éireann. Prior to this, the gross voted expenditure profiles were based on the REV published in December 2020, and consequently spending had been running ahead of profile for the earlier months of the year, largely driven by spending in the Department of Social Protection on the PUP and EWSS.

At the end of June, gross voted expenditure totalled €39,916 million. This is 46% of the total amount allocated at Departmental level for 2021. This was 4.1% lower than the amount profiled to be spent,

with lower than anticipated spending in all vote groups. Of the total underspend, capital spending accounts for 27% while current underspend makes up the remaining 73%. Within the respective categories however, capital spending is running further behind profile with an underspend of 15.6% against profile compared to 3.2% for current expenditure.

Figure 1.1 – 2021 Expenditure compared to profile and previous year

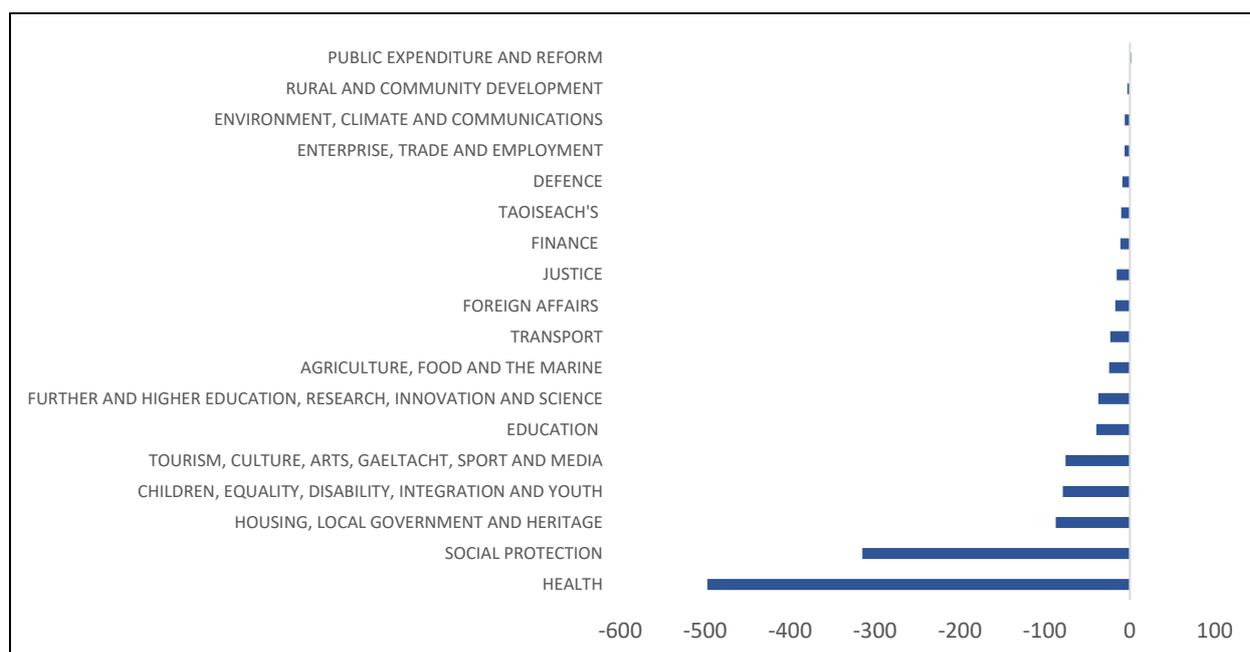


*\*2021 remaining funds and profile do not include funding yet to be allocated at Departmental level of c. €4 billion*

### Current Expenditure

Gross voted current expenditure for the first half of 2021 was €37,428 million. This is €1,774 million (5.0%) ahead on the same period last year and €1,256 million (-3.2%) below profile. At end-June, most vote groups were showing underspends against profile, with the majority ranging from 1% to just under 10%. The largest percentage variance from profile was in the Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media where spend of €76 million less than anticipated was 18.4% behind profile, reflecting ongoing Covid-19 restrictions and some timing issues. Of the variance from profile, almost two thirds of the €1,256 million was from two departments- Health and Social Protection.

Figure 1.2 –Variance in end-June Current Expenditure against Profile, €m



**Health** - At end June 2021, gross voted current expenditure in the Department of Health was €9.4 billion. This was below profile by €0.5 billion or 5%, on a cash drawdown basis. This is €186 million or 1.9% lower than at the same point in 2020.

The underspend is primarily a result of lower than anticipated spending by the HSE, where expenditure to the end of June was €413 million below profile. This is as a result of lower than expected spend on core health services, including delays in certain new measures due to the impact of Covid-19. Spending on Covid-19 related actions for the first six months of the year was also lower than had been expected in February, when spending profiles were compiled. The cash underspend position against profile at the end of June also reflects the effect of the cyber-attack on the HSE’s ability to make payments.

**Social Protection** - For the first half of 2021, gross voted current expenditure of over €16.1 billion has been incurred by the Department of Social Protection and the Social Insurance Fund, which is 1.9% below profile. The spending profile for the Department of Social Protection was updated in May following the Further Revised Estimate providing additional funding for payments related to Covid-19. Prior to this, spending had been ahead of profile for earlier months.

This amount is €1,425 million higher than at the same point in 2020, reflecting the significant spending on schemes introduced in response to Covid-19. To the end of June, payments under the EWSS were almost €2.4 billion while payments relating to the PUP were almost €3.2 billion. The €315 million

underspend versus profile is due to lower than expected spending on some schemes, including over €100 million on Employment Supports where demand was suppressed as a result of restrictions in place due to Covid-19.

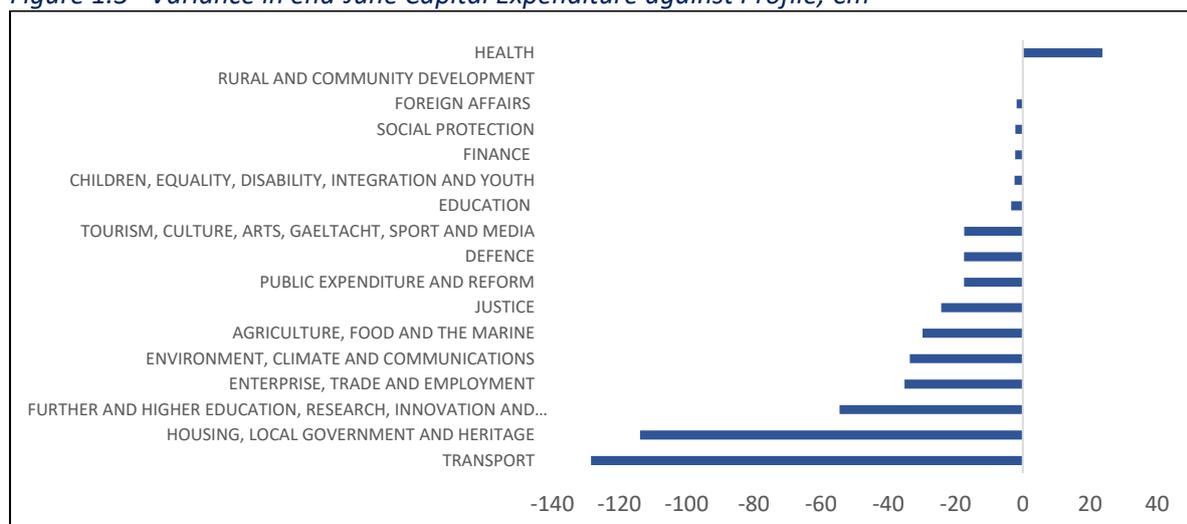
**Education** - For the Department of Education, gross voted current expenditure to the end of June was €4.1 billion. This is €39 million or 1% behind profile, with underspends in a number of areas largely due to school closures in the first quarter of the year as a result of Covid-19.

**Further & Higher Education, Research, Innovation and Skills** - In the Department of Further and Higher Education, current spending for the first half of 2020 stood at €1.36 billion. This was €37 million or 2.7% lower than profiled, mostly due to a timing issue in relation grant payments to designated institutions of the Higher Education Authority.

### Capital Expenditure

Gross voted capital expenditure of €2,488 million to the end of June was €234 million ahead of the same period last year. This is €461 million (-15.6%) below the amount profiled to be spent, and represents spending of around 25% of the overall capital allocation for 2021 of €10.1 billion. Closure of construction due to public health requirements in the early months of the year has impacted on capital spending, with most Departments being behind profile. The two Departments with the largest capital allocations, Housing and Transport, account for €242 million of the underspend against profile.

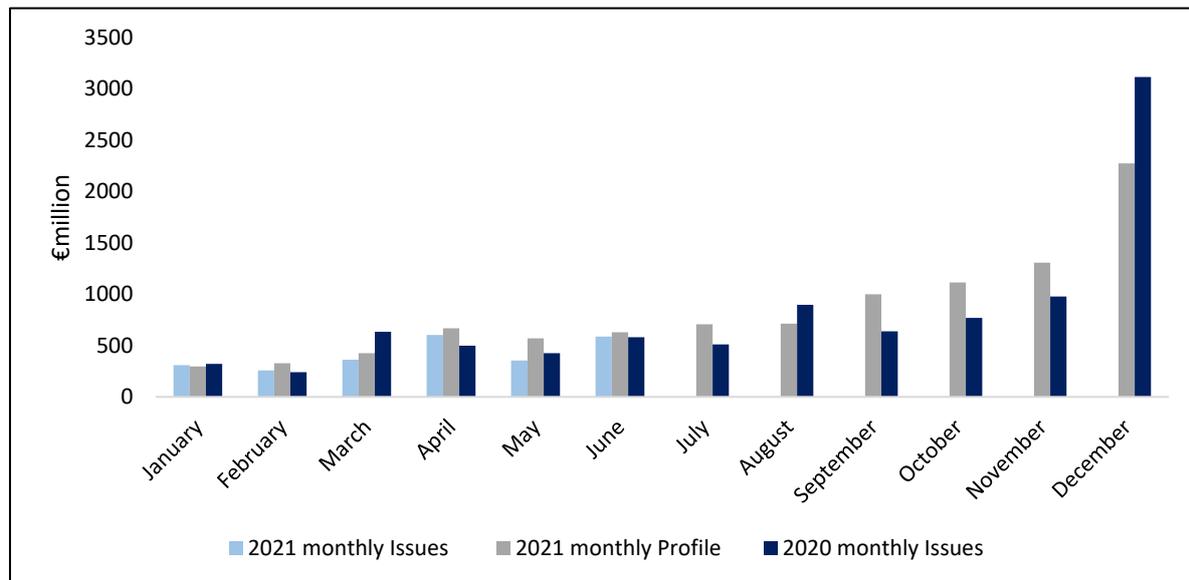
Figure 1.3 –Variance in end-June Capital Expenditure against Profile, €m



For 2021, as in recent years, profiles of capital expenditure from Departments at the beginning of 2021 showed planned spend weighted to the end of year, with almost half the overall allocation expected to be spent in the last quarter of the year and close to a quarter of the overall annual allocation profiled to be spent in December.

Capital carryover from 2020 into 2021 of €710 million was significantly higher than in previous years, reflecting the impact on spending plans of project interruptions following the onset of Covid-19. Given the slower than profiled spend in the first half of 2021, there may again be a need to carryover significant capital allocations. However, as outlined in Figure 1.4 with the overall profile of capital expenditure being weighted to quarter 4 the level of underspend and consequent requirement for capital carryover will crystallise towards the end of the year.

Figure 1.4 - Capital Expenditure Issues 2021, against 2021 Profile and Previous Year



\*As this reflects funds issued from the Exchequer, capital carryover of €0.7 billion is included in December 2020 issues.

**Transport** - Gross voted capital spending in the Department of Transport to end-June was €534 million. This is running €128 million or 19.4% behind profile. This primarily due to the reduced levels of expenditure on heavy rail, which is €94 million behind profile, due to delays on projects as a result of Covid-19 restrictions. Expenditure on light rail is also running €62 million behind profile due to the timing of the annual allocation to Transport Infrastructure Ireland.

**Housing** - In the Department of Housing, Local Government and Heritage gross voted capital expenditure at end June was €585 million, which was €114 million or 16.3% behind profiled spend. This variance is mostly due to the restricted operating environment required under Covid-19 health

and safety protocols on the Water Programme and a slow down on construction expenditure on the Housing programme.

### 1.3 Covid-19 Expenditure in 2021

Responding to the impacts of Covid-19 has continued to be a key priority in 2021. The overall €87.8 billion expenditure ceiling for Budget 2021 included provision for almost €12 billion in supports to continue the response to Covid-19. €6½ billion of this was allocated at Departmental level with the balance held in reserve in the Contingency Reserve and Recovery Fund.

Allocations of €0.1 billion to Departments from the reserve funds were made at the time of the REV in December 2020 with the additional reallocation of almost €4.3 billion from the reserve funds agreed by Government in April to provide further funding for Covid-19 supports through a number of Departments. Further commitments were made in the ERP announced by Government in June, including the extension of key income and employment support schemes, and commercial rates waivers. Including the ERP measures, it is currently expected that Covid-19 direct expenditure supports will amount to around €15 billion this year.

This €15 billion in dedicated funding allows provision of a range of measures across fourteen Ministerial Vote Groups to mitigate the impacts of Covid-19.

The majority of this funding has been allocated to the Department of Social Protection to fund income and employment support schemes. At the time of Budget 2021, €3.2 billion was allocated for Covid measures which included €0.6 billion for the PUP and €1.2 billion for the EWSS, to meet the level of demand that was expected for these schemes at the time of the Budget, along with other Covid-19 related supports. Following the resurgence of the virus and resulting higher demand for supports an additional €4 billion was allocated to the Department of Social Protection in April to, amongst other measures, meet the shortfall against the allocation in the REV for the PUP during quarter one and to provide for the continuation of the PUP and EWSS to the end of June.

The further extension of these schemes included in the ERP is estimated to cost some €450 million in relation to the PUP, over the amount already provided, and an additional c. €2.4 billion for the extension of the EWSS through Quarters 3 and 4. Together with the funding already allocated, it is currently expected that the costs for Covid-19 related supports provided through the Department of Social Protection will be over €10 billion.

Table 1.1 – Agreed Provision at Departmental Level for Covid-19 Supports 2021

	Already allocated through Estimates brought to Dail	To be allocated, including ERP measures	Total
	€m	€m	€m
Agriculture, Food and the Marine	88	-	88
Children, Equality, Disability, Integration and Youth	30	-	30
Education	309	-	309
Enterprise, Trade and Employment	339	-	339
Further and Higher Education, Research, Innovation and Science	138	10	148
Health	1,856	-	1,856
Housing, Local Government and Heritage	50	450	500
Justice	27	-	27
Public Expenditure and Reform	3	-	3
Rural and Community Development	10	-	10
Social Protection	7,194	2,870	10,064
Taoiseach	15	-	15
Tourism, Culture, Arts, Gaeltacht, Sport and Media	234	-	234
Transport	444	-	444
<b>Total at Departmental Level</b>	<b>10,737</b>	<b>3,330</b>	<b>14,067</b>
<i>Earmarked for Health/Education/ Further &amp; Higher Education/ Other</i>			700
<b>Total Covid-19</b>			<b>14,767</b>

€1.9 billion has been allocated to the Department of Health specifically to support the health service respond to Covid-19. This is for continued increased capacity in our public hospitals, a comprehensive winter plan, and the purchase of necessary personal protective equipment along with research and ICT development.

Just over €0.45 billion has been allocated to the Education sector between the Departments of Education and of Further and Higher Education, Research, Innovation and Science. This reflects funding for school reopening, including school transport, and to provide additional training and education places to support people to upskill and re-enter the workforce.

In Budget 2021, €0.1 billion was provided to the Department Enterprise, Trade and Employment for on-going Covid-19 supports to businesses. An additional €0.25 billion was subsequently allocated in

April to expand the supports and introduce further new measures, due to the impact on businesses from the restrictions on economic activity necessary to safeguard public health. Following the reallocation of part of this to the Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media, an amount of €0.34 billion has been made available for business supports during 2021 through the Department Enterprise, Trade and Employment. This funding supports a range of initiatives, including the Sustaining Enterprise Fund, the Small Business Assistance Scheme and the Covid Products Scheme, among other measures.

Roughly €0.44 billion was allocated to the Department of Transport for measures such as supporting the operation of our public transport system given capacity restrictions and additional funding for Covid-19 related aviation measures.

An amount of €0.22 billion was made available to the Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media in the REV for measures to address the significant impacts of the Covid-19 pandemic on sectors under its remit. This included provision for a Business Support scheme for tourism sector; live entertainment sector supports as a direct response to public health restrictions on live audiences at concerts, gigs and other events; and increased funding to the Arts Council to respond to impacts of the pandemic on artists. A further €11.5 million was reallocated to the Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media in June from the Department of Enterprise, Trade and Employment for the Events Sector Covid Support Scheme.

For the Department of Housing, Local Government and Heritage €50 million was allocated at the time of the Budget for Homelessness supports related to Covid-19. Additional funding will be allocated to meet the costs of the Commercial Rates Waiver agreed by Government. It is expected that this will require €290 million for the first six months of 2021, with an additional €160 million for the extension through Quarter 3 as outlined in the ERP.

Funding has also been provided across a number of other Departments, as outlined in Table 1.2.

Table 1.2 – REV and FRE 2021 Allocations to Departments for Covid-19 Response Measures

	Allocated 2021 €m
<b>Agriculture, Food and the Marine</b>	<b>88</b>
<i>Of which:</i>	
<i>European Union Recovery Instrument (EURI)- including Straw Incorporation Scheme, On-Farm Investment (Environment), Agri-environment Training</i>	56
<i>Horse &amp; Greyhound Fund</i>	12
<i>SBCI Loan Schemes</i>	11
<i>Other</i>	9
<b>Children, Equality, Disability, Integration and Youth</b>	<b>30</b>
<i>Of which:</i>	
<i>Tusla</i>	6
<i>International Protection Seekers Accommodation</i>	24
<b>Education</b>	<b>309</b>
<i>Of which:</i>	
<i>Additional Staffing [Pay]</i>	133
<i>School Transport</i>	82
<i>Grants to Schools and Education Bodies</i>	92
<i>Teacher Education</i>	2
<b>Enterprise, Trade and Employment</b>	<b>339</b>
<i>Of which:</i>	
<i>Covid Products Scheme</i>	60
<i>Future Growth Loan Scheme</i>	30
<i>Microfinance Ireland</i>	5
<i>Credit Guarantee Scheme</i>	25
<i>Advanced Manufacturing Centre</i>	7
<i>Regional Enterprise Development Fund</i>	10
<i>Online Retail Scheme</i>	5
<i>Food Transformation Scheme</i>	7
<i>Sustaining Enterprise Fund</i>	123
<i>Local Enterprise Office Covid Supports</i>	5
<i>Research Commercialisation</i>	12
<i>Digital Hubs</i>	1
<i>Small Business Aid Scheme</i>	49
<b>Further and Higher Education, Research, Innovation and Science</b>	<b>139</b>
<i>Of which:</i>	
<i>SUSI Student Support</i>	20
<i>Higher Ed, FET and apprenticeships</i>	119
<b>Health</b>	<b>1,856</b>
<i>Of which:</i>	
<i>HSE Covid-19 Response</i>	1,666
<i>Agency Covid-19 Response</i>	45
<i>Primary Care Reimbursement</i>	10
<i>Covid-19 Research</i>	5
<i>Capital including ICT</i>	130

	<b>Allocated 2021</b>
	<b>€m</b>
<b>Housing, Local Government and Heritage</b>	<b>50</b>
<i>Of which:</i>	
<i>Accommodation for Homeless</i>	<i>50</i>
<b>Justice</b>	<b>27</b>
<i>Of which:</i>	
<i>Garda Covid-19 related costs</i>	<i>15</i>
<i>Prisons Service Covid-19 related costs</i>	<i>6</i>
<i>Courts Service Covid-19 related costs</i>	<i>6</i>
<i>Justice Vote Covid-19 related costs</i>	<i>1</i>
<b>Public Expenditure and Reform</b>	<b>3</b>
<i>Of which:</i>	
<i>Dublin Zoo &amp; Fota Island</i>	<i>3</i>
<b>Rural and Community Development</b>	<b>10</b>
<i>Of which:</i>	
<i>Covid-19 Stability Fund</i>	<i>10</i>
<b>Social Protection</b>	<b>7,194</b>
<i>Of which:</i>	
<i>Pandemic Unemployment Payment</i>	<i>3,323</i>
<i>EWSS/TWSS</i>	<i>2,369</i>
<i>Covid-19 Illness Benefit</i>	<i>57</i>
<i>Work Placement Experience Programme</i>	<i>136</i>
<i>Jobseekers</i>	<i>1,245</i>
<i>Other activation and support measures</i>	<i>64</i>
<b>Taoiseach</b>	<b>15</b>
<i>Of which:</i>	
<i>Covid-19 Public Communications</i>	<i>15</i>
<b>Tourism, Culture, Arts, Gaeltacht, Sport and Media</b>	<b>234</b>
<i>Of which:</i>	
<i>Events Sector Covid Support Scheme</i>	<i>12</i>
<i>Tourism Business Support</i>	<i>55</i>
<i>Tourism Product Development</i>	<i>5</i>
<i>Arts Council</i>	<i>50</i>
<i>Audio Visual Industry</i>	<i>9</i>
<i>Údarás na Gaeltachta</i>	<i>9</i>
<i>Sport Ireland</i>	<i>36</i>
<i>Live Entertainment Supports</i>	<i>50</i>
<i>Other</i>	<i>8</i>
<b>Transport</b>	<b>444</b>
<i>Of which:</i>	
<i>Public Service Obligation</i>	<i>370</i>
<i>Aviation Sector</i>	<i>73</i>
<b>Total</b>	<b>10,737</b>

\*Reflects allocations up to and including Further Revised Estimates at end June. Additional allocations will be made later in the year where required, including for meeting the costs of the Commercial Rates Waiver and additional measures announced in the Economic Recovery Plan.

## 1.4 Summary

The scale of supports provided to mitigate the impacts of Covid-19 is significant. Over €16 billion in direct expenditure was provided for measures introduced in 2020, with additional funding of almost €15 billion expected to be provided during 2021 to continue supports introduced. The extraordinary level of funding provided has been possible as decisions made in recent budgets ensured that we had the financial resources to act in response to Covid-19, with prudent management of the public finances giving a relatively healthy starting fiscal position.

The requirement for further Covid-19 related supports will remain under consideration as the public health situation evolves and the economy reopens. For 2022, it is expected that, for certain areas, continued measures will need to be in place and indicative funding for this has been included in fiscal projections. For future years, additional spending on the automatic stabilisers out to 2025 has been included in projections to meet continued demand as the economy continues to recover.

The dual budgetary process in Budget 2021, where allocations to Departments were delineated into core allocations and non-core funding specifically to respond to Covid-19 and Brexit, is intended to allow for the withdrawal of Covid-19 supports once they are no longer necessary. For 2022 and future years, it will continue to be necessary to draw this distinction between core funding and the non-core temporary spending in order to ensure medium term sustainability of the public finances.

## Chapter 2 – Medium Term Expenditure Framework

### 2.1 Introduction

The expenditure strategy in the Summer Economic Statement (SES) reflects the Government's commitment to:

- return the public finances to a more sustainable position;
- address our infrastructure challenges including in the key areas of housing and climate action;
- continue to enhance our public services and social supports; and
- ensure a balanced recovery from the pandemic.

The SES sets out a medium term fiscal strategy that sees a phased unwinding of the significant temporary Covid supports coupled with growth in core expenditure in line with the trend growth rate of the economy.

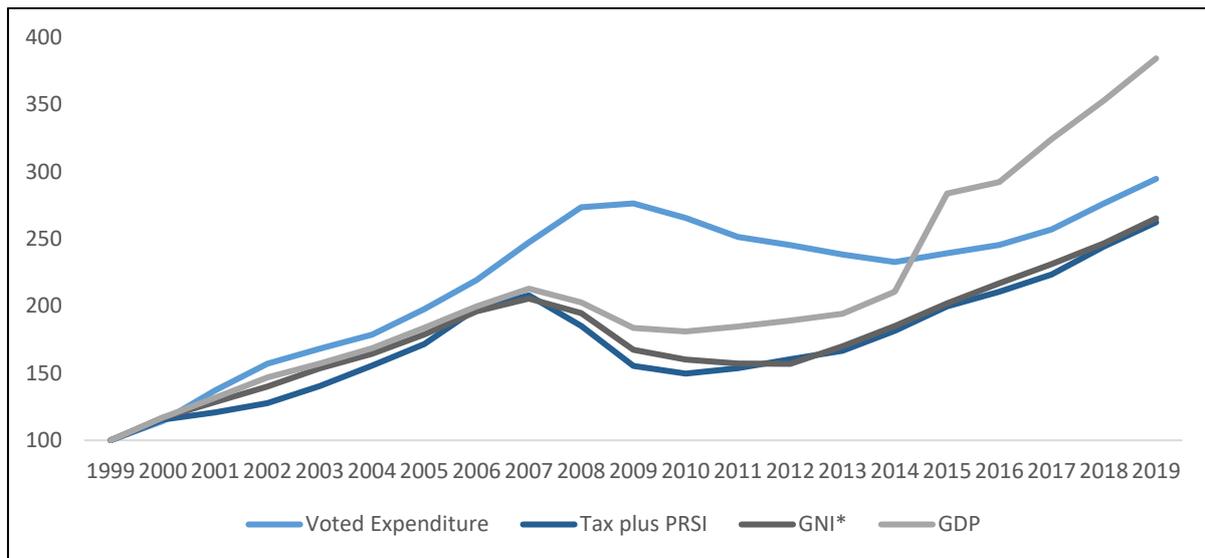
### 2.2 Sustainable Growth in Expenditure

#### Expenditure Trends 1999 to 2019

Figure 2.1 below sets out a twenty year view of voted expenditure, revenue, and economic growth over the period from 2009 to 2019, prior to the onset of Covid-19. Over this timeframe, GNI\* showed a compound annual growth rate of 5%, in line with the growth in Exchequer tax revenue and PRSI, with higher growth of 7% for GDP.

Gross voted expenditure grew at an annual average of 5.6% across this period, slightly above growth in GNI\*. However, this period was characterised by significant fluctuations in growth rates. Indeed, the early part of this period coincided with a relatively rapid growth in the Irish economy, as income measured by GDP converged with, and subsequently eclipsed, the EU average. This was accompanied by high levels of growth in expenditure in the years leading up to the global financial crisis, with substantial additional resources being directed towards key priority areas such as Health, Social Protection and Education and for public infrastructure. This was then followed by a period with significant expenditure reductions.

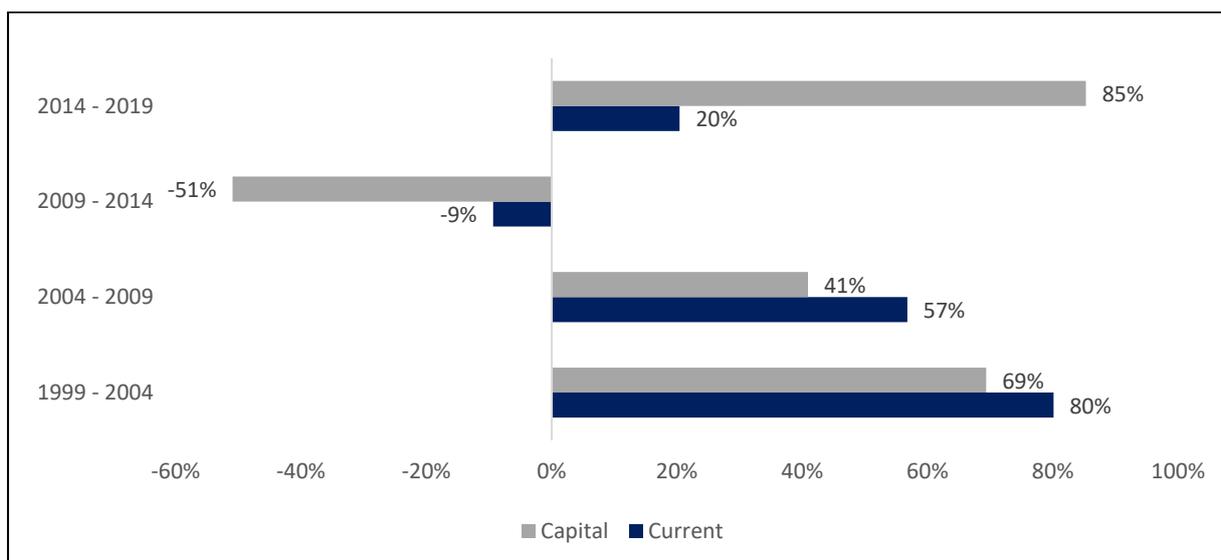
Figure 2.1 – Expenditure v Revenue and Economic Growth 1999-2019



Source: CSO and DPER databank

For the most recent five year interval of this time frame, the period from 2014 to 2019 shows annual average voted expenditure growth of c. 5%, broadly in line with growth in the economy as measured by GNI\*. These increases supported incremental improvements in the provision of day-to-day services and social supports and significant uplifts in public investment and put the public finances in a position to support the significant fiscal response to Covid-19.

Figure 2.2 – Nominal Growth in Current and Capital Gross Voted Expenditure, five-year intervals



Source: DPER databank

## 2.3 Medium Term Expenditure Strategy

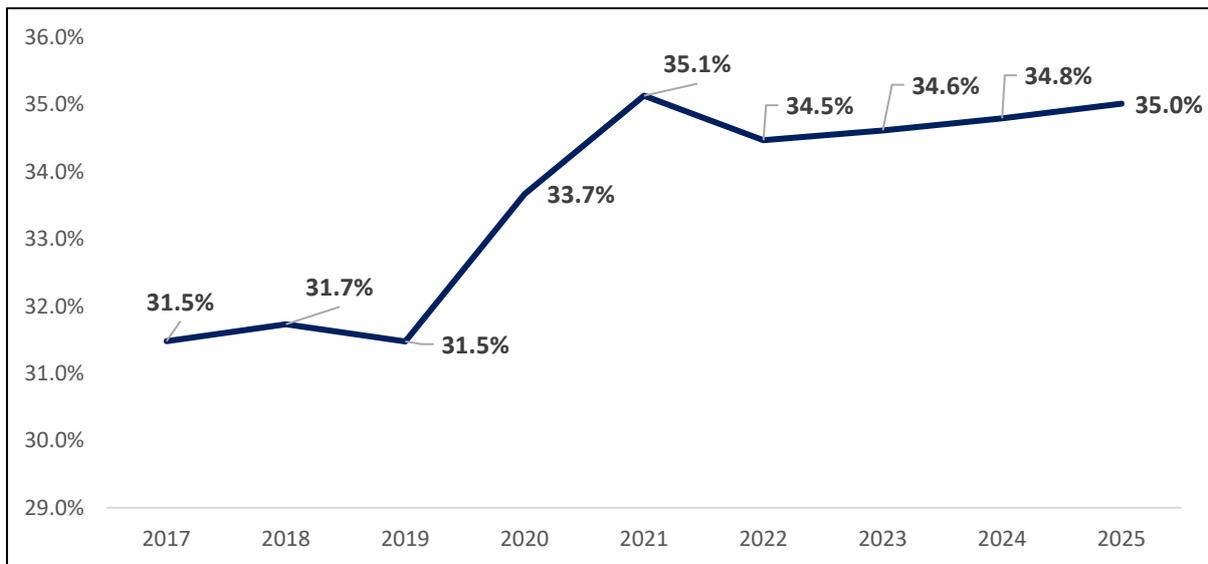
The fiscal strategy set out in the SES has ceilings for core gross voted expenditure based on an annual average growth rate of expenditure of just over 5 per cent, broadly in line with the trend growth rate of the economy. This approach sees spending fixed, while allowing the deficit to fluctuate with the automatic stabilisers operating as the economy fluctuates around its trend growth rate. This strategy, along with the unwinding of the temporary Covid supports, seeks to ensure that the level of spending and overall position of the public finances are sustainable over the medium term.

Addressing key infrastructure requirements in areas including housing and climate action are key priorities of Government. Consequently, over the period 2022-2025, while core current expenditure grows by on average c. 4.7 per cent, the annual growth rate in core capital expenditure is over 8 per cent on average over this period, with total capital investment, including measures funded by the National Recovery and Resilience Plan (NRRP) growing by an average of just over 8½ per cent.

Looking at core expenditure as a percentage of national income as measured by GNI\*, from a position pre-Covid in 2019 where core gross voted expenditure amounted to 31.5% of GNI\*, this increases to 35% in 2025. Core current expenditure grows from just over 28% of GNI\* in 2019 to almost 30% in 2025, with capital growing from 3.4% to 5%. In 2019, there was a General Government surplus, in 2025 there is projected to be a deficit of 2.8% of GNI\*. These metrics reflect the approach adopted since the pandemic of providing counter-cyclical support to the economy and also the Government's commitment to provide for steady increases in day to day spending with higher levels of increases to deliver improvements in our infrastructure.

The increases over the period to 2025 would see overall core expenditure grow from €70 billion pre-Covid as set out in REV 2020, to €93 billion in 2025. This significant level of expenditure on services and investment in infrastructure requires that there is a continued focus on ensuring that this expenditure delivers value for money and improved outcomes. Sustainability in expenditure not alone requires that the overall level of expenditure remains affordable over the longer term, but also that it delivers sustainable improvements in public services and infrastructure. This requires an ongoing focus on the quality of expenditure.

Figure 2.3 - Gross Voted Core Expenditure as % of GNI\*



As outlined in the recently published SES, additional supports in respect of Covid-19 are assumed to be fully unwound by 2023. The exceptions to this are automatic stabiliser costs associated with returning to pre-Covid levels of employment and committed investments under the NRRP.

The Stability Programme Update (SPU) included an amount of €4 billion for Covid-19 spend in 2022, including €2.5 billion for expenditure primarily to fund the key public services of Health, Education, and public transport given the likely need to continue with public health measures in 2022. Within this amount in the SPU was €1.5 billion for the automatic stabilisers, mainly jobseekers payments in the Department of Social Protection. Including the measures set out in the ERP, there is estimated Covid expenditure of €10 billion in the Department of Social Protection this year, primarily relating to the EWSS and the PUP. The reduction in Covid related expenditure in 2022 is therefore largely driven by the recovery in the labour market with the unemployment rate projected to reduce from 16.3% in 2021 to 8.2% in 2022.

Given the uncertainty that still exists in relation to the virus, a further amount of €2.8 billion is now reflected in the expenditure projections as a contingency reserve. This is a prudent approach given the uncertainty and the requirement to ensure that supports are carefully withdrawn in a manner that supports recovery in the economy. Including the expenditure funded by the NRRP, part of the EU's response to Covid, this brings the Covid related expenditure to €7 billion in 2022.

Table - 2.1 -Medium term Expenditure Strategy

	2021	2022	2023	2024	2025
	€bn	€bn	€bn	€bn	€bn
<b>Total Spending</b>	<b>90.7</b>	<b>88.2</b>	<b>85.1</b>	<b>89.0</b>	<b>93.2</b>
<b>Temporary Measures</b>	<b>14.8</b>	<b>8.1</b>	<b>1.0</b>	<b>0.7</b>	<b>0.5</b>
Covid Spending	14.8	7.0	1.0	0.7	0.5
<i>Including NRRP</i>		0.2	0.2	0.2	0.2
Brexit Adjustment Reserve (BAR)		1.1			
<b>Core Spending</b>	<b>75.9</b>	<b>80.1</b>	<b>84.1</b>	<b>88.3</b>	<b>92.8</b>
<i>% Change</i>	7.8%	5.5%	5.0%	5.0%	5.0%
<i>€bn change</i>		4.2	4.0	4.2	4.4
<b>Core Capital Spending</b>	<b>9.8</b>	<b>10.9</b>	<b>11.7</b>	<b>12.7</b>	<b>13.4</b>
<i>% Change</i>	19.8%	11.7%	7.0%	8.4%	6.2%
<i>€bn change</i>		1.1	0.8	1.0	0.8
<b>Core Current Spending</b>	<b>66.1</b>	<b>69.2</b>	<b>72.4</b>	<b>75.7</b>	<b>79.3</b>
<i>% Change</i>	6.3%	4.6%	4.7%	4.5%	4.8%
<i>€bn change</i>		3.1	3.2	3.3	3.7
<b>Total Core Expenditure Increase</b>		<b>4.2</b>	<b>4.0</b>	<b>4.2</b>	<b>4.4</b>
ELS Provision 3% of Core Current Expenditure**		2.1	2.2	2.2	2.5
NDP Core Capital Increase		1.1	0.8	1.0	0.8
<b>Budget for New Expenditure Measures</b>		<b>1.0</b>	<b>1.0</b>	<b>1.1</b>	<b>1.1</b>

\*Rounding effects figures. \*\* 3% ELS provision plus general unallocated provision.

An average 5% annual growth rate sees increases in spending of between €4.0 billion to €4.4 billion from 2022 to 2025. After taking account of estimate existing level of service (ELS) costs, and increases in capital investment, this leaves €1 billion to €1.1 billion available for new expenditure measures, including social welfare measures.

### Box 2.1: ELS Provision 3% of Core Current Expenditure



A key part of the Estimates process involves agreement on the overall level of expenditure required to maintain ELS. Rather than being based on the application of automatic inflationary increases to the existing cost base while also providing for top down estimates of demographic costs, this process involves detailed analysis requiring validation at programme level. In arriving at estimates of ELS costs there is consideration of a range of factors including actual demand in the current year compared to that underpinning the budgetary allocation, the potential impacts of new and existing initiatives on demand and utilisation patterns, impact of demographics on demand, specific price pressures, as well as any capacity constraints that may exist.

Financial management, evaluation processes within Departments and through the Spending Review, and performance budgeting are a necessary part of management of ELS costs to deliver sustainable improvements in delivery within sustainable levels of spending.

The approach adopted in the SES in relation to “pre-committed” current expenditure differs from previous years with a provision of 3% of the core expenditure base being made for ELS costs. This amounts to €2 billion for 2022. Previously an amount was set aside for: demographics in Health, Education, and Social Protection; the cost of pay deals; and the carryover of prior year Budget measures. In 2020 this amounted to €1.1 billion.

This provision of 3% is based on budgets in previous years, and an assessment of the position in advance of Budget 2022 and provides a better estimate of the costs of maintaining ELS and therefore a better assessment of the amount available for new measures to enhance public services including social welfare supports.

## 2.4 Overview of 2022 Budgetary Strategy for Expenditure

As with Budget 2021, Budget 2022 will be framed in the context of:

- continued sustainable increases in core public expenditure;
- provision of exceptional additional funding for temporary supports to address the impacts of Covid-19;
- addressing the impacts of Brexit, in particular through measures to be funded by the BAR to counter the adverse consequences of the withdrawal of the UK from the EU.

Table 2.2 sets out the opening position for Budget 2022 from a current expenditure perspective, splitting expenditure allocated to date in Departmental estimates between, Core, Covid and Brexit. Given the recurring nature of Brexit related current expenditure allocated in 2021, in particular as it relates to required customs and SPS checks, this expenditure has been included within the core current expenditure baseline in the SES.

*Table 2.2: Current Expenditure Allocations by Vote Group 2021*

	Core €m	Covid €m	Brexit €m	Total €m
Agriculture, Food and the Marine	1,439	63	25	1,527
Children, Equality, Disability, Integration and Youth	1,864	30	-	1,894
Defence	941	-	-	941
Education	7,911	309	-	8,219
Enterprise, Trade and Employment	346	-	-	346
Environment, Climate and Communications	152	-	-	152
Finance	513	-	14	527
Foreign Affairs	829	-	10	839
Further and Higher Education, Research, Innovation and Science	2,889	138	-	3,027
Health	19,351	1,726	5	21,082
Housing, Local Government and Heritage	2,354	50	-	2,404
Justice	2,717	29	-	2,746
Public Expenditure and Reform	1,151	-	-	1,151
Rural and Community Development	172	10	-	182
Social Protection	21,930	7,194	-	29,124
Taoiseachs	207	15	-	222
Tourism, Culture, Arts, Gaeltacht, Sport and Media	687	220	-	906
Transport	601	427	-	1,028
<b>Total</b>	<b>66,053</b>	<b>10,210</b>	<b>54</b>	<b>76,317</b>

*\* Includes funding as allocated in Further Revised Estimates to end-June. Additional allocations to meet the cost of Covid-19 measures agreed by Government will be made later in the year where required. Rounding may affect totals.*

Table 2.3 sets out the total capital allocation in the original REV and Further Revised Estimates split between Core, Covid and Brexit. The capital allocations for 2022 will be as set out in the National Development Plan (NDP), within the overall funding envelope of €11.1 billion including projects funded under the NRRP.

*Table 2.3: Capital Expenditure Allocations by Vote Group 2021*

	<b>Core €m</b>	<b>Covid €m</b>	<b>Brexit €m</b>	<b>Total €m</b>
Agriculture, Food and the Marine	271	25	4	300
Children, Equality, Disability, Integration and Youth	32	-	-	32
Defence	131	-	-	131
Education	740	-	-	740
Enterprise, Trade and Employment	432	339	26	797
Environment, Climate and Communications	579	-	-	579
Finance	18	-	16	34
Foreign Affairs	13	-	-	13
Further and Higher Education, Research, Innovation and Science	500	-	-	500
Health	905	130	13	1,048
Housing, Local Government and Heritage	2,766	-	-	2,766
Justice	258	-	-	258
Public Expenditure and Reform*	221	1	-	222
Rural and Community Development	169	-	-	169
Social Protection	16	-	-	16
Taoiseach	-	-	-	-
Tourism, Culture, Arts, Gaeltacht, Sport and Media	172	14	-	186
Transport	2,511	17	-	2,528
Shared Island	50	-	-	50
<b>Total</b>	<b>9,784</b>	<b>525</b>	<b>59</b>	<b>10,368</b>

\* DPER core funding amount shown includes €2m of Covid related funding in relation to 2021.

### Core Current Expenditure

The core current expenditure increase of €3.1 billion proposed for Budget 2022 will provide for ELS costs and allow for the implementation of new policy measures to enhance public services and social supports.

A key element of the Budget process is agreement in relation to the costs of providing existing services supported by the core current expenditure base of €66 billion. These ELS costs arise from pay agreements, demographics, carryover of prior year measures, and other pressures on programme expenditure including specific price pressures.

Previously, an amount was set aside as pre-committed including for demographics and pay deals. As outlined below these costs would amount to c. €1.0-€1.1 billion in 2022 based on the methodology applied in previous years. In addition, there would be costs associated with the carryover of Budget 2021 measures. These calculations have been complicated this year by the impact of the pandemic, with measures in certain areas not proceeding as planned. This is reflected in the underspends against expenditure profiles reported at the end of June.

Taking into account budgetary settlements in recent years and an assessment of the position in advance of Budget 2022, a provision of 3% of the core current expenditure base is being made for ELS costs. This is a higher amount than would have been set out as “pre-committed” expenditure in previous years and is a better reflection of the additional costs required to deliver existing services next year. In total, a provision of €2.1 billion is reflected as being earmarked for ELS costs, leaving €1 billion for new measures. To the extent that the additional cost for ELS is less than €2.1 billion, this increases the amount available for new measures.

### *Demographics*

In relation to Demographics, the estimates of these costs have been informed by the paper ‘*Budgetary Impact of Changing Demographics 2020 – 2030*’, published by the Irish Government Economic and Evaluation Service (IGEES) in 2019. For 2022, this paper estimates demographics across Health, Education and Social Protection at €0.5 billion. Work is ongoing, including as part of the Spending Review process, to further understand the expenditure drivers for these costs to arrive at more comprehensive estimates of this expenditure. This will not only inform Estimates discussions but also sectoral workforce planning to address issues highlighted by the analysis.

### *Pay agreements*

In relation to pay agreements, ‘*Building Momentum: A New Public Service Agreement, 2021 – 2022*’, is a 2 year agreement and will cost an estimated €0.9 billion spread over three calendar years - 2021, 2022, and 2023, with approximately €0.5 - 0.6 billion of this cost arising in 2022. The principal features of the agreement include:

- A general round increase in annualised basic salary for all public servants of 1% or €500, whichever is greater, on 1 October 2021;
- The equivalent of a 1% increase in annualised basic salaries on 1 February 2022 to be used as a Sectoral Bargaining Fund;

- A general round increase in annualised basic salary for all public servants of 1% or €500, whichever is greater, on 1 October 2022.

An independent body is also assessing issues arising in relation to additional hours pertaining to the Haddington Road Agreement, and is to make recommendations in this regard.

The Agreement builds on the momentum of reform and change exemplified by the public service during this public health emergency and allows for on-going co-operation with change, service improvements and industrial peace until end-2022.

### *Other ELS Costs*

In advance of Budget 2022, detailed work is ongoing by the Department of Public Expenditure and Reform regarding these ELS costs by Department including consideration of the costs below:

- In Health there is a need to meet costs associated with demographics, pay deal and public service pension costs and the carryover of 2021 recruitment;
- In Social Protection there are demographic costs relating to the State Pension and upward pressures on disability expenditure;
- In Education and Further and Higher Education there are costs relating to demographics, pay deal, public service pensions, and pressures in areas such as special education and the carryover cost of 2021 recruitment; and
- Other areas with ELS pressures include Housing in relation to the carryover cost of HAP and leased units and Justice in relation to 2021 recruitment.

This highlights that the 3% ELS provision does not apply across the board. Certain sectors are more exposed to increases in ELS costs and consequently, the amounts provided by Department in the Estimates will be based on detailed analysis of all the relevant cost drivers.

### *National Development Plan*

The review of the NDP is currently ongoing. As part of the Programme for Government the review was brought forward to 2021 in order to assess the resourcing requirements for the most important challenges facing us as a nation including climate action, infrastructural challenges, housing, balanced regional development, healthcare, social welfare policy, transport, and education.

The first phase commenced in October 2020, which included the public consultation, Review to Renew, as well as further evidence gathering by way of sectoral submissions for Departments and a series of technical papers. The results of Phase 1 were published in a report on April 4th 2021 on the Department of Public Expenditure and Reform website.

The technical and consultative work carried out as part of Phase 1 forms the evidence base to underpin the decisions to be taken in Phase 2 of the NDP. The objective of Phase 2 of the NDP is to set out revised sectoral capital allocations for the upcoming 10-year period, including non-Exchequer investment, as well as providing a renewed focus on delivery of efficient and cost-effective public infrastructure. The range of indicated sectoral priorities will be identified as part of the final revised NDP.

Engagement is ongoing with Departments in this regard with a view to finalising this work shortly with the allocations set within the overall expenditure parameters set out in the SES.

## 2.5 Conclusion

The overall medium term fiscal strategy is predicated on the continuation of sustainable increases in public expenditure. Critically, it is vital that the non-recurring Covid-19 related supports are removed in an appropriate phased manner. In relation to core expenditure, over the medium term out to 2025 it is important that core expenditure growth is capped at the trend growth rate of the economy to put the public finances on a sustainable pathway. This is appropriate stance to take as it allows for increased investment in public infrastructure in coming years and continued investment in public services while taking into account the current position of the Covid-19 crisis and its impact on the Irish economy.

To ensure the delivery of this strategy, this approach must be supported by the continued close monitoring and reporting of Department spending with a requirement that Departments manage effectively within the expenditure allocations agreed by Government and voted by Dáil Éireann. Recent budgetary reforms, including the spending review process, are tools to facilitate effective budgetary management through the consistent evaluation of existing expenditure commitments. It is important that these reforms are not only maintained but enhanced to ensure the delivery of sustainable improvements in public services within the viable expenditure framework set out in the SES.

## Chapter 3 – Spending Review 2021

### 3.1 Introduction

The State has an important role in developing policies and strategies that promote better outcomes for citizens. This continues to be a key consideration for Government. This is particularly key in relation to how funding is allocated to ensure that public expenditure is delivering on its objectives and ensuring the best possible outcomes for the resources allocated by Government each year.

Building on past years and the previous 2017- 2019 cycle, Spending Review 2020- 2022 remains a key process designed to improve expenditure allocation across the public sector. The spending review achieves this through its focus on the evaluation of programme efficiency and effectiveness of spend, along with key themes such as policy impact, sustainability and through interrogation of the rationale underpinning policies and programmes.

Operating within the broader context of the Covid-19 pandemic, the 2021 spending review will continue to generate the evidence base for both Covid-19 and non-Covid-19 related policy interventions. While Covid-19 related measures have been necessarily afforded much attention over the past number of months, there still exists a variety of challenges related to areas such as climate, housing and health and the spending review will have a key role in informing departmental responses.

### 3.2 Purpose and Objectives of the Spending Review

As part of the current 2020-2022 cycle, the primary aim of Spending Review 2021 is to provide a key platform to enable and support evidence informed policy making across the public sector. It does this by facilitating the critical assessment, on a rolling basis, of expenditure programmes. In other words, the spending review process facilitates the development of policy analysis and evaluation in support of the service-wide agenda of evidence-informed policy making. Spending Review 2020-2022 builds on the momentum developed through the Spending Review 2017-2019 which placed a particular emphasis on shifting the budgetary debate away from year-on-year incremental increases in public expenditure, through the examination of baseline Government expenditure.

In leveraging the spending review as a platform for advancing evidence-informed policy making across the Civil Service, the objectives of the 2020-2022 round are to:

- increase the use of a wide range of data sources upon which policy analysis can be conducted;

- foster engagement, learning and deliberation between Departments in relation to the formulation and implementation of public policy based on policy insights;
- Assess the effectiveness of public expenditure in meeting policy objectives;
- Effectively feed policy insights based on data into all stages of the policy process, including at Budget time; and
- Use evidence and insights to inform programmes of reform and initiate reform where appropriate.

### 3.3 Conduct of the Spending Review

The spending review has become a key step in the budgetary cycle. It has and continues to assist in preparations for the Budget by providing analyses of existing expenditure programmes. However, by continuing to expand the evidence base, the process also enables longer-term improvements in how policy is designed, implemented and evaluated. This element of the process has been acknowledged to a greater extent in Spending Review 2020-2022, particularly in the scope of analysis that can be considered for inclusion.

The process continues to operate within the wider budgetary architecture. However, it is acknowledged that the evidence produced has relevance at all points of the policy lifecycle. Over the past number of years, large programmes of expenditure have been subject to examination and the findings of the relevant spending reviews have had a material impact on the quality of policy dialogue on these issues, including in the context of Estimates discussions. Under the umbrella of the spending review process, progress has been made in respect of:

- increasing the level of policy analysis being undertaken;
- engaging the analytical capacity within more Departments and agencies; and
- providing a platform for enhanced collaboration and discussion based on evidence, including within the estimates process.

Spending Review 2021 is the second in the current three year series of reviews. The process commenced in December 2020 with the Department of Public Expenditure and Reform (DPER) hosting a virtual briefing session for relevant stakeholders across the Civil Service. This session was also used to encourage engagement between key stakeholders on topic selection.

**Governance** - As per the 2020 process, the 2021 spending review is governed by a high-level steering group comprised of senior officials from DPER and from across the Civil Service. The current steering

group is also made up of a number of additional members, including a representative from the CSO, and for the first time an external expert. The role of the steering group includes:

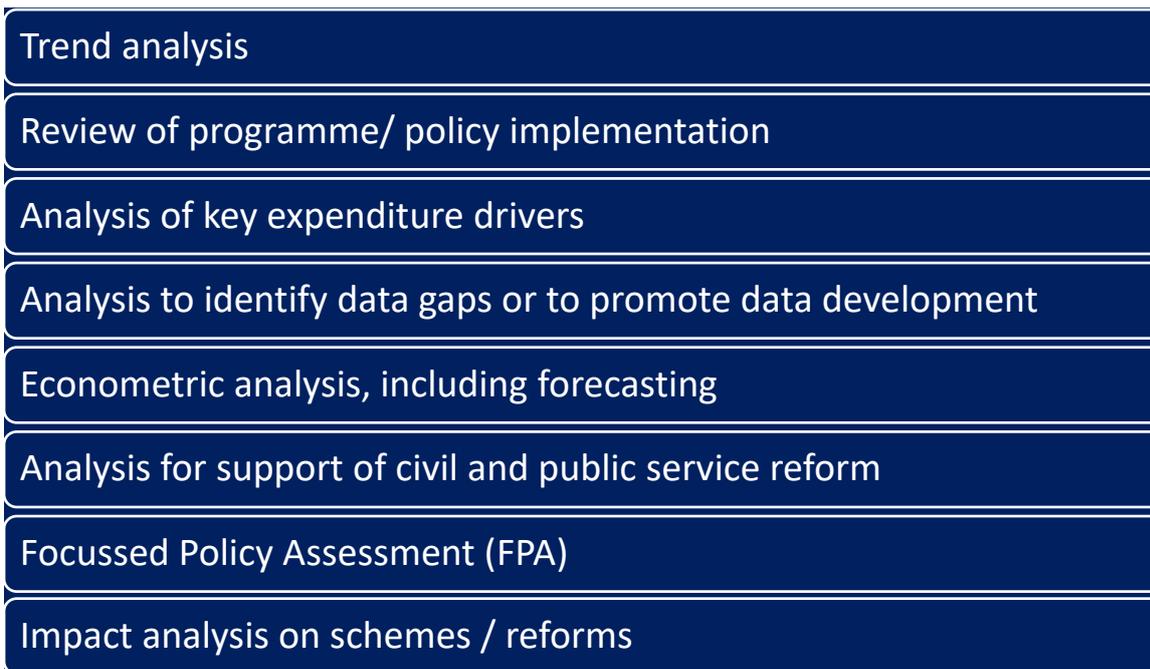
- Providing strategic direction on key issues related to the process;
- Reviewing draft scoping papers at an early stage to support topic selection;
- Reviewing key messages and signing off on papers for inclusion in spending review publications; and
- Strengthening engagement in the Spending Review across Departments.

**The Role of Sub-groups** - Technical subgroups are once again being used for the 2021 spending review. Spending Review Subgroups support the Steering Group by offering a technical review of spending review papers, thereby ensuring that the analysis aligns with the initial scoping paper and the broader aims of the process. These reviews are in addition to quality assurance of each paper by line management in the relevant department.

**Topic Selection, methodology and the Role of IGEES** - Departments continue to have responsibility for the selection of topics and the type/methodology of analysis undertaken. This is consistent with the broad platform that the spending review provides. However, in general, spending review topics will typically address one or more of the following areas:



As previously mentioned, the 2021 spending review has retained a good degree of flexibility in respect of the methodological approach that can be employed. Some examples have included the types of analysis set out below:



The Role of IGEES - The spending review provides a key platform for IGEES to deliver evidence informed policy insights across all Departments. The development of the spending review in recent years has benefited from the continued progression of IGEES and this is reflected in the objectives of the 2020-2022 process which align with the IGEES Medium Term Strategy covering the same period. This strategy sees IGEES continuing to develop the skills, tools and structures to generate and effectively communicate relevant, high-quality analysis to strengthen independent policy advice to decision makers and other stakeholders. The implementation of this strategy will only build on and improve the spending review as a critical platform for evidence informed policy.

### 3.4 Outcomes from Spending Review 2020

An important feature of the response to the Covid-19 pandemic in Ireland, and elsewhere, was the degree to which the policy response was informed by evidence. This was particularly the case in the areas of health, social protection and social protection where a swift policy response was paramount to protect lives and livelihoods. Many officials, including those in IGEES, played a key role in this, both centrally within DPER and across Departments and while this drew significant resources away from the spending review process in the early part of 2020, 25 papers were delivered as part of Spending Review 2020, maintaining the momentum from previous years.

Analysis of enterprise supports was a key feature with four papers published in this area. A compositional analysis of small and large firms examined the profile and characteristics of

employment in firms and changes in their profile between 2002 and 2017. The paper provided insights into the degree of convergence between small and larger enterprises in terms of the sectoral, occupational, and educational profile of employment, as well as other employment characteristics. Two other papers reviewed the Disruptive Technologies Innovation Fund, a key fund established as part of the National Development Plan, and State Supported Loan Schemes, an area of growing importance in terms of supports for enterprises, particularly in the context of Brexit and more recently Covid-19. Another piece of research, subsequently highlighted in Dáil debate, was an assessment of the impact of Brexit and Covid-19 on Údarás na Gaeltachta and its client companies. This highlighted the particular exposures faced by this cohort of companies and the policy options available to assist them.

A second key area of research completed in 2020 relates to civil and public sector staffing, pay and pensions. Five papers fell into this category. In the education sector, a paper on teacher allocation assessed the processes and mechanisms by which mainstream teaching posts, including principals, are allocated to primary and post-primary schools and how these interact. It is expected that a follow on paper will be produced as part of the spending review this year. A paper that garnered significant attention post publication was the Focused Policy Assessment of the Paid Parent's Leave Scheme. This paper assessed the effectiveness of current Irish policy approaches to achieving the objectives as set out in the EU Work-life Balance Directive. It examined European best practice and combined newly collected data from the Public Service HR Databank with Department of Social Protection administrative data to estimate uptake rates and the full Exchequer costs of maternity and paternity leave for the first time. The findings of the paper were presented to the Citizen's Assembly on Gender Equality Issues, feeding into their recent suite of recommendations on the issue.

Another first in terms of data analysis was the use of a new job churn dataset from the Central Statistics Office (CSO) in the analysis of job churn in the public service between 2006 and 2018. This paper produced a number of key findings that are highly relevant for not only individual departments and sectors but also from a cross public service workforce planning perspective. In addition to the above papers, analyses of both Civil Service new joiners and the Single Public Service Pensions Scheme were also completed.

Following on from previous years, a range of other key policy areas were also assessed as part of the spending review in 2020. This included papers related to:

- Social housing build programme;

- Energy efficiency grant schemes;
- Investment in courtroom technology;
- Transport and agriculture expenditure programmes; and
- Private expenditure on GP care.

The diverse set of papers produced as part of the spending review continues to build the evidence base across critical policy areas and inform decision making in the context of the State's response to key policy challenges, e.g. Brexit and Covid-19. This diversity is also reflected in the work being produced in 2021, some of the emerging themes of which are discussed below.

### 3.5 Emerging Themes of the Spending Review 2021

In line with last year's level of output, the 2021 Spending Review sees the development of a substantial amount of research across a variety of key policy areas. Within this, there are a number of main themes emerging, which are set out in more detail below. Further details on these themes will be provided as part of the Expenditure Report at Budget time.

#### Joint Papers and a Collaborative Approach

A significant number of spending review papers scheduled for publication in 2021 are joint or collaborative pieces between line departments, vote sections and a number of other public bodies. This is a welcome theme for the spending review that has become an increasing trend in recent years. Collaboration has been useful as it can potentially facilitate more robust analysis, and can aid spending review authors in terms of enhancing understanding on data and evidence, advancing shared objectives, and more generally building relationships across Departments. In a practical sense, a collaborative approach has also helped in providing authors access to additional datasets and policy documents, where needed. Examples of collaborative papers include:

- Review of the High-Tech Drugs Scheme;
- Teacher Allocations: Developing a Model for Mainstream Teacher Projections; and
- Focused Policy Assessment of *Reducing Harm, Supporting Recovery*: An analysis of expenditure and performance in the area of drug and alcohol misuse.

#### A Platform for New Analysis

While many spending review papers for 2021 focus on significant expenditure areas that have been subject to past (or ongoing) evaluation, a notable number of papers to be published in 2021 focus on

policies or programme areas that have not been previously analysed.<sup>1</sup> This is a positive trend that contributes towards a widening evidence base. Many of these papers will act to identify recent expenditure trends and may also focus on the effectiveness or efficiency of programme implementation. Furthermore, these initial papers provide a solid base from which further analysis may take place. Examples include:

- Exchequer Funding of General Practice 2018-2020;
- Social Impact Assessment on Homelessness Services; and
- Review of the High-Tech Drugs Scheme.

### Identifying Drivers of Cost

As part of their overall objectives, a significant number of Spending Review papers set for publication in 2021 aim to identify and detail core drivers of expenditure. This is a positive emerging theme that moves beyond trend analysis or a breakdown of programme expenditure, and may facilitate deeper understanding of the impact that core variables have on total programme cost. This may assist policymakers in forecasting future expenditure trends. Identifying cost drivers can also support departments in managing expenditure pressures in particular areas and can support expenditure management more generally.

Furthermore, given that it is often cited as a key driver of cost, a notable number of papers focus on current expenditure by way of pay, pensions and general staffing costs. Relevant papers in this area are under development by the Department of Health, the Department of Education and within DPER. Many of the spending review papers for 2021 alternatively focus on overall expenditure within a programme or policy area, with some placing specific emphasis on capital expenditure as a driver of cost. Papers focusing on capital expenditure are currently under development by the Department of Health, Department of Enterprise, Trade and Employment, as well as the OPW in collaboration with DPER Central Votes.

## 3.7 Conclusion

The 2021 spending review continues to advance the objectives of the overall 2020- 2022 Spending Review cycle by providing a key platform to both enable and support evidence informed policy making across the public sector. Spending Review 2021 builds on the momentum developed through the

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<sup>1</sup> Although not previously evaluated via IGEES/ IGEES methods (i.e. Focused Policy Assessments, Value for Money Reviews, the Spending Review), it is acknowledged that programmes or policy areas may have been subject to internal, Departmental review in the past. It is acknowledged that these programmes or policy areas may have been subject to internal, Departmental review, but have not been formally evaluated by IGEES/ IGEES methods i.e. FPA, VFMR, SR

previous, 2017 – 2019 Spending Review cycle and as per last year’s spending review, continues to benefit from a high degree of engagement from across the public service. More specifically, strong buy in from senior stakeholders from across the civil service as well as IGEES management and policy analysts means that 2021 will see the publication of a significant amount of varied papers that will expand the evidence base, with the overall aim of informing policy development into the future.

## Chapter 4 – Well-being and Public Policy

### 4.1 Introduction

In *Programme for Government - Our Shared Future*, the Government has set out its commitment to developing a set of well-being indices to create a well-rounded, holistic view of how Irish society is faring. Furthermore, the Government is committed to ensuring that this framework will be utilised in a systematic way across government policymaking at local and national levels in setting budgetary priorities, evaluating programmes and reporting progress (as an important complement to existing economic measurement tools).

In early 2021, the Department of the Taoiseach established an *Interdepartmental Working Group on the Development of a Well-being Framework for Ireland*. The work of this group has been co-sponsored by the Department of Finance and the Department of Public Expenditure & Reform. The Working Group has been supported by the National Economic & Social Council and Central Statistics Office.

In July 2021, the first report of the Interdepartmental Working Group (IDWG) was published setting out an initial Well-being Framework for Ireland.<sup>2</sup>

While high-level well-being frameworks are important in terms of developing a shared understanding of what makes for better lives and influencing public debate on strategic priorities, such frameworks do not in-and-of-themselves fulfil the ambition of improving policy and decision-making. Instead, it is important to go beyond presenting high-level indicators by developing a knowledge base around well-being as a policy objective and integrating well-being metrics into the various stages of the policy making process.

The purpose of this chapter is outline a number of approaches that seek to utilise the Well-being Framework to:

- Locate well-being within existing expenditure policy (i.e., to inform efforts to improve the impact of public policy on people’s lives); and

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<sup>2</sup> <https://www.gov.ie/en/press-release/fb19a-first-report-on-well-being-framework-for-ireland-july-2021/>

- Build knowledge of well-being as a policy objective to inform the design and implementation of more effective public policies.

As these approaches are utilised and refined over the next few years, they will contribute to the further development of the Framework.

The further development and utilisation of the Well-being Framework for Ireland will:

- Provide an overarching structure to public policy across different Government departments. This will serve to enhance alignment across policy areas and create opportunities for more effective coordination and cooperation between departments and agencies in implementing policy;
- Contribute to the development of a shared understanding within policy communities and society more generally of what makes for better lives;
- Work in tandem with other Government initiatives that enhance the focus on using limited public resources efficiently to deliver effective public services (e.g., performance budgeting and spending review process) and focus attention on questions around differences in people's experiences (e.g., equality budgeting);
- Provide an opportunity to examine and reflect on the progress of Irish society as well as identify key challenges and trade-offs to better inform decision making (i.e., how a decision that promotes well-being in the immediate future may have negative consequences in the longer-term, e.g., green budgeting);
- Provide a foundation structure for the development of sectoral specific well-being sub-frameworks (e.g., children and young people, older people, people in employment, new communities in Ireland).

## 4.2 Well-being in Public Policy

Over the course of the last decade, a suite of reforms to the budgetary framework has sought to embed sound expenditure management practices. Key elements of this reform process have included the introduction of the Performance Budgeting and Equality Budgeting initiatives, the establishment

of the Irish Government Economic & Evaluation Service and the ongoing Spending Review process. At the heart of these reforms is a focus on the totality of public spending rather than the incremental amount added each year and a concern with ensuring that the overall level of expenditure remains affordable over the longer term and delivers sustainable improvements in public services and infrastructure. The development of a Well-being Framework for Ireland is the next phase of this reform process.

There has also been an increasing focus on the issue of “well-being”. In part, this new focus is associated with an acknowledgment that economic growth, while important in terms of generating the resources necessary to provide key public services, is limited as a measure of how society and people are progressing (i.e., it is more a means to an end, than an end in itself). In response, various international organisations and national governments have developed well-being frameworks, most notably the OECD and New Zealand.

A general understanding of well-being associates it with people feeling satisfied, happy or comfortable with their lives. However, from a public policy perspective, such an understanding is of limited use.

Sen’s capability approach (“capabilities of persons to lead the kind of lives they value – and have reason to value”) presents public policy as a way of creating opportunities for people to change or progress their lives. In particular, policy outcomes are expressed not in terms of “satisfaction” or “happiness” but in terms of:

- the kind of person someone is able to be (e.g., being well-nourished or under-nourished; being educated); and
- the activities that a person is able to undertake (e.g., working, caring for someone, voting).

For example, the provision of education and training provides people with the opportunity to develop their knowledge and skills that over the course of their lives can shape, for instance, their employment prospects, potential earnings and health.

The capability approach focuses public policy on how differences between people can support or hinder their abilities to benefit from the opportunities presented by public services. While the most obvious differences between people are in terms of individual abilities, the capability approach also

focuses attention on how the ability to benefit from opportunities may be supported or hindered by the ways in which people interact with each other (e.g., social norms, discrimination, power relations) and the environment in which they live (e.g., housing quality, pollution).

In a sense, this approach brings to the fore the issue of how opportunity may be denied. For example, when educational opportunity may be at risk of being denied by poverty or deprivation, public policy can intervene in a more targeted manner to alleviate the impact of educational disadvantage.

From a public policy perspective, this highlights the importance of looking beyond society level measures of progress to examine if some groups of people are progressing less well than other groups. It also highlights the importance of understanding the policy challenge (i.e., the range of interacting factors that may encompass the policy challenge and the “real world” factors that may inhibit effective delivery of a public service).

### 4.3 Key Dimensions of Ireland’s Well-being Framework

There is a strong practical element to the capability approach. In order to consider what enhances well-being, the capability approach is concerned with identifying a range of dimensions to be examined (simultaneously). This concern is based on how people across the whole of their lives want to change and progress different aspects of themselves and the way they live. In order to provide opportunities to do so, the policy making process needs to consider a broad range of information.

The first report of the Interdepartmental Working Group (IDWG) has set out an initial multidimensional well-being framework. Table 4.1 provides a summary of the concepts involved, in particular, drawing out the notion of public policy as creating opportunities for people to meet certain needs. At this stage, it is important to note that this is an initial presentation of a Well-being Framework for Ireland. Over time, the Framework will be refined as understanding of well-being as an issue in an Irish policy context deepens and experience of utilising it broadens.

The IDWG report also notes that positive policy outcomes on a single dimension do not occur in isolation. The complexity of people’s lives means that progress on one dimension is likely to be associated with progress on other dimensions. Table 4.2 sets out a number of examples of interconnections between different well-being dimensions.

Table 4.1 – Well-being Dimensions in an Irish Public Policy Context

	Well-being as Public Policy	Illustration of Public Policy
Income & Wealth	The financial resources that shape the range of feasible choices available to an individual to meet their day-to-day needs and wants and the opportunity to mitigate personal, economic and societal risks and vulnerabilities.	<p>Provision of public services that allow people the opportunity to develop and achieve material progress in their lives (i.e., earn and increase their own incomes that allow them to meet their day-to-day needs and wants as well as purchase assets).</p> <p>Redistribution of resources through income transfers and public services provide those who are financially vulnerable with the opportunity to meet their day-to-day needs and wants.</p>
Housing & Local Area	The physical infrastructure that shapes the ability of an individual to meet physiological needs (e.g., shelter), safety needs (e.g. personal security) and social belonging needs (e.g., a space for family, intimacy and a sense of connection).	<p>Provision of public services and transfers that allow people the opportunity to access housing.</p> <p>Regulation of housing providers that allow people the opportunity to live in housing of an appropriate quality.</p>
Work & Job Quality	The productive activities (both paid and unpaid) that shape how an individual progresses (i.e., develop their skills and abilities, fulfil their personal ambitions) as well as building and supporting their self-esteem and informing their sense of contributing to society more generally.	<p>Support economic growth to allow people the opportunity to access sustainable employment that will contribute to improving living standards.</p> <p>Regulation to allow people the opportunity to access fair and safe jobs.</p> <p>Support ongoing learning to allow employers and employees to innovate through the development and use of new knowledge and skills.</p>

Mental & Physical Health	<p>The physical and mental factors that shape the ability of the individual to engage in economic, social, cultural, community and family life.</p>	<p>Provision of information about living healthy lives so that people have the opportunity to behave in ways that promote good physical and mental health.</p> <p>Provision of public services that diagnose, treat and manage disease in a way that allows people the opportunity to live as long and as fulfilling a life as possible.</p>
Knowledge & Skills	<p>The cognitive and motor skills acquired and developed over the course of a person’s life that shape their ability to achieve material or economic progress and meet needs relating to esteem (e.g. feeling of accomplishment) and self-actualisation (e.g., achieving full potential) as well as cope with and address change in their lived experience and in society more generally.</p>	<p>Provision of formal educational services that allow people the opportunity to acquire knowledge and skills.</p> <p>Over the course of people’s lives, the provision of supports to access and benefit from opportunities to develop existing skills and acquire new skills.</p>
Environment, Climate & Biodiversity	<p>The nature of the place in which an individual lives and works shapes their ability to meet physiological needs (e.g., clean water and air) as well as more transcendental needs (e.g., relating to and interacting with nature).</p>	<p>Regulation of quality of the environment in which people live to allow people the opportunity to live in spaces that have clean air and water.</p> <p>Provision of public services that allow people the opportunity to inhabit clean public spaces and access parks and other natural amenities.</p>
Subjective Well-being	<p>The cognitive and affective responses of individuals to their immediate circumstances as well as to retrospective and prospective reflections of how their life is progressing.</p>	<p>There is a general acceptance of the importance of including “subjective measures” of well-being.</p>

Safety & Security	The social, cultural, natural and institutional factors that shape the ability of an individual to live life and engage in activities without fear of harm from other people and to mitigate risks and impacts associated with infrastructural, mechanical and natural hazards.	<p>Provision of public services that allow people the opportunity to feel safe and to be able to access key services in times of emergency.</p> <p>Regulation of public and private service providers to allow people the opportunity to access services and employment as well as engage in day-to-day life in relative safety.</p>
Time Use	The efforts of an individual to both meet and combine the demands that others place on their time (e.g., work, family and other caring commitments), and meet their own needs (e.g., personal care and development), subject to the constraint of a fixed quantity of time available in any single day.	<p>Regulation of employment to allow people the opportunity to take time-off.</p> <p>Provision of public services and transfers that allow people the opportunity to decide how to allocate time across the various demands that they face.</p>
Community, Social & Cultural Participation	The opportunities that an individual has for engaging with other people and sharing activities in order to meet their basic needs and their psychological and self-fulfilment needs.	Support community based organisations to allow people the opportunity to engage in a range of communal activities.
Civic Engagement & Cultural Expression	The rights and opportunities that an individual has to express their voice, and participate and contribute to the functioning of their society.	<p>Organisation of free and fair elections to allow people to express formally their political voice.</p> <p>Support organisations that aggregate and represent opinion to allow people the opportunity to have their perspective articulated within the policy making process.</p>

Table 4.2 – Illustrations of the Interconnections between Well-being Dimensions

Employment and household income (Income & Wealth and Work & Job Quality)	Participation in the labour market and educational attainment (Work & Job Quality and Knowledge & Skills)	Unemployment and physical and mental health (Work & Job Quality and Mental & Physical Health)	Experience of crime and occupational activities (Safety & Security and Work & Job Quality)
Lower incomes and mortality and morbidity (Income & Wealth and Mental & Physical Health)	Risk and severity of disease and environmental conditions (Mental & Physical Health and Environment, Climate & Biodiversity)	Long work hours and health (Time Use and Mental & Physical Health)	Experience of crime and morbidity and mortality (Safety & Security and Mental & Physical Health)
Educational attainment and income (Income & Wealth and Knowledge & Skills)	Educational attainment and morbidity and mortality (Knowledge & Skills and Mental & Physical Health)	Educational attainment and civic and community participation (Knowledge & Skills and Civic Engagement & Cultural Expression)	
Income and having someone can count on for help in an emergency (Income & Wealth and Community, Social & Cultural Participation)	Education and having someone can count on for help in an emergency (Knowledge & Skills and Community, Social & Cultural Participation)	Experience of crime / fear of crime and social functioning (Safety & Security and Community, Social & Cultural Participation)	
Life satisfaction and income (Income & Wealth and Subjective Well-being)	Life satisfaction and educational attainment (Knowledge & Skills and Subjective Well-being)	Experience of crime / fear of crime and feelings of vulnerability (Safety & Security and Subjective Well-being)	
Housing costs and income (Income & Wealth and Housing & Local Area)	Housing quality and health (Housing & Local Area and Mental & Physical Health)		
Income and civic participation (Income & Wealth and Civic Engagement & Cultural Expression)			
Poverty and environmental quality (Income & Wealth and Environment, Climate & Biodiversity)			

## 4.4 Well-being Framework and Improving the Impact of Public Policy on People's Lives

What is set out here is one way of utilising the Framework to examine the relationship between well-being and public policy. The proposed approach builds on the performance budgeting initiative by placing an explicit focus on policy goals and evidence of progress toward achieving stated policy outcomes. As the performance budgeting initiative has been developed and refined, more recent reforms have placed an increased focus on the impact of public services on people's lives (e.g., equality budgeting, green budgeting). In the aggregate, these reforms, in combination with the work to date on well-being, seek to provide a well-rounded, holistic view of how Ireland is progressing, highlighting where progress is unequal and shaping policies that deliver better results for people.

The approach to examining the relationship between well-being and public policy described in Figure 4.1 utilises the Well-being Framework to locate well-being within existing expenditure policy to inform efforts to improve the impact of public policy on people's lives. It proposes that the analysis should:

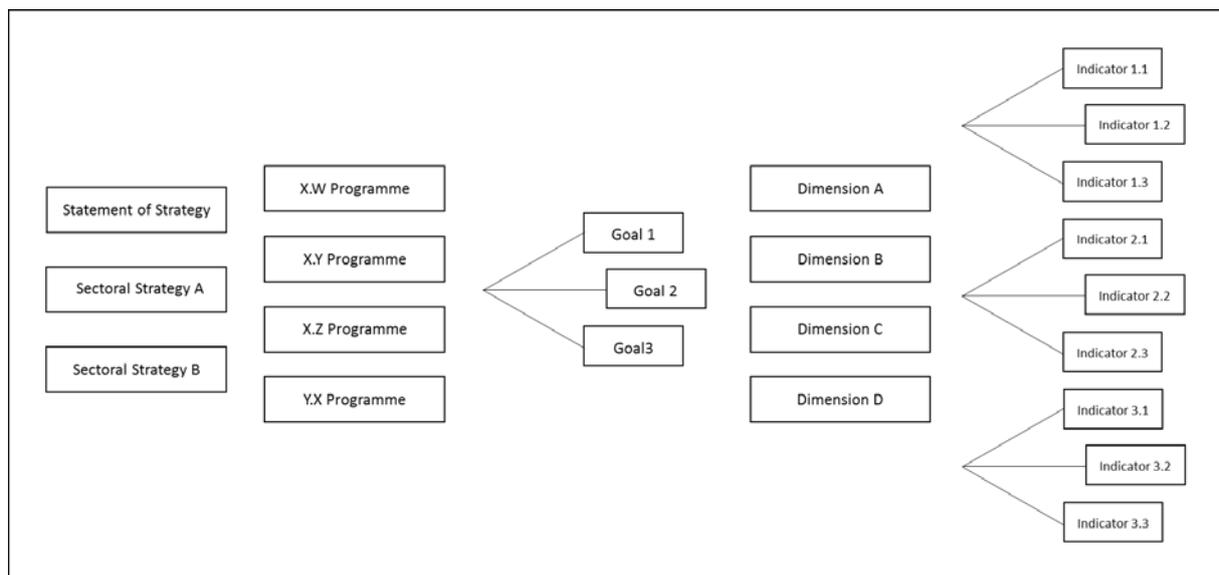
- Identify relevant policy goals in key strategic policy documents (i.e., qualitative data);
- Associate each policy goal under one or more of the well-being dimensions set out in the Well-being Framework (i.e., qualitative data analysis);
- Identify indicators that are relevant to both the policy goals and the well-being dimensions (i.e., quantitative data); and
- Examine trends in the indicators to understand the relationship between policy and well-being outcomes (i.e., quantitative data analysis).

In examining the relationship between policy and well-being, it is important to acknowledge that different types of indicators are used to measure well-being outcomes and these differences shape what can be said about the nature of the relationship (i.e., how direct the relationship is between the intervention and the policy outcome).<sup>3</sup> (See Annex 2.)

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<sup>3</sup> This approach seeks to examine the relationship between public policy and well-being. It is not an evaluation of how a policy or programme has enhanced well-being.

Figure 4.1 – Illustration of the Relationship between the Well-being Framework and the Strategic Context, Policies and Programmes, Policy Goals and Indicators



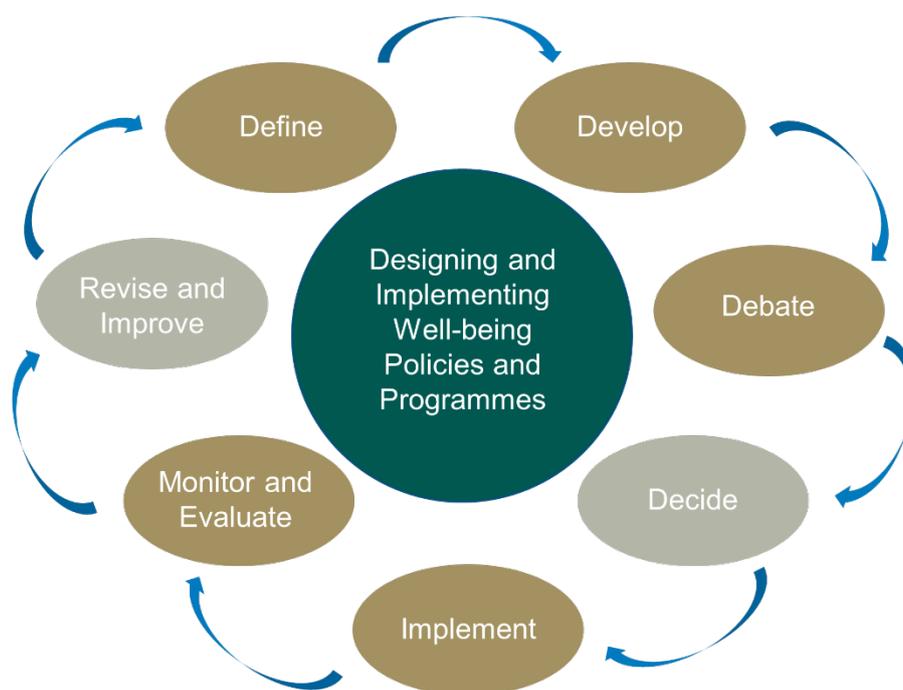
#### 4.5 Well-being Framework and Improving the Design and Implementation of Effective Public Policy

In addition to supporting efforts to examine existing public policy, the Well-being Framework has the potential to build knowledge of well-being as a policy objective to inform the design and implementation of more effective public policies. It is anticipated that the Well-being Framework will fit within existing reform initiatives that seek to support the increasing use of evidence in the policy making process. For example, the ongoing development of the Public Spending Code, especially with regard to the setting out and appraising new policy proposals.

By considering the various stages of a policy making cycle, an evidence-for-policy approach can bring to the fore key issues, and provide insights into methods and approaches that inform the design and implementation of policies and programmes that are concerned with people’s well-being. (See Figure 4.2 and Box 4.1)

In terms of developing a deeper understanding of well-being as a public policy goal, perhaps the real benefit of a well-being framework will be in terms of bringing greater clarity when addressing complex policy challenges using complex policy interventions. (See Annex 3.)

Figure 4.2 – Policy Cycle



Box 4.1 – Evidence-for-Policy Approach to the Policy Cycle<sup>4</sup>

“Define” the challenge that is to be addressed by the public policy - Quantitative evidence can be used to:

- Describe the challenge (i.e., what is known about the challenge, identify gaps in the evidence);
- Provide a clear statement as to why government action is necessary (rationale);
- Set out clearly what it is the policy or programme is seeking to achieve (policy objective); and
- Set out how the (proposed) policy or programme fits within the broader context of a government’s policy agenda (strategic alignment).

“Develop” a range of alternative approaches to addressing the policy challenge and achieving the policy objective. In setting out the alternative approaches, there is an opportunity to begin thinking about the key questions of:

- Who should benefit from the services provided under the policy; and
- The resources likely to be required to ensure the provision of an effective service.

Furthermore, there is an opportunity to consider innovative ways of designing and implementing policy.

“Debate” or appraise the alternative approaches using a consistent evidence informed framework and consider the acceptability and risks associated with each alternative approach. In this context, if policy making decisions are to be informed by evidence there is a need for a leadership culture that values and invests in the capacity of staff to gather and use policy relevant knowledge.

<sup>4</sup> For example, this approach has been considered in the context of prevention and early intervention policies and programmes, see: <https://igees.gov.ie/wp-content/uploads/2020/11/PEIU-Working-Paper-2-Design-and-Implementation-of-PEI.pdf>

“Implementation” is a challenging process that translates ideas and evidence into the provision of services and often involves a broad range of stakeholders. There is a need for an implementation plan detailing the key activities, responsibilities and timelines.

“Monitor and evaluate” is concerned with ensuring that processes are in place to provide evidence that the policy, programme or programmatic intervention is:

- Being implemented as intended; and
- Achieving the intended outcome(s).

The evidence used to inform that various stages of the policy cycle and the evidence base that has been established at each stage inform the discrete decision-making stages of the policy cycle.

“Decision” to implement a particular policy or programme taking into account all of the information that has been presented; and

“Revise and improve” stage when there is an opportunity to consider whether or not to:

- Continue with an intervention in its current form;
- Modify how it is being implemented in order to improve its effectiveness; or
- End its implementation.

## 4.6 Conclusion

In order to develop public policy with a specific focus on promoting well-being it is important to go beyond presenting high-level indicators to developing a knowledge base around well-being as a policy objective and integrate well-being evidence into the various stages of the policy making process. If there is to be an informed, long-term commitment to how public policy can promote well-being there also needs to be an openness about the limits of what is known (e.g., what is meant by well-being in a specific policy area and how it might be measured), what can be done (e.g., what factors support or undermine well-being) and what can be achieved by public policy (as well as having clarity of purpose and appropriate measurement and assessment tools).

## Annex 1 - Details on Covid-19 Expenditure in 2020

During 2020, over €16½ billion in additional funding was allocated to Departments to respond to the impacts of Covid-19 on people, businesses and key public services. Prior to the onset of the pandemic, the Revised Estimates for Public Services 2020 published in December 2019 had set out planned spending of €70.4 billion. At the end of 2020 gross voted expenditure, as per outturn in the December 2020 Fiscal Monitor, was €85.3 billion. This was almost €15 billion higher than the original full year allocation and €17.9 billion higher than in 2019. This increased spend against the original 2020 expenditure allocations reflects the scale of the additional supports put in place to mitigate the impacts of Covid-19. In March 2020, as diagnosis of cases of Covid-19 necessitated public health restrictions, Government agreed an initial package of supports. Supports were further extended during the year, with additional funding allocated as part of the July Stimulus and in October 2020 with additional provision for 2020 Covid-19 spending of €0.5bn made at the time of Budget 2021.

The largest funding provision for Covid-19 supports in 2020 was to the Department of Social Protection, where over €10 billion was allocated across a number of schemes to support incomes. The Pandemic Unemployment Payment (PUP) and Temporary Wage Subsidy Scheme (TWSS) were agreed by Government in March 2020 and extended during 2020, with the TWSS being replaced by the Employment Wage Subsidy Scheme (EWSS). Spend on these schemes during 2020 was just over €9 billion. A number of other measures relating to Covid-19 such as enhanced illness benefit were also introduced. Overall spend by the Department of Social Protection in 2020 was almost €30.5 billion, almost €9.8 billion higher than in 2019, with Covid-19 related supports estimated to be around €9.3 billion of this.

Supports for businesses were provided through the Department of Enterprise, Trade and Employment where almost €1 billion was allocated to fund measures such as liquidity schemes and restart grants. Further to this, provision for a Commercial Rates Waiver through the Department of Housing, Local Government and Heritage was introduced from end- March and later extended through Quarter 4, at an estimated cost of almost €0.9bn for 2020.

Additional supports for key public services were also provided. The Department of Health spent €2¾ billion to respond to the impact of Covid-19 on the health service. This allowed the introduction of the testing and tracing programme, purchase of PPE and increased capacity in the health service. Provision of additional funds to the Education Sector allowed for the safe reopening of schools, colleges and

universities. To support further training and skills development, additional further and higher education places were made available as part of the July Stimulus. In the Justice sector, funding was provided to support their response to Covid-19, including for Garda pay and overtime, purchase of PPE and investment in the Garda fleet as well as additional funding for the prison service and court service. An additional allocation for Asylum Seekers Accommodation was also provided. As a result of the reduced capacity on public transport necessitated by public health restrictions, additional resources of €460m were provided to the Department of Transport in respect of the Public Service Obligation. A wide range of additional supports were also provided through a number of other Government Departments, including supports for arts, sports, tourism, agriculture and childcare sectors.

Provisional outturn figures indicate an underspend against allocation in 2020 for areas under which Covid-19 funding was allocated, with €15.4 billion spend from the €16.6 billion allocated. This is primarily due to an underspend of €0.8 billion in the Department of Social Protection where less funding was required by end year to meet demands on income and employment support schemes than had been earlier anticipated.

*Table 1A: Preliminary 2020 Covid Expenditure*

	Allocation €bn	Provisional Outturn €bn
Agriculture, Food and the Marine	0.1	0.1
Enterprise, Trade & Employment	0.9	0.8
Children, Equality, Disability and Youth	0.2	0.1
Tourism, Culture, Arts, Gaeltacht, Sport & Media	0.2	0.2
Education and Skills	0.3	0.3
Social Protection	10.1	9.3
Health	2.6	2.7
Housing, Local Government & Heritage	1.1	1.1
Justice	0.1	0.1
Rural and Community Development	0.1	0.1
Transport	0.6	0.3
Further and Higher Education, Research, Innovation and Science	0.3	0.3
Other	0.1	0.1
<b>Total</b>	<b>16.6</b>	<b>15.4</b>

*\*Preliminary provisional outturn amounts indicated do not reflect any capital amounts carried over into 2021.*

## Annex 2 – Different Types of Indicators

It is likely that there will be a number of different types of indicators available to measure well-being outcomes and these differences shape what can be said about the relationship between well-being and public policy. The indicators differ in terms of their being:

- Results (or dependent variables) used in rigorously conducted evaluations (i.e., Randomised Controlled Trials or Quasi-experiments). These evaluations demonstrate the effectiveness of the policies or programmes in achieving the well-being outcome.

When this type of indicator is used, it is possible to state that the policy or programme has (or has not) enhanced well-being;

- Impact indicators, that is, indicators that are relevant measures of the intended well-being outcome but the policy or programme has not been the subject of a rigorously conducted evaluation. The focus is on the direction of travel of the well-being indicator.

When this type of indicator is used, the policy or programme can be described as being associated with the increase (or decrease) in well-being; and

- Context indicators, that is, indicators that are relevant measures of the intended well-being outcome (i.e., encompassed in the stated policy goal) but the link between the policy outcome and the public good or service is indirect through a complex series of intervening variables and / or feedback loops. As a policy outcome, they may describe the context in which a policy or programme is being implemented or inform an understanding of demand for the particular public service or the nature of a complex policy challenge in society.

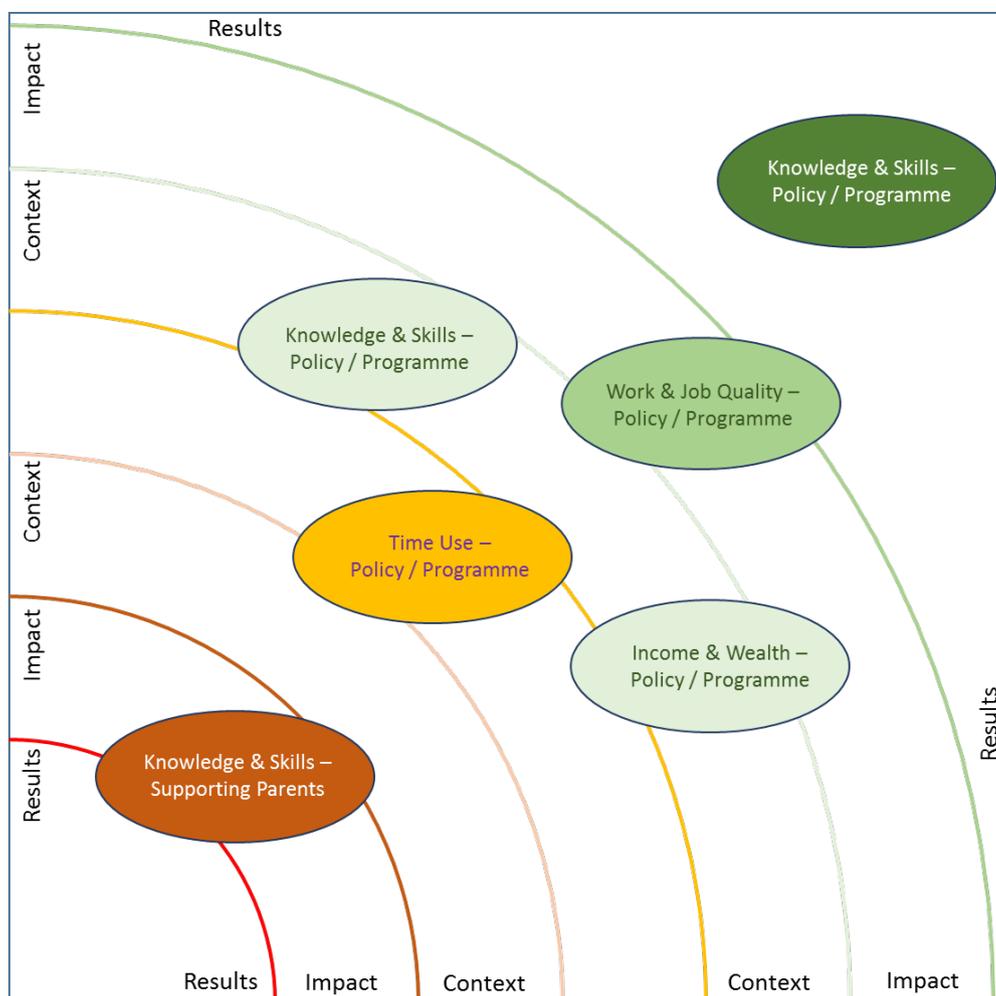
When this type of indicator is used, the policy or programme can be described as being implemented in the context of improving (or deteriorating) well-being.

Figure 1A illustrates how the relationship between well-being and public policy might be summarised. The summary of these relationships focuses on trends and the quality of the available data. First, the analysis examines the trends of indicators that are relevant to both the policy or programme and the well-being dimensions. These trends are compared against stated policy goals. Shades of green are

used to indicate the trend is as intended by the policy goal; shades of red indicate the trend is contrary to the policy goal. Orange represents cases where there is no clear trend.

Second, the presentation uses frontiers to illustrate the strength of the relationship based on the type of data used to examine the relationship. These frontiers range from policies that enhance well-being to policies that are associated with an increase (or decrease) in well-being to policies that are being implemented in the context of improving (or deteriorating) well-being to cases where there is no discernible relationship.

Figure 1A – Illustration of Summary Presentation of Relationship between Well-being and Public Policy (taking account of different types of data)



## Annex 3 – Complexity and Public Policy

Policies and programmes sometimes differ from each other in terms of the clarity of policy objectives. In some cases, policy objectives are clear statements of the intended outcome. In other cases, policy objectives tend to reference services to be provided (and may or may not refer to the intended outcome), or set out a high-level aspirational statement about the future.

There is some evidence to suggest that the clarity of policy objectives is associated with the complexity of the policy intervention. On the one hand, while the science underpinning some health-related interventions is complex, the interventions themselves are reasonably straightforward and the policy objectives are clearly stated (e.g., vaccinations, health screening).

On the other hand, the policy objectives for policies and programmes concerned with children, young people and their families tend to focus on the provision of services, or general references to enhancing well-being. The policy challenges in these areas are complex because of a concern with multiple outcomes (e.g., relating to the child, their family, their community) in a number of different policy domains (e.g., education, labour market participation, further skills training, activation measures, family income, childcare).

The policy interventions to address these challenges are also “complex” in that they involve a range of actors providing services encompassing different interventions concerned with one or more outcomes at different stages in the life of the child and their family members as well as with ongoing changes in the community in which they live.<sup>5</sup>

For complex policy challenges and complex policy interventions, the Well-being Framework offers an opportunity to bring greater clarity to policy goals. The multi-dimensional structure of the Framework could be used to disaggregate policy goals. At present, a policy goal may be stated in terms of, for example, enhancing the well-being of children and their families. In such instances, the Framework could be used to clarify what is meant by “enhance well-being” by setting out what this means in terms of family income, educational opportunities, health behaviours, conditions in which people live (both their housing and local environment), people’s ability to engage with their community and express their voice and identity in safety, and so on. By disaggregating policy goals in this way, it may be easier to determine what progress has been achieved, examine how best to develop policy interventions to

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<sup>5</sup> [https://igees.gov.ie/wp-content/uploads/2020/11/PEIU-Understanding-PEI-as-public-policy\\_comparison-policies-and-programmes.pdf](https://igees.gov.ie/wp-content/uploads/2020/11/PEIU-Understanding-PEI-as-public-policy_comparison-policies-and-programmes.pdf)

achieve better results, and identify opportunities for cooperation and coordination amongst organisations that are concerned with similar policy goals.

*Box 1A – Complexity: Challenges and Interventions<sup>6</sup>*

The complexity of a challenge can be understood in terms of:

- What might happen, that is, challenges may vary in terms of the number of possible outcomes; and
- How likely it is that something will happen (i.e., probability of observing a specific outcome).

The complexity of a policy intervention can be understood in terms of:

- *Simple interventions* - rely upon a single (a coherent set of) known mechanism with a single (a coherent set of) output whose benefits are understood to lead to measurable and widely anticipated outcomes;
- *Complicated interventions* - involve a number of interrelated parts with processes that are broadly predictable and outputs that arrive at outcomes in well-understood ways; and
- *Complex interventions* – involve multiple components that may act independently and interdependently (characterized by feedback loops, adaptation and learning by both those delivering and those receiving the intervention), a portfolio of activities (a large number of different actors are delivering a range of different interventions at more than one level) and multiple desired outcomes (involves more than one policy domain, no one organisation has overall control over an intervention and its outcomes, and outcomes may change over time as the context in which the policy or programme is being implemented changes).

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<sup>6</sup> HM Treasury, 2020; Ling, 2012; Stirling, 2010.





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