Rialtas na hÉireann
Government of Ireland

Budget 2020
Expenditure Report

Prepared by the Department of
Public Expenditure and Reform
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2020

Expenditure Report

BAILE ÁTHA CLIATH
ARNA FHOILSIÚ AG OIFIG AN tSOLÁTHAIR
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Executive Summary

This document is the Expenditure Report for Budget 2020, as presented to Dáil Éireann. It sets out the Government's voted expenditure allocations and measures for 2020.

Last year, Budget 2019 set out fiscal projections for the period to 2023. In respect of 2020, gross voted expenditure on the delivery of public services and public capital investment was projected to increase by €2.2 billion or 3⅓ per cent relative to 2019. After taking into account resources of €0.6 billion included in these projections for tax measures this resulted in a total projected budgetary package for 2020 of €2.8 billion.

These fiscal projections were based on the assumption that the UK would leave the EU based on an agreement and following a transition period. The subsequent emergence of the substantial risk of a disorderly Brexit has required a responsive budgetary policy.

The strategy underpinning this Budget provides for a budgetary package broadly in line with the overall parameters set out in the Stability Programme Update and in addition, because of the projected increase in unemployment following a disorderly Brexit, the budgetary strategy provides support to our citizens through the Social Welfare system, and provides temporary targeted supports to the sectors most affected.

In recognition of the key role of public services and infrastructure in supporting our citizens and in promoting the resilience of our economy at a time of increasing risk in the external environment, the focus for the core element of this budget has been on public expenditure. Taking account of tax raising measures of €426m, the increase in core expenditure of €3,371 million (5.1 per cent), before taking account of no-deal Brexit related expenditure, results in a net budgetary package of €2,945 million. This approach strikes a balance between delivering a budget strictly in line with the parameters set out this time last year and providing sufficient scope to take action to mitigate the expenditure pressures that have arisen this year.

Brexit Response

Ameliorating the challenges of Brexit has been a core focus of the last three Budgets. This has included initiatives to increase competitiveness, expand Ireland's global footprint and embed greater resilience in the National Economy. Almost €0.2 billion is included within Departmental allocations for such expenditure in 2020. However, given the changed environment in relation to Brexit, the second element of Budget 2020 sets out the scale of the voted expenditure resources that can be deployed next year to meet the challenges of a disorderly Brexit. This expenditure amounts to almost €1¼ billion and comprises:

- A contingency provision of €650 million to support the sectors identified as most affected by Brexit; Agriculture, Enterprise and Tourism, and to help stabilise the worst affected regions;

- An amount of €410 million to allow for support to those experiencing unemployment as a result of a disorderly Brexit through increased expenditure on employment supports comprising:

    - €365 million in Social Protection expenditure on the Live Register and Related schemes; and
    - €45 million for Labour market activation supports.
- Approximately €160 million to ensure that the staff, facilities and infrastructure are in place at Dublin Port, Rosslare Europort and Dublin Airport to allow for the necessary compliance checks to be carried out by the regulatory agencies.

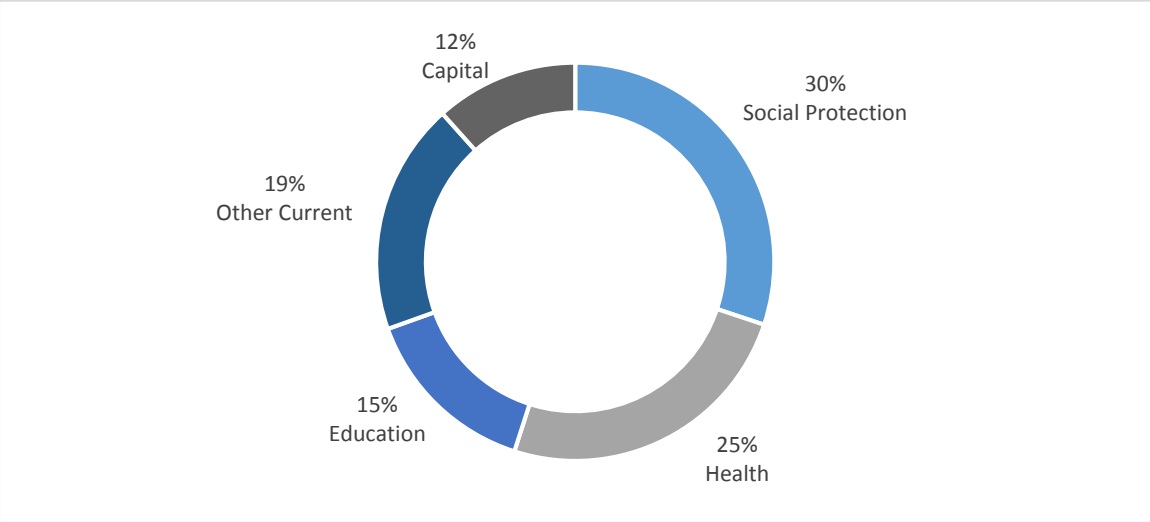
Taking account of the increases provided for core expenditure, spending on day to day public services will increase by 4.3 per cent next year, with capital investment growing by 10.8 per cent. Total gross expenditure will increase by 5 per cent to just over €70 billion. Taking into account the impact of additional spending pressures in 2019, reflected in the White Paper, the like for like year on year growth rate in current expenditure versus the forecast outturn is c. 3½ per cent. After taking account of potential expenditure arising from the no-deal Brexit, expenditure in 2020 would rise to over €71 billion.

Estimate of Gross Voted Expenditure 2020	
	€ million
Gross Voted Current Expenditure (Core)	61,868
Gross Voted Capital Expenditure (Core)	8,136
Total Gross Voted Expenditure (Core)	**70,004**
Disorderly Brexit Response	1,220
Timing-related Cash Costs	169
Additional Total	**1,389**
Total Gross Voted Expenditure	**71,393**

**Rounding affects total*

The chart below shows the distribution of total Government voted expenditure across the main spending headings. It reflects the importance of strategic programmes in the social protection, health and education areas as part of Government's focus on protecting the most vulnerable in society and prioritising core social services and the ongoing commitment to enhanced public investment under Project Ireland 2040.

Prioritisation of Core Public Spending 2020



The 2020 allocations to Departments for current and capital expenditure are outlined in the tables below. More information about these allocations are provided in Parts II and III of this Report.

Carbon Tax Spending

Budget 2020 includes a carbon tax increase of €6 per tonne that is expected to raise €90 million next year. The planned trajectory of changes in the carbon tax regime provides a strong signal to people and businesses that real and significant behavioural change is needed.

The funding raised will be directed to support increases to existing schemes or new schemes that would not have been provided in the absence of the increase in carbon tax. The importance of clear action in this regard must be balanced with measures to promote equity during the transition.

The revenue raised will support:

- €34 million in funding to protect the vulnerable through the fuel allowance and energy efficiency upgrades;
- €31 million for schemes to support a just transition to a low carbon economy including measures with a particular focus on the Midlands;
- €25 million for programmes than can help all citizens to reduce their carbon footprint.

Ministerial Vote Group Gross Current Expenditure

	REV 2019	Budget 2020	Change
	€ million	€ million	%
Agriculture, Food and the Marine Group	1,341	1,358	1.3%
Business, Enterprise & Innovation Group	330	339	2.7%
Children and Youth Affairs Group	1,478	1,573	6.4%
Communications, Climate Action & Environment Group	392	399	1.8%
Culture, Heritage & the Gaeltacht Group	265	273	3.1%
Defence Group	901	927	2.8%
Education & Skills Group	9,826	10,206	3.9%
Employment Affairs & Social Protection Group	20,484	21,080	2.9%
Finance Group	481	487	1.3%
Foreign Affairs Group	781	808	3.4%
Health Group	16,365	17,401	6.3%
Housing, Planning & Local Government Group	1,919	2,075	8.1%
Justice Group	2,574	2,694	4.7%
Public Expenditure and Reform Group	1,053	1,101	4.6%
Rural & Community Development	153	158	3.4%
Taoiseach's Group	192	206	7.7%
Transport, Tourism & Sport Group	756	783	3.7%
Gross Current Expenditure (Core)	**59,291**	**61,868**	**4.3%**
Disorderly Brexit Response		1,150	
Timing-related Cash Costs		169	
Additional Total		**1,319**	
Total Gross Current Expenditure		**63,187**	

**Rounding affects total*

A key pillar of budgetary strategy is a major increase in capital investment. Budget 2020 continues to deliver on this policy which will support further expansion of economic, social and environmental infrastructure across the country. The table below shows the distribution of capital spending across Government Departments.

Ministerial Vote Group Gross Capital Expenditure

	2019	**2020**	**Change**
	€ million	€ million	%
Agriculture, Food and the Marine Group	255	274	7.5%
Business, Enterprise & Innovation Group	620	632	1.9%
Children and Youth Affairs Group	32	31	-3.1%
Communications, Climate Action & Environment Group	273	372	36.3%
Culture, Heritage & the Gaeltacht Group	74	81	9.8%
Defence Group	106	113	6.6%
Education & Skills Group	941	922	-2.0%
Employment Affairs & Social Protection Group	14	15	7.1%
Finance Group	24	22	-9.8%
Foreign Affairs Group	21	13	-38.1%
Health Group	742	854	15.1%
Housing, Planning & Local Government Group	2,124	2,230	5.0%
Justice Group	195	265	35.8%
Public Expenditure and Reform Group	196	219	11.7%
Rural & Community Development	138	150	8.7%
Transport, Tourism & Sport Group	1,586	1,943	22.5%
Gross Capital Expenditure (Core)	**7,342**	**8,136**	**10.8%**
Disorderly Brexit Response		70	
Additional Total		70	
Total Gross Capital Expenditure		**8,206**	

**Rounding affects total*

Selected Key Areas of Current Expenditure 2020

In 2019, core voted Government expenditure on the delivery of public services, excluding costs relating to the need to respond to a disorderly Brexit will be €61.9 billion. Maintaining the approach of recent years, additional resources will be focused on incrementally improving the scope and availability of public services which will impact on all sectors and regions of the economy. Outlined below are summaries of the key spending areas. Details of the services to be delivered by all Departments are set out in Part II of this Report.

Social Protection

In order to protect the most vulnerable in society, the Government will provide an allocation of €21.1 billion for the Department of Employment Affairs and Social Protection. The significant provision of supports through the social protection system represents an important strand of the Government's commitment to tackle poverty and social inequality in Ireland.

Health

€17.4 billion will be allocated to the Health sector in 2020 and this investment reflects the Government's commitment to create a more responsive, integrated and people-centred health care system. The additional investment in 2020 will help to improve access to health and social services across the country.

Housing and Homelessness

The Department of Housing, Planning and Local Government will see an investment of over €2 billion in 2020. Housing and homelessness remain key challenges facing the State. This allocation will support a number of initiatives, including those aimed at ensuring the delivery of our Rebuilding Ireland targets. Among other things, the increase in investment in 2020 will allow for an additional 13,000 households to be accommodated under the Housing Assistance Payment Scheme. It will also help to support those in homelessness to access safe and secure long-term housing.

Children

Almost €1.6 billion is being invested in the Department of Children and Youth Affairs specifically to support children and young people in Ireland. Increased funding for Early Years Care and Education demonstrates the Government's commitment to supporting the provision of services for the care, development and wellbeing of children and young people. Central to this is the roll-out of the National Childcare Scheme. This Scheme aims to improve children's outcomes, support lifelong learning, make work pay, reduce child poverty and tangibly reduce the cost of quality childcare for thousands of families across Ireland.

Education and Skills

Over €10.2 billion is being provided for our Education sector in 2020. This will allow us to address the demographic pressures arising from the changes in our population, while remaining responsive to developments in the labour market. The delivery of these key services will continue to support the success of learners at all levels of the Education system,

including by allowing for the ongoing prioritisation of Special Education with recruitment of additional Special Needs Assistants and Special Education teachers at primary and post-primary level.

Justice

The area of Justice and Equality incorporates a diverse array of Government activity and includes support for human rights, immigration and asylum, the oversight of policing and the delivery of services across the court system, in prisons and through An Garda Síochána. In 2020 the Government is committing almost €2.7 billion to this sector. This investment will provide support for the continued provision of policing services in 2020 and offer additional resources to deal with the increase in the number of persons seeking asylum.

Capital Investment in Infrastructure

Project Ireland 2040 is the Government's long-term overarching strategy to make Ireland a better country for all of its people. The plan changes how infrastructure investment is made, moving away from the approach of the past, which saw public investment spread too thinly and investment decisions that did not align with a well-thought-out and defined strategy. Alongside the development of physical infrastructure, Project Ireland 2040 supports business and communities across all of Ireland in realising their potential.

Capital expenditure funding for 2020 represents a significant increase of almost €800 million or 10.8% over the 2019 allocations. This investment will be delivered in line with the National Planning Framework as part of Project Ireland 2040. Targeted and sustainable investment will enable ambitious growth in our regional cities which can complement the continuing importance of Dublin to the national economy.

Investments in 2020 will include:-

Transport

An additional €357 million will be allocated to advance projects, giving the Department an overall allocation of €1,943 million in 2020. This significant increase in the Department's allocation will provide the resources to continue to progress and deliver the ambitious *National Development Plan* Programme which will target investment in our transport network, local and regional roads, tourism sector and promote sport to drive our country forward.

Housing

The Department of Housing, Planning and Local Government will receive the highest allocation of all Departments with an allocation of €2,230 million or 27% of the overall capital expenditure allocation for 2020. Building on the progress already achieved under Rebuilding Ireland, some 11,000 additional new social homes will be delivered in 2020.

Education

The 2020 provision for Education will be €922 million, a similar investment to its 2019 allocation. The Department will continue to deliver new buildings, equipment and furnishing

of Primary and Post-Primary Schools. Significant new projects will commence in the Higher Education sector.

Health

The Department will receive €854 million in capital funding in 2020, €112 million above their revised 2019 allocation. The additional expenditure will continue to deliver construction of the National Children's Hospital and will prioritise projects in areas such as Primary Care, Community Nursing Units, Ambulance Bases, Mental Health and Acute Services.

Justice

The overall capital ceiling for Justice will increase to €265 million in 2020, a considerable increase of €70 million over their 2019 allocation. This investment will enable the redevelopment and modernisation of prison facilities at Limerick Prison, construction of the new Forensic Science Laboratory and development of new Garda facilities, including the commencement of the project to relocate An Garda Síochána from Harcourt Street to Military Road in Dublin. The provision also provides for continuing investment in Garda ICT systems.

Taken together, these allocations can support an ambitious improvement in our national infrastructure within a financially sustainable framework

Introduction

The decisions detailed in the 2020 Expenditure Report reflect a determined response to the current position of the economy, and the uncertainty around the exit of the United Kingdom from the European Union. Based on strong economic growth and impressive improvements in the labour market, the Government has provided significant additional resources for public services in recent years. The strategy pursued by this Government has been to grow expenditure broadly in line with the economy, in a much more sustainable manner than experienced in the past, while still delivering steady improvements in public service provision. This approach has allowed the Government to achieve its stated aim of balancing the public finances.

While the recent economic situation has been healthy, the increasing likelihood of a no-deal Brexit presents a significant risk. A no-deal Brexit will have profound implications for Ireland. The steps outlined in this Report highlight how the Government is committed to supporting business in preparing for Brexit.

Further, the Government remains committed to improving the long-term potential of the economy through carefully planned investment. Increased investment in the areas of infrastructure, education, childcare and health not only delivers on immediate social and economic needs, but also offers sustained longer-term returns. This commitment to improving the levels of physical and human capital will boost Ireland's international competitiveness, the longer-term potential of the economy and quality of life across all parts of the country. This will help to ensure that recent improvements in living standards can be maintained throughout this uncertain period.

This Expenditure Report sets out the Government's decisions on spending allocations for each Government Department in 2020 and set out Voted expenditure over the period 2020 to 2022. The structure of the Report is as follows:

Part I provides an overview of the main fiscal and expenditure policy considerations which have been taken into account in setting the expenditure strategy for the period 2020 to 2022.

Part II outlines the multi-annual expenditure ceilings agreed for each Ministerial Vote Group. It also sets out information in relation to each vote group, describing the nature of its funding allocations for current spending, the public services to be delivered in 2020, and a summary of the new measures being funded from the Budget announcements.

Part III contains the full details of the expenditure allocations for 2020 with a presentation of the Estimates for Public Services for each Vote.

Part I - Public Expenditure Strategy

Chapter 1

Economic and Fiscal Context

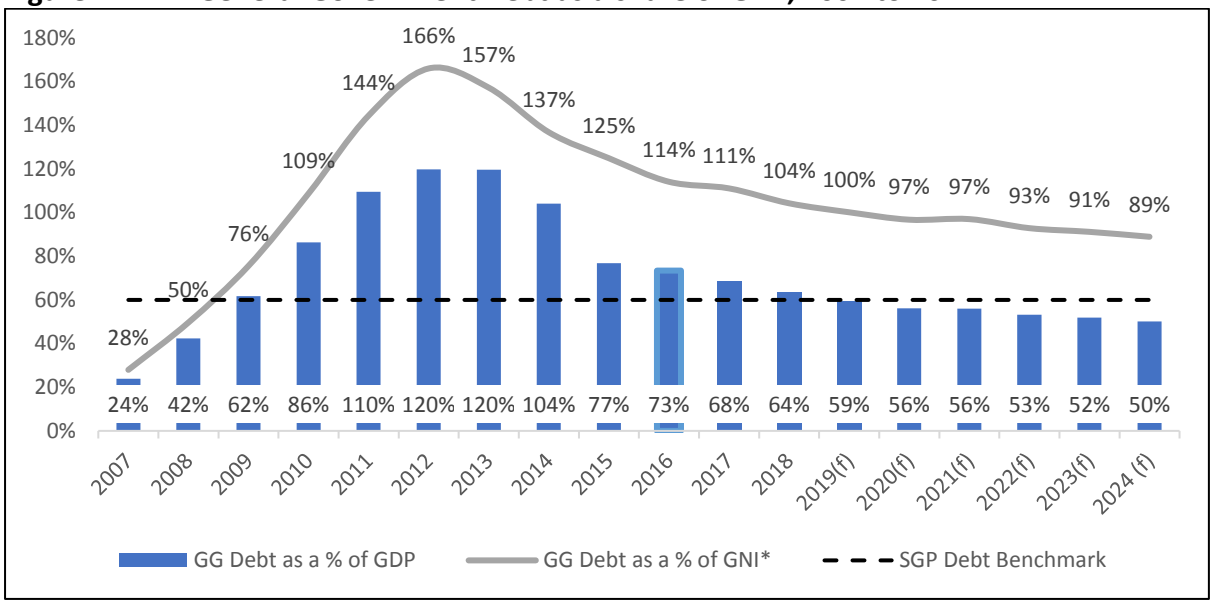
Fiscal policy in recent years, in particular relating to expenditure, has sought to incrementally improve the scope and availability of public services in a sustainable manner following the significant expenditure consolidation that was necessary during the economic and fiscal crisis. In particular, public investment has been prioritised and offers the dual benefits of improving quality of life in the short-term while adding to the productive capacity of the economy in the medium-term.

The economy has performed extremely well in recent years. However, due to the openness of the Irish economy, its performance will always be sensitive to external global events. In light of this, this Budget has been prepared on the basis of a 'disorderly' Brexit. This position reflects the heightened risk of the United Kingdom exiting the European Union without ratification of the Withdrawal Agreement. Taking account of this, the official macroeconomic outlook, published today, estimates growth in real GDP of 5.5% this year, 0.7% in 2020 and 2.5% in 2021.

The deficit position has changed considerably since 2007. The scale of the deficits throughout the crisis period reflected the significant levels of borrowing required to maintain and deliver key public services, with the underlying deficit position reaching a low of 11% of GDP in 2009. Significant progress has been made since then and the General Government accounts returned to balance last year and a surplus of 0.2% of GDP is projected for this year. This leaves the public finances in a position to respond to the challenges posed by a disorderly Brexit. In addition, increased investment in public infrastructure in recent years will enhance the resilience of the economy. To put this increase in capital investment into context, the increase in gross voted capital expenditure since 2014 of €4½billion equates to c. 1¼% of the level of GDP projected for 2020.

Considerable progress has also been made in reducing our public debt. This peaked in 2012 at around 120% of GDP and has now fallen to 59.3%, which is below the Stability and Growth Pact (SGP) 'debt benchmark' of 60%. The debt-to-GNI* ratio, while also decreasing, remains elevated. Therefore, while debt remains manageable, it is crucial that we remain on a downward trajectory as illustrated in Figure 2 below.

Figure 1 General Government Debt as a share of GDP, 2007 to 2024



Source: Central Statistics Office; and the Department of Finance

1.2 The Labour Market

The economic recovery, alongside Government policies and employment action plans introduced in recent years, have contributed to a transformation in the labour market. There was an annual increase in employment of 2.0% or 45,000 in the year to the second quarter of 2019, bringing total employment to 2.3 million workers.

The level of unemployment has decreased from 15% in 2012 to just over 5% today. This position must be protected in the face of an increasingly risky external environment. Accordingly, in the event of a disorderly Brexit, targeted measures for the most affected sectors of the economy will be implemented in order to help address the impact of Brexit.

Chapter 2
Public Expenditure Policy

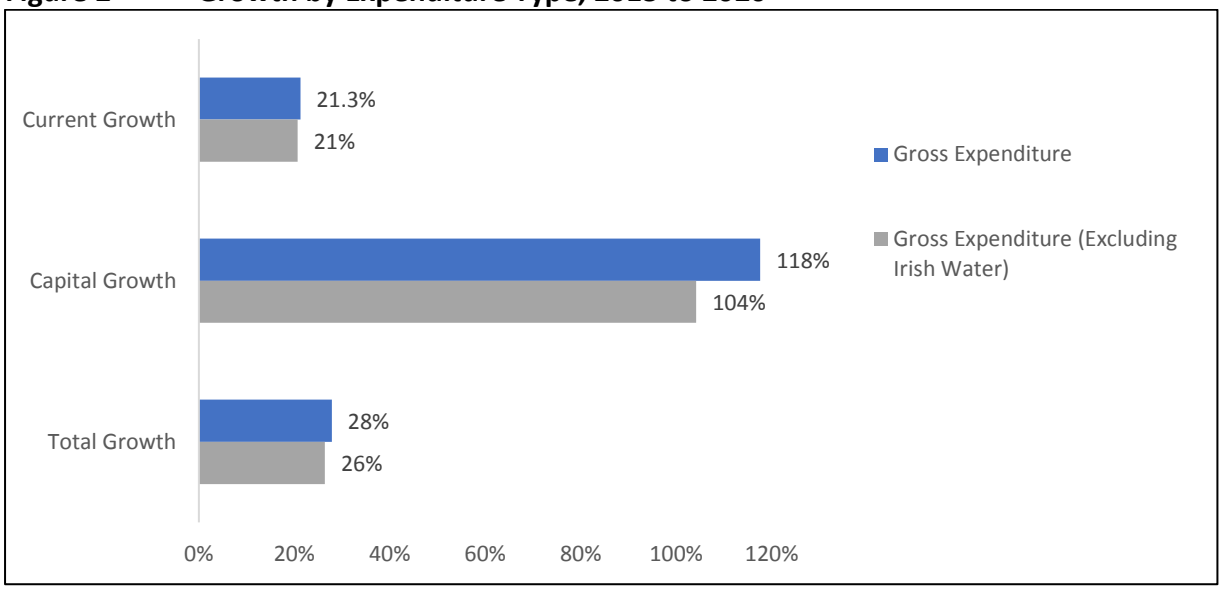
This chapter outlines the policy priorities behind expenditure allocations in this Budget, provides an overview of historical trends in public expenditure and details the medium-term drivers of expenditure. The chapter also discusses the prioritisation of investment in infrastructure.

2.1 Expenditure Policy – Supporting Sustainable Investment

The improvement in economic conditions has enabled the Government to increase investment in public services over the last number of years. Prioritisation has been given to additional funding in the areas of infrastructure, education, childcare and health. This investment delivers on immediate social and economic needs while also providing sustained longer-term benefits to the State.

The strong growth in capital spending is a notable feature of the recovery in public spending. This investment has centred on key areas such as social housing, transport and schools and is reflective of the Government's goal of delivering growth-enhancing investment in conjunction with sustainable progress on social priorities.

Figure 2 Growth by Expenditure Type, 2015 to 2020

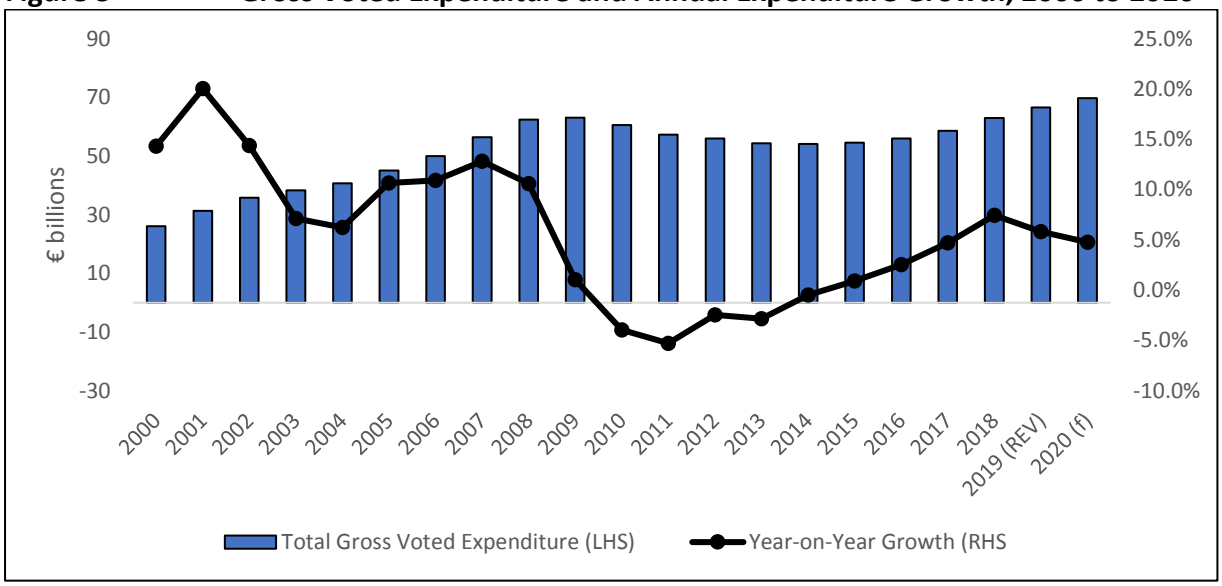


Source: Department of Public Expenditure and Reform

2.2 Expenditure Trends

Public expenditure trends have fluctuated considerably over the past two decades. Figure 4 illustrates the total levels of Gross Voted Expenditure and the annual growth rates of expenditure between 2000 and 2020. Expenditure growth was consistently high in the early years of this century, with expenditure growth rates of 20% and 14.4% in 2001 and 2002. Expenditure levels stood at €26 billion in 2000 but rapidly accelerated to €62 billion by 2008, funded by the unsustainable growth in tax revenues driven by the economic boom. Gross Voted Expenditure decreased significantly in the period between 2010 and 2014 following the financial and economic crisis. Following the economic collapse, expenditure levels have increased again at a level just below those experienced over a decade ago.

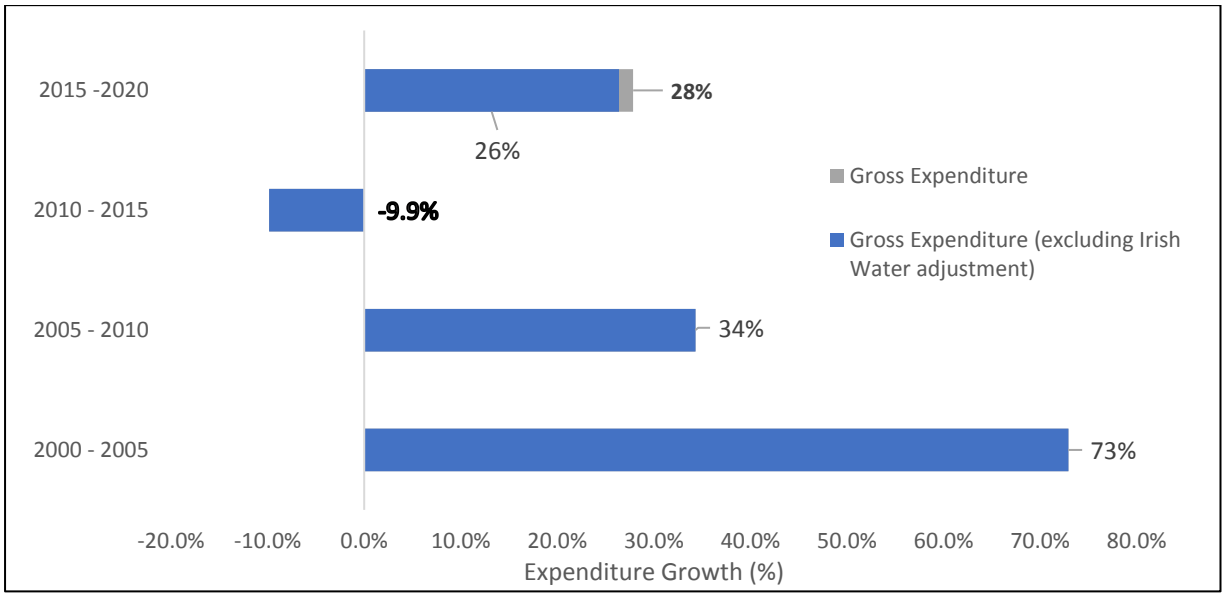
Figure 3 Gross Voted Expenditure and Annual Expenditure Growth, 2000 to 2020



Source: Department of Public Expenditure and Reform

The steady growth in expenditure reflects a significant effort to moderate the level of expenditure increase. Figure 5 below shows how expenditure has evolved between 2000 and 2020, in five-year intervals. This shows that the growth seen in the 2014 to 2019 period has been much more modest and sustainable than the increases that were observed in the lead up to the economic crisis.

Figure 4 Gross Voted Expenditure Growth: Five-Year Intervals 2000-2020[1]



Source: Department of Public Expenditure and Reform

2.3 Investment in Infrastructure

Delivery of public infrastructure has continued to take place throughout all regions of Ireland in 2019 and the vast majority of these projects are coming in on time and on schedule (roads, water supply projects, flood defence projects, primary care centres, schools etc.). There are a limited number of exceptional cases where projects have faced challenges and these are being address robustly, however it should be acknowledged that such challenges are not unique to Ireland or to the public sector.

Project Ireland 2040 sets out a clear long-term strategy backed by investment of €116 billion over the 10 years to 2027, bringing investment to 3.9% of national income in 2020, amongst the highest in the EU.

Under Project Ireland 2040 75% of the growth will be outside of Dublin and its suburbs. The plan also targets 50% of growth in our cities of Dublin, Cork, Limerick, Galway and Waterford to create viable cities of scale which can act as alternatives and a counterbalance to the continued growth of Dublin and its surrounding region.

By the end of 2019 the three Regional Spatial and Economic and Strategies (RSESs) will be adopted in line with the NPF by the end of the year, allowing the review of City and County Development Plans to commence.

This strategy moves beyond the approach of the past which saw public investment spread too thinly and investment decisions which didn't align with a spatial strategy.

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

In response to Brexit and wider challenges such as climate change, a core tenet of the Government's strategy is to bring greater economic resilience to Ireland's regions by addressing infrastructure deficits.

There has been an increase of over 50% in Civil Engineering activity in the last year according to the latest CSO Q2 2019 release. In Q2 2019 there was also a clear spread of planning permissions granted for civil engineering projects across the country with 234 in the Southern Region, 190 in the Eastern Region and 110 in the Northern and Western Region.

A regionally balanced project pipeline has now been established and is being communicated to the industry and stakeholders through the Investment Tracker, the new MyProjectIreland mapping tool and an upcoming Project Pipeline Report.

Major projects are being delivered on time and on budget:

- Projects completed in 2019 include the National Indoor Arena Phase 2, the M11 Gorey-Enniscorthy Motorway in Wexford, and the soon to be complete N25 New Ross Bypass.
- The Ringaskiddy Port Redevelopment is well underway and will be completed in 2020.
- Cork University Hospital Radiation Oncology Unit is currently being commissioned and will be operational in 2020.
- TUD Grangegorman Central and East Quad will be completed in 2020.
- Construction has now commenced on the N4 Collooney to Castlebaldwin in Sligo.
- Following Government approval construction is due to commence before the end of 2019 on the N22 Ballyvourney to Macroom in Cork and the N5 Wesport to Turlough in Mayo.
- Earlier this year the M20 Cork to Limerick motorway design contract was signed.
- €530 million of EU funding has now been confirmed for the Celtic Interconnector between Cork and France.
- In 2019 there were 88 successful applicants to the Urban Regeneration and Development Fund, e.g. Waterford North Quays and the Abbey Quarter in Kilkenny.
- In 2019 there were 84 successful applicants to the Rural Regeneration and Development Fund, e.g. the Great Southern Greenway in Limerick.
- It should also be noted that there are major infrastructure projects being delivered in the capital which are of national significance, such as the North Runway Project at Dublin Airport.

2.4 Medium-Term Expenditure

The Mid-Year Expenditure Report (MYER) outlined revised assumptions in relation to the trajectory of gross voted current expenditure over the medium term. From 2021 onwards annual growth in day to day spending on public service is projected to grow by 3¼%. This compares to the annual growth rate of 2½% previously included in the fiscal projections in

the Stability Programme Update. Looking at the projected growth in current expenditure in 2020, there is an increase of 4.4% relative to the allocations for 2019 set out in the REV. After taking account of expenditure pressures across a number of Departments arising this year, the increase in the 2020 estimate for gross current versus a projected outturn for 2019 is in the region of 3½%.

The challenge over the medium-term is to deliver improvements in public services within the parameters set out in the MYER while addressing increased demands for services including those driven by demographic changes.

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

The Irish Government Economic and Evaluation Service paper, *Budgetary Impact of Changing Demographics 2017 – 2027*[2], published in 2016, forecasted the likely additional costs over the next decade due to increased demands for public spending across the health, education and social protection areas. These forecasts have been used to inform demographic funding provided to these Departments on an annual basis through the Estimates process. In this context, this Budget is no different, with the demographic allocations included in the Departmental ceilings out to 2022 guided by these estimates. An updated version of the paper is published alongside this Report. Given the importance of demographic changes to future budgetary planning, consideration will be given to the findings of this new paper over the coming months and any changes arising will be set out in the *Mid-Year Expenditure Report 2020*.

[2] Connors, Duffy and Newman; *Budgetary Impact of Changing Demographics 2017 – 2027*; IGEES, 2016

Chapter 3

Impact of Brexit on Budget 2020 Expenditure Position

Over the last three Budgets, funding has been allocated to Departments to prepare for Brexit under a scenario of an agreed exit by the UK from the EU following a transition period. This expenditure is oriented towards meeting the challenges of Brexit by expanding the Global Footprint, increasing economic competitiveness and resilience and otherwise preparing for Brexit including planning and preparing for checks that would be required after the end of the transition period. This work in relation to preparing for the broader challenge post Brexit is ongoing with funding of €0.2 billion provided under this heading in 2020.

As the risk of a disorderly Brexit increased in the early part of this year, preparations for the essential compliance checks by our regulatory agencies that would be required in the event of a disorderly Brexit were accelerated, with recruitment of additional staff and development of facilities and infrastructure. This has necessitated additional expenditure this year, that will require the provision of additional funding by way of Supplementary Estimate to the extent that the regulatory bodies do not have offsetting underspends, and relative to REV 2019 will require potential additional funding of €160m for staffing, facilities and infrastructure in 2020.

3.1 Timely, Targeted, Temporary Measures

As outlined in the Summer Economic Statement, in the event of a no-deal Brexit the Government will allow the automatic stabilisers to operate and introduce temporary measures for the sectors of the economy most affected by a no-deal Brexit. The Agriculture and Enterprise sectors of our economy are particularly vulnerable to the impact of Brexit. In light of this, the focus of timely, temporary and targeted measures to be introduced will primarily support farms and businesses in the event of a no-deal Brexit. The purpose of these measures is to help facilitate firms and sectors to transition to the new post-Brexit economic reality.

Helping Irish companies meet their Brexit challenges is critical to sustaining medium term economic and employment growth. A no-deal Brexit will impact significantly on enterprises, with supply chains affected, greater currency risk, trade tariffs and new regulations.

As well as being a close trading partner, the UK is also the single biggest overseas tourism market for the State. As such, the prospect of a no-deal Brexit casts a cloud over this sector and this is recognised in the approach being proposed in Budget 2020.

Allowing the automatic stabilisers to operate will see a reduced tax-take next year due to fewer people at work and increased employment supports due to a projected increase in unemployment levels. In this Report, it is estimated that an additional €410 million would be required in employment supports in the event of a no-deal Brexit, with €45 million of this amount relating to labour activation.

3.2 Brexit Contingency Funding

In light of the uncertainty, funding for the timely, targeted, temporary sectoral measures of up to €650 million will be provided on a contingency basis in Budget 2020 depending on the form of the withdrawal of the United Kingdom from the European Union. In aggregate, in the event of a no-deal Brexit, the Government is prepared to spend over €1 billion of new monies on No-Deal Brexit Contingency Provisions including the employment supports of €410 million. This contingency provision comprises:

- €650 million to support the sectors identified as most affected by Brexit; Agriculture, Enterprise and Tourism, and to help stabilise the worst affected regions;
- €365 million in Social Protection expenditure on the Live Register and Related schemes; and
- €45 million for Labour market activation supports.

The sectoral expenditure of €650 million will be released in multiple tranches. Adopting a graduated approach to expenditure management of required Brexit policy is prudent as it helps to facilitate responses to a wide range of possible Brexit impacts, which may take time to fully materialise.

This allocation is not included at a Departmental level in the expenditure allocations provided in this report. Instead, contingent on the timing and form of the United Kingdom's exit from the European Union, it is planned that this funding will be allocated on a Departmental level at a later date as required.

The first Tranche is to be €220m and will be activated if a No Deal Brexit is confirmed. It will be divided into two streams of €110m each:

- An Enterprise Stream (D/BEI) to fund time limited, targeted interventions for vulnerable but viable enterprises;
- An Agriculture Stream (D/AFM) to fund time limited interventions for the beef sector, the fishing fleet, and to support the re-orientation of production and marketing and support to improve competitiveness.

This sectoral expenditure of €650 million would be additional to any EU funding which may be made available (for example in the agriculture area or under the European Globalisation Fund).

Further, of the additional €160 million required relative to REV 2019 in relation to compliance checks at Ports and Dublin Airport, just over €50 million has been included in Departmental allocations to ensure that funding is in place to meet the costs arising from the accelerated recruitment of staff that need to be in position for deployment. In addition there is a further €110m that is held centrally in respect of facilities and infrastructure that will be allocated as required.

3.3 Treatment of Brexit-related Expenditure

Included within the overall core expenditure amount of €70 billion, is funding for Brexit preparedness measures of €0.2 billion. This expenditure relates to measures orientated towards meeting the challenges of Brexit, for example by increasing resilience and competitiveness. As this work is ongoing and has formed part of the Estimates since Budget 2017, all of this category of expenditure is included in the core Budget package for 2020.

Given the increasing risk of a no-deal Brexit additional expenditure is set aside to fund measures that may be required to address the impact of a disorderly Brexit. In addition, it has been necessary to accelerate arrangements to ensure that the regulatory agencies are in a position to carry out compliance checks at the Ports and Dublin Airport in the event of a disorderly Brexit. In aggregate, this expenditure amounts to over €1.2 billion and was not contemplated within the budgetary arithmetic for 2020 under a scenario where the UK would leave the EU with a withdrawal agreement. Included within this amount is:

- Necessary Compliance Checks (€0.2 billion) – The increased risk of a no-deal Brexit required that the regulatory agencies accelerate recruitment and development of facilities to carry out regulatory checks including customs at the Dublin Port, Rosslare Europort and Dublin Airport. Where staff are in place, these staffing costs have been included in the Budget Estimates for the relevant Departments, however they are not considered in the calculations of the core as this expenditure has been accelerated to prepare for a no-deal scenario.
- Contingency for Temporary Targeted Measures (€0.65 billion)– this refers to expenditure to provide timely, temporary, targeted measures to vulnerable sectors of the economy in the event of a no-deal Brexit.
- Additional Employment Supports (€0.4 billion)– Should a no-deal Brexit occur, additional funding will be allocated for Live Register related expenditure and Labour Market Activation Supports.

The table below sets out the costs associated with this disorderly Brexit related expenditure of €1.2 billion and indicates the amount included in aggregate in the Departmental Estimates in Part III of this Report.

Table 1: Treatment of Brexit-related Expenditure Budget 2020

	Increase vs REV 2019	In Budget Estimates
Necessary Compliance Checks	160	51
Contingency for Temporary Targeted Measures	650	-
Additional Employment Supports	410	-
Total	**1,220**	**51**

Chapter 4

Budgetary Reforms and Transparency

In the last number of years, a range of reforms have been implemented with a view to enhancing Ireland's budgetary framework. These reforms are all designed with the aim of promoting responsible expenditure management practices that maintain a focus on improving performance, enhancing value for money and generating citizen engagement.

Key elements of this reform agenda include performance budgeting, the spending review process and the role of prevention and early intervention in addressing key policy challenges. A particular focus in 2019 is on the area of citizen engagement.

4.1 Citizen's Guide to the Budget

A new initiative this year is the publication on Budget day of The Budget in Brief: A Citizen's Guide to Budget 2020. The Guide is a user-friendly booklet that explains the Budget using a simple format and clear language. It aims to help to public learn about the main features of the Budget, and to assess the impact the Budget will have on their lives.

Publication of a citizen's guide to the budget is identified as good practice in international fiscal transparency initiatives. It is essential that the general public are able to understand the policy choices that have been made in the Budget. This Guide aims to facilitate greater public debate by demystifying the budget process and clearly explaining how public money will be spent in 2020 and the level of taxation needed to fund public services.

4.2 Equality Budgeting

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

An equality budgeting pilot was adopted for the 2018 budgetary cycle. The approach is anchored in the performance budgeting framework that is currently in place. It involves Departments setting concrete measurable targets for equality objectives in the Revised Estimates Volume and reporting on progress in the Public Service Performance Report. For the pilot exercise, a number of diverse policy areas were selected with associated objectives and indicators. The learning from the pilot was used to inform the expansion of the equality budgeting initiative to further develop the gender budgeting elements, and to broaden its scope to other dimensions of equality including poverty, socioeconomic inequality and

disability. An Equality Budgeting Expert Advisory Group has also been established. This group is comprised of a broad range of relevant stakeholders and policy experts to provide advice on the most effective way to advance Equality Budgeting policy and progress the initiative.

Future direction will now be assisted by the publication of the OECD Scan of Equality Budgeting in Ireland which sets out a path forward with a number of recommendations for consideration. This work was commissioned by both the Department of Public Expenditure & Reform and the Department of Justice & Equality. The OECD team met with all the relevant stakeholders over the summer period and their recommendations reflect those discussions and are aligned with international experiences of best practice in this field. Implementation of the Report's recommendations will be carried forward in close consultation with the Equality Budgeting Expert Advisory Group.

4.3 Green Budgeting

As a first step in towards the progressive implementation of Green Budgeting, the Revised Estimates Volume (REV) 2019 set out detail in respect of Exchequer climate-related expenditure. Further, the CSO has detailed all fossil fuel subsidies and environmentally harmful spending and the National Treasury Management Agency has successfully issued Ireland's first ever sovereign green bond.

Budget 2020 includes a carbon tax increase of €6 per tonne that is expected to raise €90 million next year. This Expenditure Report sets out a table detailing the allocation of the proceeds of the carbon tax. This table will also be included in the Revised Estimates Volume where the use of carbon tax funds will be clearly explained and ex-ante performance metrics will be agreed with Departments.

4.4 Prevention & Early Intervention Unit

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

There is a strong common-sense appeal of such interventions; most people are familiar with the idiom that "prevention is better than cure". However, effective prevention and early interventions rely on both knowing what to do (scientific understanding of cause and effect) and being in a position to act (the capacity of the government to intervene). This week, the PEIU is publishing three Focussed Policy Assessments on the IGEES website[3]:

- *Family Services Supporting Children and their Parents* – For the most part, parents find raising children a positive and fulfilling experience and children identify a close bond with their parents and are happy in their families. However, parenting can be challenging and sometimes parents need support and advice. The focus of this

[3] https://igees.gov.ie/prevention-and-early-intervention-unit/

paper is on Ireland's National Child and Family Agency, Tusla, and its work, in partnership with families, other agencies and professionals, to identify the needs of children and support the provision of a range of services that address the needs of children and their families.;

- *Programmatic Interventions for Children, Young People and their Parents* – There is an increasing focus on developing public policy in ways that support and improve the well-being of children and this paper brings together a wide range of evidenced-based universal and targeted services for children, young people and their families focused on supporting: parenting, child behaviour and children's learning; and
- *Prevention and Early Interventions Supporting Health and Well-Being in Older Age* – A focus on supporting health and well-being in older age is not simply about the absence of disease and infirmity. Instead, it is about a person's complete physical, mental and social well-being. This paper seeks to illustrate how a prevention and early intervention approach to designing and implementing policies, might be useful in supporting positive health and well-being outcomes for older people.

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

4.5 National Development Plan

Project Ireland 2040 – the National Development Plan (NDP) and the National Planning Framework (NPF) – was launched by the Government in February, 2018. The NDP sets out a 10 year investment of €116 billion for Ireland's public capital infrastructure priorities out to 2027 and is aligned with Ireland's new spatial strategy contained in the NPF.

A number of initiatives are underway to increase transparency, reform delivery and mitigate risks to the efficient implementation of Project Ireland 2040. Measures being taken in this regard include but are not limited to:

- The Project Ireland 2040 Delivery Board has been established. The Board includes Secretaries General of the main capital spending Departments. The Delivery Board will continue to provide strategic direction and leadership to the NDP and NPF implementation process.

- The Infrastructure Projects and Programmes Office has been established in DPER to coordinate reporting on the NDP and drive reforms in relation to areas such as project appraisal and selection;

- An updated version of the Investment Projects and Programmes Tracker will be published in autumn 2019. The updated tracker will contain information on the current status of projects and more granular information on delivery scheduling including milestones for key stages in the project lifecycle. A further innovation in 2019 was the development of *MyProjectIreland*, a new citizen-focussed interactive map which allows the user to navigate public investment projects across the country and to find out what is happening in their local area in an accessible way.

- The Construction Sector Group meets once a quarter to ensure regular and open dialogue between Government and the construction sector to mitigate issues that may impact on the successful delivery of the NDP on a value-for-money basis for the State. To inform the work of the CSG the Build 2019 Report was published in order to give a comprehensive overview of the performance of and prospects for the Irish construction sector, based on the best available data. In line with the principles of openness and transparency, the Construction Sector Group operates under the guidelines set out in the Transparency Code. This means that the group's membership, work programme, and the minutes and agendas of all meetings are published here on this website.

- The Public Spending Code is a continuously evolving suite of guidance and best practices to govern the efficient and effective management of public investment. As part of the ongoing reform of Ireland's public investment management system, the Department of Public Expenditure and Reform has reviewed and updated the capital expenditure elements of the Code to strengthen the existing guidance to better reflect the realities of project delivery. The update will be published this Autumn with further technical guidance building upon these central elements to follow later in 2019 and in 2020. The reforms in the updated Code include:

    - Strengthened and harmonised capital appraisal guidance;
    - Greater clarity on governance and roles and responsibilities;
    - New mechanisms to improve the accuracy of cost estimates;
    - Revised project life cycle to better reflect the realities of project delivery; and
    - Increased transparency through publication of business cases and evaluation reports.

- The updated Public Spending Code will be supplemented by a new governance and assurance process for major projects estimated to cost more than € 100 million. This new process will involve an independent, external review of major projects at key stages in the project lifecycle. This new process is being developed by the Department of Public Expenditure and Reform and will come into effect in 2020.

4.6 Spending Review 2019

To support the sustainability of public expenditure, ensuring value for money across all sectors is vitally important. The Spending Review 2019 has been ongoing since January and is the third, and final, in a series of rolling, selective reviews aimed at assessing the efficiency and effectiveness of Government spending.

Throughout the current three-year process, officials from across the civil service, including from the Irish Government Economic and Evaluation Service (IGEES), have been engaged in the Spending Review. Their analysis supports the development, and evaluation, of Government policy and contributes towards the broadening and deepening of evidence across a range of complex policy areas. The key objectives of the process are to:

- create a larger stock of relevant analysis and evaluation across all Departments and Offices;
- underpin continued prudent allocations of expenditure with a focus on efficiency and effectiveness of spending;
- provide an evidence base in relation to Departmental spending that informs the choices made in relation to budgetary allocations;
- spotlight areas of innovation and good practice, both in programme design and delivery, that will be of wider interest and applicability; and
- identify areas of existing expenditure that require ongoing analysis where issues emerge during the Spending Review.

In the first two years of the process, 50 analytical papers were produced. As part of the Spending Review 2019, 18 papers were published[4] in August and a further 12[5] are published today alongside this report. Building on the output produced as part of the Spending Reviews in 2017 and 2018, the Spending Review 2019 once again uses available data to broaden the evidence base in relation to efficiency, effectiveness and sustainability across a range of spending programmes.

4.6.1 Outcomes of the Spending Review 2019

In 2019, a number of key themes have emerged from the spending review process. These include:

1. Development of Multi-Year Sectoral Expenditure Analysis;
2. Importance of Data Availability and Systems;
3. Increase in External or Jointly Produced Analysis; and
4. Alignment of the Spending Review and the Public Spending Code.

Each of these themes is outlined in further detail below.

4.6.2 Development of Multi-Year Sectoral Expenditure Analysis

[4] Available at http://www.per.gov.ie/en/spending-review/. A further two Social Impact Assessment (SIA) papers were also published.

[5] A further 4 SIA papers, 3 Prevention and Early Intervention Focussed Policy Assessments (FPAs) and 4 staff and budget papers have also been published on the Budget website.

Two key objectives of the spending review process have been to create a larger stock of relevant analysis and evaluation across all Departments and Offices and to provide the evidence base for reform efforts across Departments and the wider public service.

While it is clear that the process has delivered a larger stock of analysis given the volume of output that has been produced, it could be argued that the degree to which the process has provided the evidence base for reform is perhaps less clear, or at least topic or sector specific. However, one of the ways we can potentially judge the achievement of this objective is to look at how sectoral analyses have developed over the three years of the spending review.

This is potentially useful because the multi-annual nature of the spending review process has provided analysts with the scope to implement an incremental approach to analysis of complex policy areas. There is evidence of this across areas such as education, health, housing, enterprise supports, agriculture, justice and for pay and pensions expenditure where work in previous years has provided the basis for further work in subsequent years. A number of examples of this are set out below.

Education – The spending review process has contributed to greater understanding of the drivers of expenditure in the education sector over the three years. A good example of this can be seen in the area of special education. A number of papers have assessed this area of expenditure, each from a different perceptive. In 2017, two papers reviewed special education, a paper on *Disability and Special Education Related Expenditure* and a paper on *Special Educational Needs Provision*. In 2018, in the context of *Pay Expenditure Drivers at Primary and Second Level,* special education was highlighted as a key cost driver and again in in 2019, special education has been highlighted as a key cost driver, this time in the context of *School Transport Expenditure.*

Health – Excluding Social Impact Assessments (SIAs), eight health sector papers have been published as part of the Spending Review 2017 – 2019 and similarly to the education sector, there are a number of areas where the analysis has developed over time. Two areas in particular relate to acute expenditure, and pay, staffing and workforce planning. In relation to the former, the 2018 analysis of *Hospital Inputs and Outputs: 2014 to 2017* laid the foundation for the analysis of *Emergency Departments* published alongside this report while in the area of pay, staffing and workforce planning, a selection of analysis has been completed ranging from *HSE Staff Trend Analysis, 2014-2017* published in 2018 to *Consultants Pay and Skills Mix* published in August 2019. These analyses, and others, have generated an enhanced understanding of some of the key expenditure drivers in the health sector.

Housing – Over the course of the three year cycle of the Spending Review process, DPER, working collaboratively with the Department of Housing, Planning and Local Government (DHPLG) has published three papers that have contribute to the evidence base for housing policy in Ireland. In 2017, the first of these papers looked at *Current Expenditure on Housing Supports*. Building on this, in 2018, an *Analysis of Current and Capital Expenditure on Social Housing Delivery Mechanisms* was published. This paper delved into more detail on the various options for the delivery of social housing supports. Going on step further, an *Analysis of Social Housing Acquisitions* was published in August. This paper assesses the delivery of social housing through acquisitions and includes an assessment of the various delivery

mechanisms, the unit cost of delivery, cost efficiency and market interaction. Collectively, these papers have provided a range of useful insights into what is an increasingly complex policy area.

Enterprise Supports – A range of papers have been published in the area of enterprise supports. These include three papers published by the Department of Business, Enterprise and Innovation (DBEI) and a further three papers authored by analysts in DPER. To a large degree these papers have drawn on previously completed evaluations of the support programmes provided by the enterprise agencies. Following the completion of this analysis, it is clear that the support infrastructure in place has many positive impacts, however, questions remain as to the effectiveness of the individual supports provided to companies. Future evaluations in this area will need to grapple with obtaining quality data to evaluate the effectiveness of these supports on enterprises. One area of the enterprise supports landscape that has stood out as a success is Science Foundation Ireland (SFI). A 2019 spending review paper in this area finds that SFI appears to have intensified links with the enterprise base, effectiveness as measured by publications and quality of scientific research has improved, and by a number of measures the organisation appears to be operating efficiently.

Agriculture – A series of papers have been produced over the course of the spending review process in the agriculture sector. This analysis includes the *Targeted Agricultural Modernisation Scheme (TAMS) II*, the *Green, Low-Carbon, Agri-Environment Scheme* (GLAS), the *Beef Data and Genomics Programme* and *Animal Health: TB Eradication.* These papers have made a strong contributed to the evidence base in this area. The GLAS paper in particular highlights in a useful way some of the key issues regarding to the formulation of agricultural policy in Ireland. The paper shows that many of these types of schemes, including GLAS, have competing objectives. The paper also finds that for GLAS in particular, the degree to which the environmental objectives of the scheme can be achieved is limited by the fact that the larger, more carbon intensive, dairy sector is not accessing the scheme. This poses key questions in relation to the underlying rationale for such schemes or at least how supports are targeted.

Justice – The Spending Review process has facilitated the publication of a number of papers in the Justice sector, particularly in relation to policing. Two paper were published in 2018 – *Policing Civilianisation*, *Efficiency and Control of Overtime Expenditure* and *Review of Overtime Expenditure in An Garda Síochána*. A further paper is published alongside this report titled *Towards a Framework for Multi-Annual Budgeting: Considerations for An Garda Síochána*. One of the key aims of these papers is to inform the medium term policing reform agenda which is ongoing. Drawing on insights from other jurisdictions, the policing civilianisation paper provided important findings in relation to the role of workforce planning in driving policing reform. The multi-annual budgeting paper provides detail on the key pre-requisites that must be in place prior to the introduction of multi annual budgeting. In this respect, there are cross sectoral lessons emanating from this paper.

Paybill Expenditure – A significant number of papers have addressed pay and pensions expenditure as part of the Spending Review 2017-2019. Many of these have been sectoral analysis, the details of which were set out in the Expenditure Report 2019. However, it is useful to comment on the overarching work that has been done in this area which includes

papers on *Management of the Exchequer Pay Bill* and *Public Service Employment & Expenditure Modelling.* The latter paper in particular builds on the work completed in the Exchequer pay bill paper in 2018 by estimating the impact of the demographics and the economic cycle on the number of public servants and their rates of pay. This is an important piece of work as it seeks develop a predictive model of future pay bill requirements based on economic and demographic factors.

4.6.3 Importance of Data Availability and Data Systems

A common theme throughout the first two years of the current spending review process has been data gaps and shortfalls in data quality. This is not unexpected and is a consistent constraint faced by countries who undertake spending reviews.

This year, while there are further examples of where data was either unavailable or where administrative systems limited the ability to access quality performance information, there are also examples where an improvement in data availability is evident.

One particular example is in relation to the Employment Affairs and Social Protection Vote which published two spending review papers in August, namely, a Review of Carer's Supports and Lone Parents and In-Work Supports for Families with Children.

Part of the analysis within the Carer's paper was to present a profile of carees. However, as noted in the paper, administrative data produced by DEASP makes no linkage between the payment made to the carer and any payment that the caree may be receiving as it is not needed for the administration of payments. As the number of carers is ultimately a function of the number of people in need of care, it was a necessary linkage in order to determine the profile of carees. In order to overcome this barrier, a data matching exercise was conducted between payment files for carers and the payment files for a number of other payments.

A similar data matching exercise was undertaken for the Lone Parents and In-Work Supports for Families with Children paper. In this instance, DEASP administrative payment data for each scheme was matched to other DEASP schemes using an individual's PPS number in order to present a profile of scheme recipients, particularly in relation to those recipients in receipt of multiple supports. This also allowed scheme recipients to be tracked to assess movements into and out of schemes over time.

In both of these instances, the availability of data and the willingness of the Department to engage in the matching exercise enhanced the level of analysis undertaken. This has provided further insights on expenditure in these important policy areas and on the individuals supported by the schemes and shows not only the value of quality data and data systems but also of collaboration between DPER and line Departments.

Having said that, it must also be acknowledged that in many areas, further improvements in data availability remains a work in progress. The focussed nature of spending review papers means that data gaps are often identified. While this is a challenge for departments, agencies and other public bodies the subject of spending reviews, such findings can also been seen as an opportunity to address these specific data requirements directly. These types of findings may be particularly relevant in the context of public service reforms related to ICT.

4.6.4 Increase in External or Jointly Produced Analysis

One of the key aims of the spending review over the last three years has been to increase the level of analysis that is being produced by line Departments and jointly between line Departments and DPER. Good progress has been made in achieving this important objective.

In 2017, 13 per cent (3) of papers were produced jointly or externally. This increased to 30 per cent (8) in 2018. This year, between the papers published in August and alongside this report, nearly 37 per cent (11) have been produced jointly or externally. These papers include:

- Monitoring Inputs, Outputs and Outcomes in Special Education Needs Provision;
- Direct Provision: Overview of Current Accommodation Expenditure;
- FPA of Capital, Employment and Training Supports to Enterprise;
- Beef Data and Genomics Programme;
- Evaluating the Regional Airports Programme;
- 2016 Heritage Council Review – Assessment of Implementation;
- Overview of the Dublin North East Inner City Initiative;
- Animal Health: TB Eradication;
- Review of the Arts and Culture Capital Enhancement Support Scheme (Access II);
- Post Project Review of the Pálás Cinema Project; and
- Expenditure on Civil Defence.

The increase over time in the level of engagement by line Departments is a positive development. The impact of this engagement should not be underestimated and represents evidence that an evaluation culture continues to take hold across the civil service. The investment in technical expertise through IGEES must be acknowledged in this respect.

4.6.5 Alignment of the Spending Review and the Public Spending Code

One of the features that has continued on from 2018 has been the use of the spending review process as a vehicle for promoting compliance with other elements of the Public Spending Code. While this type of analysis may not fit neatly into what could be considered a 'traditional' spending review paper, it does speak to a key element of policy formulation, particularly in relation to implementation.

In 2018, the *Review of Recent Evaluations* by the Department of Transport, Tourism and Sport provided a progress update on the recommendations from Value for Money Reviews (VFMRs) that were undertaken since the introduction of the Public Spending Code. The DTTaS VFMRs assessed included the *Green Schools Travel programme*, *Current Expenditure of the National Roads Maintenance programme* and the *Driver Testing Service*. The paper identified the key findings and main recommendations from each VFMR, and provided an update in relation to the progress made in implementing recommendations. Based on this review, the paper proposed that any Department undertaking a VFMR should incorporate a number of additional steps in relation to:

- preliminary scoping;
- timeline for and feasibility of recommendations;

- the inclusion of stated outcome or KPIs for recommendations; and
- a structure for the continued monitoring of implementation.

Also in 2018, the Department of Culture, Heritage and the Gaeltacht (DCHG) examined the implementation of the recommendations arising from the 2015 VFMR of the Arts Council. A primary driver for this review was to ensure meaningful implementation of recommendations arising from Departmental evaluations with a view to embedding implementation, as well as analysis, as part of the Department's approach to evidence-based decision-making.

The report found that, although the review of the implementation was largely positive, a number of areas were identified where further implementation work could be considered.

Following on from this useful exercise, the DCHG have undertaken a three further reviews in 2019, namely a *Review of the Implementation of the Recommendations arising from a 2016 Review of the Heritage Council*, a *Review of the Arts and Culture Capital Enhancement Support Scheme (Access II)* and a *Post Project Review of the Pálás Cinema Project.* Similar to the 2018 review and indeed the DTTaS example, a key driver for these reviews was to ensure meaningful outcomes from Departmental evaluations with timely assessment of implementation being critical in this regard.

The findings of these reports resonate both with the DCHG 2018 review and the DTTaS 2018 review. In each case, the Department found merit in reflecting on previous reviews. One of the important things that these reviews has shown is that are a number of concrete steps that any other Departments undertaking a VFM review can take to ensure that recommendations are implemented. This work has also highlighted the benefits of having a Quality Assurance Process as part of the Public Spending Code as a means for Departments to ensure compliance with the Code.

4.6.6 The Future of Spending Reviews in Ireland

The publication of 12 spending review papers alongside the Budget brings to 30 the number of papers published as part of Spending Review 2019 and 80 the number of papers published over the period 2017 to 2019.

This represents both a significant body of work and a large coordinated effort across the civil and public service. Because of this, it is vitally important to review the degree to which the process has achieved its objectives and, looking to the future, set out how the process might be improved to reflect lessons learned and good practice internationally.

This review will be conducted by the Department of Public Expenditure and Reform and will consider a number of key inputs that are currently being delivered. These include:

- An independent external review of the Spending Review process by Professor John O' Hagan[6];

[6] Professor Emeritus, Trinity College Dublin. While the Mid-Year Expenditure Report (MYER) indicated that this report was intended to be published alongside the Budget, in the context of the broader review of the spending review process, and the importance of other relevant inputs, the report will now published in due course.

- An OECD Review of IGEES;
- The forthcoming IGEES Medium Term Strategy; and
- Other relevant material including national and international research.

It is intended that the findings of the review will be reflected in the roll out of a revised spending review process, subject to Government approval.

Chapter 5

Conclusion

The Government's budgetary strategy over the last four Budgets has been designed to promote real and meaningful improvements in people's living standards. Each year sustainable increases in public expenditure have allowed the Government to deliver enhanced public services to those who need them.

Economic growth has been robust, the labour market has reached historic peaks, and wages are rising. Regardless of the Brexit scenario that plays out, the Government expects the economy to continue to grow and for new jobs to continue to be created. However, from a budgetary policy perspective, now is the right time to focus on protecting the improvements that have been made in recent years. The economic risks that include but extend beyond Brexit suggest that this is the most responsible path to follow.

This Budget targets additional resources towards the most vulnerable in society and it further prepares the economy for a no-deal Brexit outcome. In addition, Budget 2020 continues to prioritise investment in social and economic infrastructure. Looking at climate measures, the trajectory of changes in the carbon tax regime provides a strong signal to people and businesses that real and significant behavioural change is needed. In the face of these changes, the Government, through its targeted social welfare package, will promote equity with regard to the costs of climate change.

Further to this, increased expenditure allocations in Health, Education, Housing, Justice and many other areas will mean that the significant level of services that are provided across the country every day can be maintained. Depending on the outcome of Brexit, the Government's aim, should it be provided with the opportunity, would be to continue to increase the level of public services in years to come.