Rialtas na hÉireann
Government of Ireland

# Spending Review 2019

## Trends in Public Expenditure

### Department of Public Expenditure & Reform
### August 2019

This paper has been prepared by IGEES staff in the Department of Public Expenditure and Reform. The views presented in this paper do not represent the official views of the Department or Minister for Public Expenditure and Reform.

IGEES
Irish Government Economic and Evaluation Service

# Contents

## Overview of Public Expenditure

### Introduction

Following high levels of growth in the years leading up to the fiscal and economic crisis, expenditure reached its peak in 2009 with total gross voted expenditure of €63.1 billion. Significant expenditure consolidation was implemented over the period of 2009-2014, with a 14% reduction in spending over that five year period, seeing expenditure drop to €54.1 billion in 2014.

Following the period of consolidation and reflecting the improvement in public finances, expenditure began to grow modestly from the end of 2014, increasing by 16% between 2014 – 2018. In 2018 expenditure had returned to near peak levels, totalling almost €63 billion.

*Figure 1: Gross Voted Government Expenditure 2009-2018*

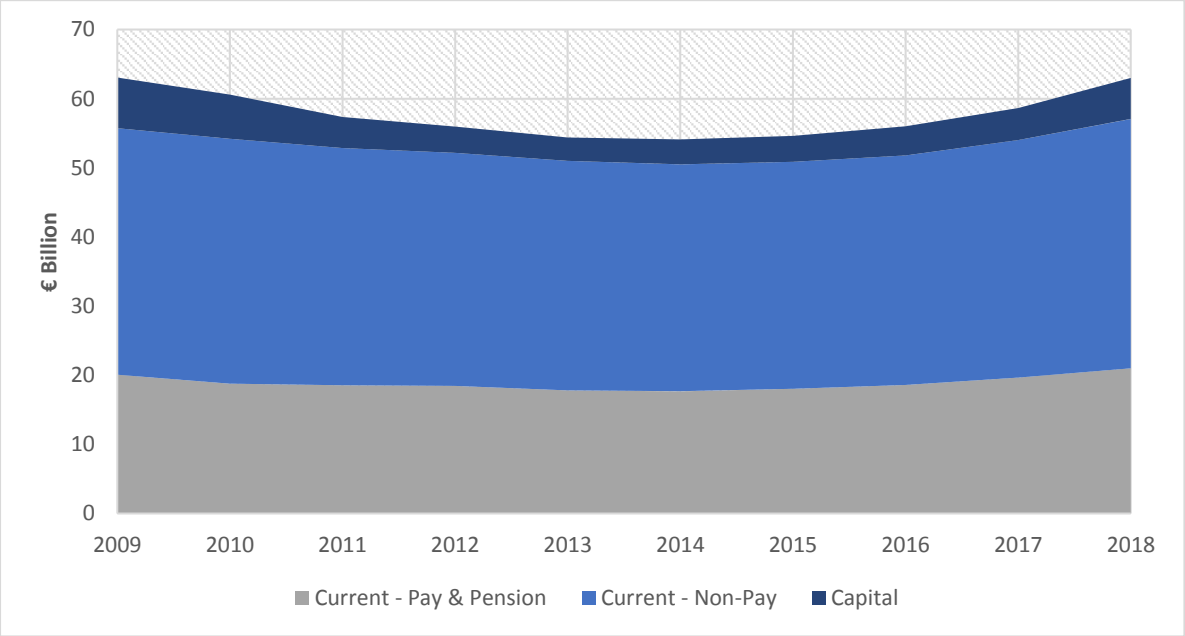



Figure 1 shows the development of voted expenditure over the past decade. It charts the development of current and capital expenditure, the former being subdivided into pay and pension related expenditure and non-pay related expenditure.

In 2018 third of total expenditure related to current expenditure on pay and pensions, an increase of 1% since 2009. Non-pay related current expenditure has also remained consistent at 57% in both 2009 and 2018. However, this category of expenditure increased to a 61% share of total expenditure in 2014, reflecting the decrease in capital expenditure that occurred at the time. Capital expenditure has experienced the greatest fluctuation over the period, accounting for 12% of gross expenditure in 2009, dipping to a 7% share in 2014 and currently representing 9% of total expenditure for 2018.

## Distribution of Public Expenditure

*Figure 2: Allocation of Gross Government Expenditure by Policy Area 2009 and 2018 (€bn)*

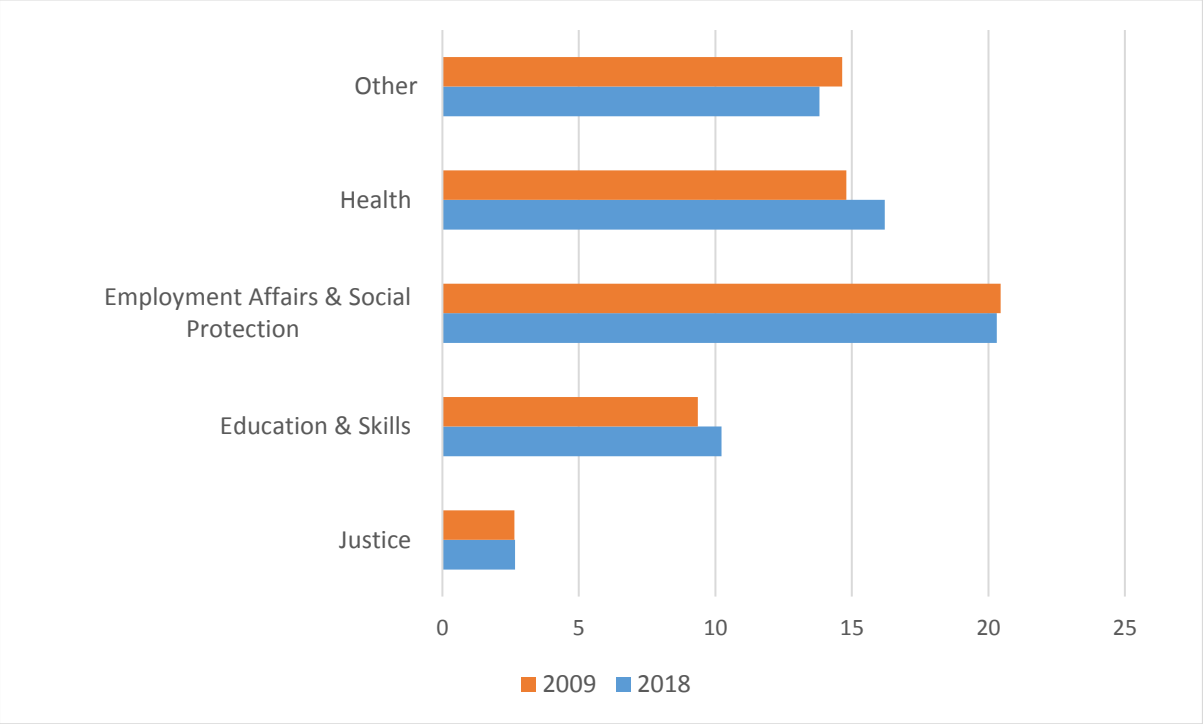
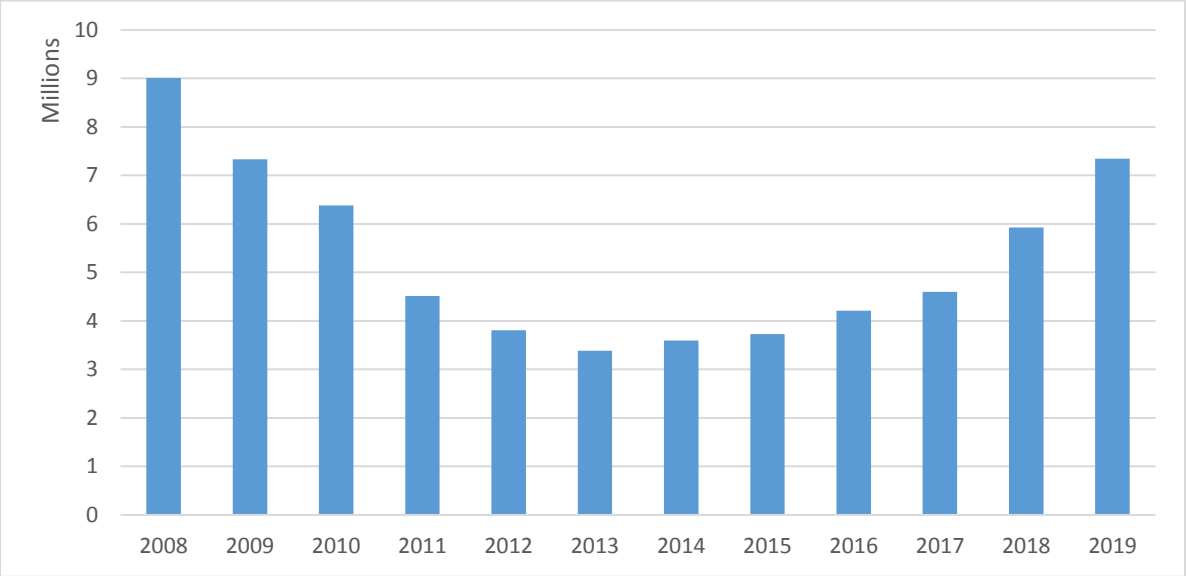



Figure 2 compares the distribution of expenditure across different policy areas in 2009 and 2018. It is difficult to compare health expenditure across this period on a like-for-like basis due to a number of significant changes that have taken place. These include the transfer of the Domiciliary Care Allowance to the Social Protection Vote, the transfer of Children and Families expenditure to the Children and Youth Affairs Vote and the disestablishment of the HSE Vote. Figure 2 attempts to control for these changes as far as possible.

In overall terms, in 2009 almost 78% of total government expenditure was accounted for by four policy areas: social protection, health, education and justice. While the percentage share fluctuated somewhat over the interim period, reflecting the significant increase in the number of people on the Live Register as a result of the economic downturn, those policy areas had the same share of expenditure in 2018.

## Capital Expenditure

*Figure 3: Gross Capital Expenditure 2008 - 2019*




In the years leading up to the economic crisis, there was significant investment in capital expenditure, which reached a peak of just over €9 billion by 2008. As part of the consolidation efforts, public investment was significantly constrained to safeguard the provision of essential public services. Capital expenditure reached a low of just under €3.4 billion in 2013.

Since 2014 onwards, capital expenditure has begun to grow again. Over the five year period to the end of 2019, capital expenditure will have almost doubled following the reductions made during the crisis period. The National Development Plan, published in 2018, sets out investment of €116 billion over the ten-year period 2018 to 2027. In 2019, the capital expenditure allocation is €7.3 billion.

## Drivers of Public Expenditure

Throughout this report a range of expenditure drivers have been identified within each of the Vote Chapters. Below is a brief summary of the key drivers of public expenditure.

**Demographics**

A significant driver of expenditure is the demographic profile of the country. The overall population expanded by 0.323 million or 7% in the period 2009 to 2018. The latest comparison figures show that Ireland has the youngest population in the EU**.** Over the period 2002 to 2016, the number of children aged 14 years and younger expended by about 22%. This increase has naturally led to expenditure pressures in a number of areas including education, children services, childcare and child related payments. As this cohort of children progresses through the educational system the supply of teachers will need to be carefully managed to ensure the needs of the sector continue to be met. Once the majority of this cohort have progressed through the education system, there are likely to be new challenges of how best

to manage and allocate resources in light of projected reductions in demand for education services.

Over the next decade it is forecast that the likely additional costs due to increased demands for public spending across the health, education and social protection areas will amount to over €435m a year from 2023-2027[1]. Going forward, demographic pressures will continue to drive up recipient numbers and costs. This is particularly noticeable in relation to pension costs which have already seen a 30% increase in recipients in the past decade. While the elderly population is increasing, it is still below the EU average. In the longer term, the impact of population ageing is expected put significant pressure on the health system in the years ahead.

**Economic Dynamics**

Over the past decade, expenditure has evolved in response to the cyclical conditions that prevailed at the time. The number of people on the Live Register rose sharply in 2008 as a result of the economic downturn and peaked at approximately 450,000 in 2011. This naturally led to a shift in expenditure distribution with an increase in expenditure on jobseekers benefit and assistance and employment supports. In addition, significant expenditure was allocated to reducing unemployment by maintaining supports for SMEs and by continuing to attract FDI.

The economy has undergone rapid recovery in recent years, with the labour market now approaching full employment. Key well-being metrics such as per capita measures of both real and disposable income and consumption are back at levels seen before the crisis. While these developments are positive, and will enable expenditure to shift to address pent up demand in other areas, other external driving factors, such as Brexit, are still at play and post a risk.

**Government Policy Initiatives**

For a number of expenditure areas, the key drivers of expenditure over the past decade have not been demographic pressures or service demands, but by policy initiatives that reflect Government policy. Throughout this report, sectoral plans and programmes that impact on ongoing and future spending trends are highlighted within each Chapter.

## Performance Indicators and Outcomes

Following a pilot exercise in 2011, performance reporting was introduced across all areas of public expenditure in 2012 as part of a suite of reforms to the public expenditure framework. Since then, performance and outcome indicators have been a key feature of the Revised Estimates Volume, and more recently the Public Service Performance Reports. Through

[1] J. Connors, R. Duffy and F. Newman. 2016. Budgetary Impact of Changing Demographics 2017 – 2027. IGEES Staff Paper 2016. Department of Public Expenditure & Reform http://igees.gov.ie/wp-content/uploads/2015/02/Demographic-Paper-Final-101016.pdf. This analysis is expected to be updated in 2019.

analysing these figures, it is possible to assess the broad direction of travel in a policy area, and see if progress is being achieved relative to expenditure in a given area.

Throughout this report the relevant performance figures for each sector are presented, along with analysis on the relevance and validity of the metrics that are reported on.

### Structure of this Paper

This paper provides an overview of the developments in public expenditure over the last decade. It looks at the evolution of spending on a sector by sector basis, examining the key expenditure drivers and looking at what has been delivered. It sets the context for the more detailed sectoral spending review papers that have been published as part of the spending review.

The following Chapters examine sectoral spending in more depth, divided by each Vote Group. The structure of each Chapter is as follows:

- The first section gives a broad overview of the long term trends in the spending area.
- The second section details the underlying drivers of expenditure within the Votes.
- The third section looks at outcomes and performance indicators, assessing what has been delivered over the past decade and what has being achieved.
- Finally, the fourth section highlights some of the funding and policy challenges facing the Vote Groups with regard to sustainability of expenditure.

## Agriculture, Food & the Marine

Niall McCabe

Summary

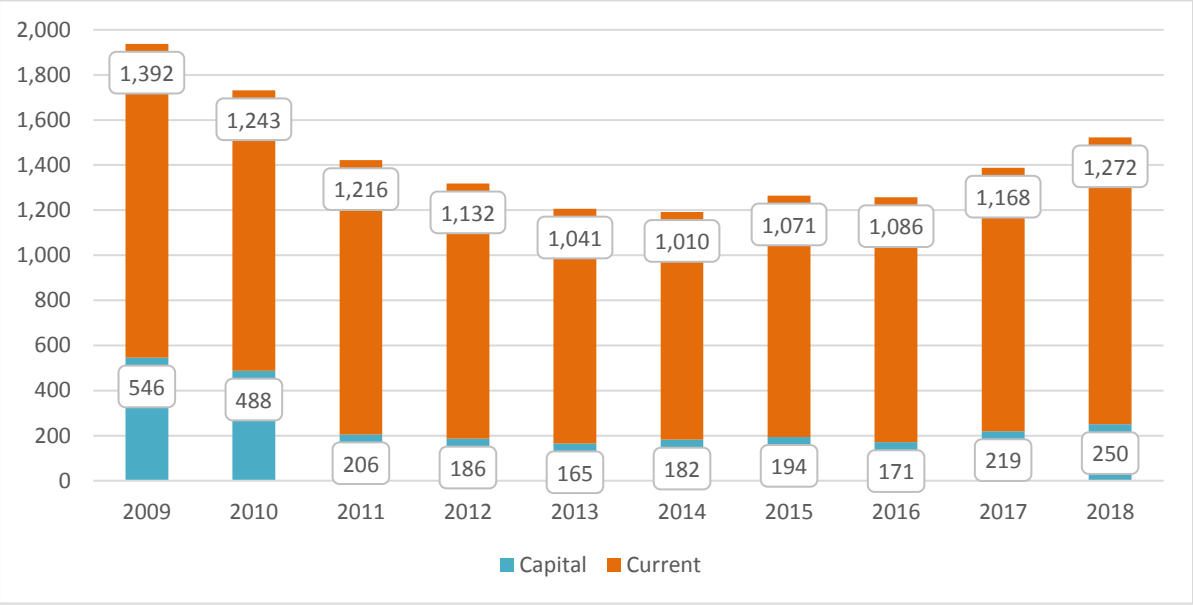
This chapter examines expenditure patterns during the period 2009-2018 (inclusive). Note: 'Outside-the-farm-gate' food-processing and beverage industries are excluded from this analysis as they are associated with the Business, Enterprise & Innovation sector.

The main observations are:

- Over the period 2009-2018, the value of Agricultural Output has steadily increased.
- The Seafood sector is becoming increasingly prominent in patterns of where DAFM chooses to allocate capital expenditure.
- Fostering structural change may help management of cyclical downturns in the availability of sectoral support funding.
- It can take up to a decade for sectoral restructuring efforts to materialise into measurable outcomes.
- The timing of adjustments in sectoral support levels needs to be carefully considered to avoid triggering negative sectoral employment level impacts.

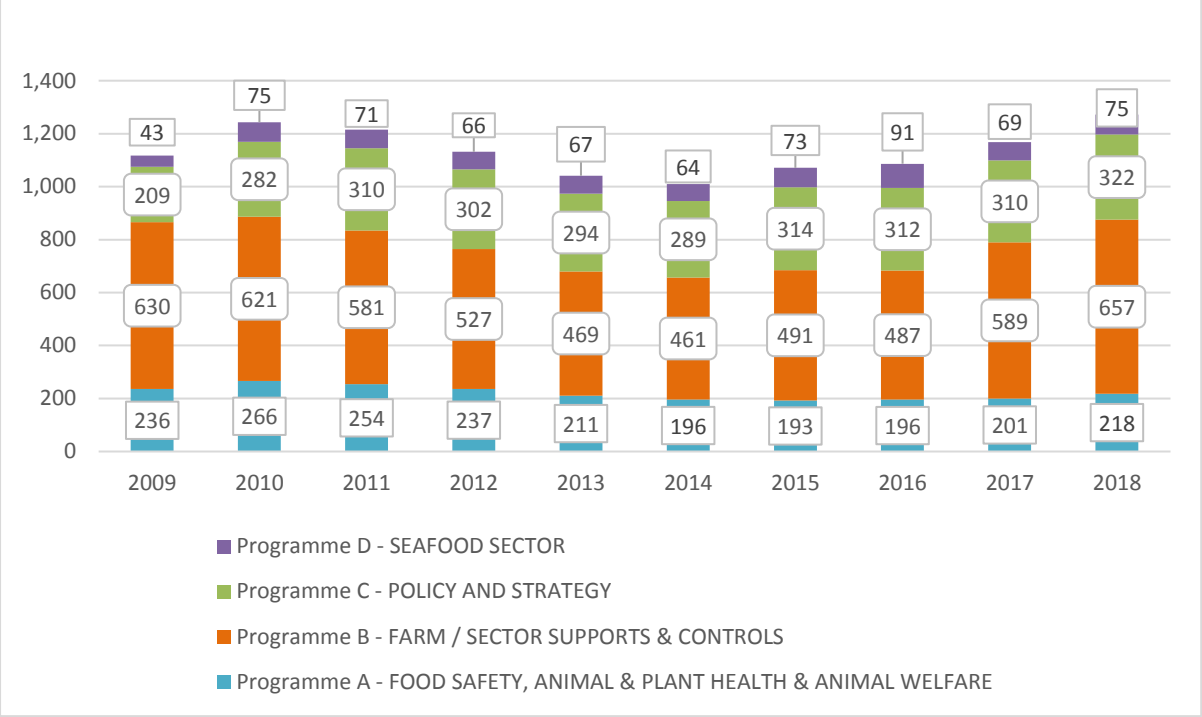
### Section 1: Long-Term Trends

*Figure 1.1: Agriculture Vote expenditure over past decade €m (2009-2018)*



- To put the above chart (Figure 1.1) in context, during the same time period, the total value of output from the Agricultural sector (Agricultural Output) has increased by almost 60% (Figure 2.1 further below refers).

*Figure 1.2: Agriculture Vote Current Expenditure by Function €m (2009-2018)*

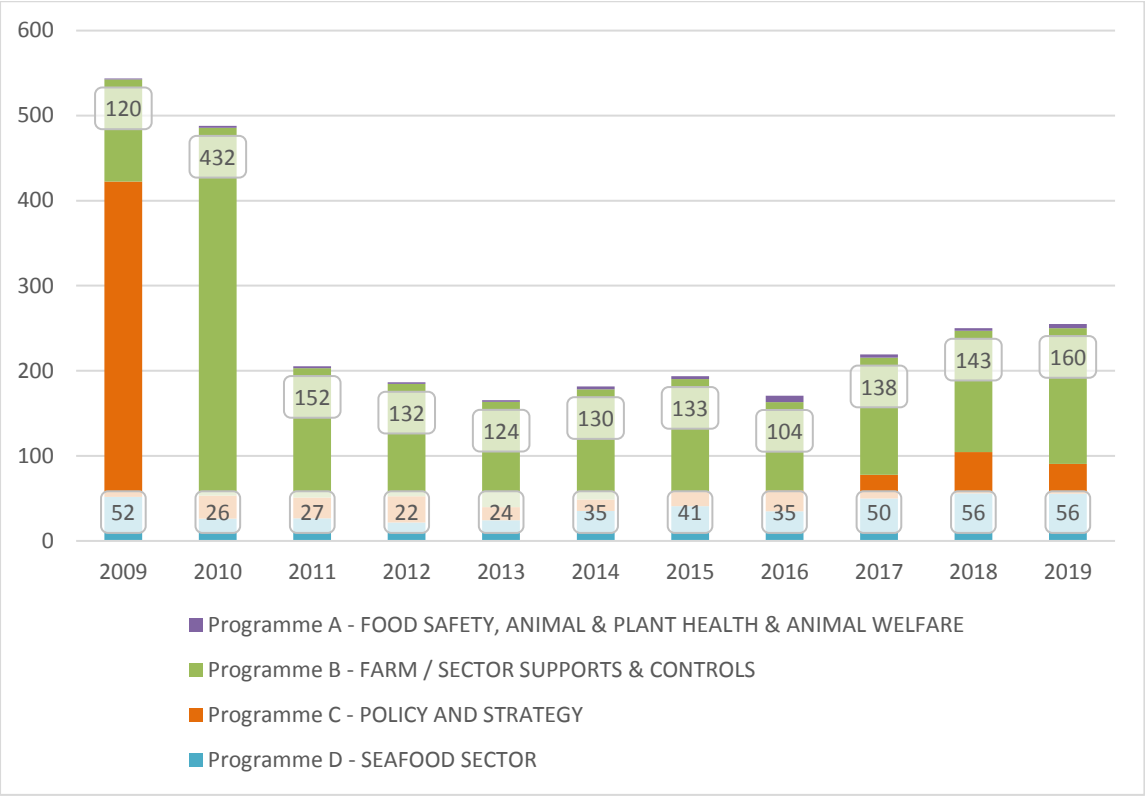



- Figure 1.2 (above) illustrates a pattern of funding increases being allocated by DAFM toward increasing Farm Supports. It shows the cyclical nature of RDP schemes. Between 2009 and 2013, Food-Safety-related expenditure reduced by 17%, partly due to concerted efforts by DAFM to minimise exposure to compensation claims involving Bovine spongiform encephalopathy (BSE).

- Additional actions to enable further cost reductions may not be easy to identify given the improvements achieved to-date in overall animal disease status, the need to ensure a relatively low incidence of Tuberculosis as well as maintaining Brucellosis free status.

- There may be limited scope for repeating this extent of cost-reduction during future downturns while faced with rising global competition in the marketing of food safety & quality (which increasingly requires evidence of robust, farm-to-fork, food safety tracking). An alternative approach toward cost saving might be to foster structural-change (during economically buoyant years) to help in managing cyclical downturns in the availability of sectoral support funding.

*Figure 1.3: Agriculture Vote Capital Expenditure by Function €m (2009-2018)*




- Figure 1.3 (above) displays the step-change downwards in DAFM Capital expenditure levels from 2010 to 2011 which bears witness to the scale of reduction in taxpayer resources available for distribution. Another factor which impacted the magnitude of capital expenditure during this period was the question of availability of private sector investment finance to co-fund capital investment projects.

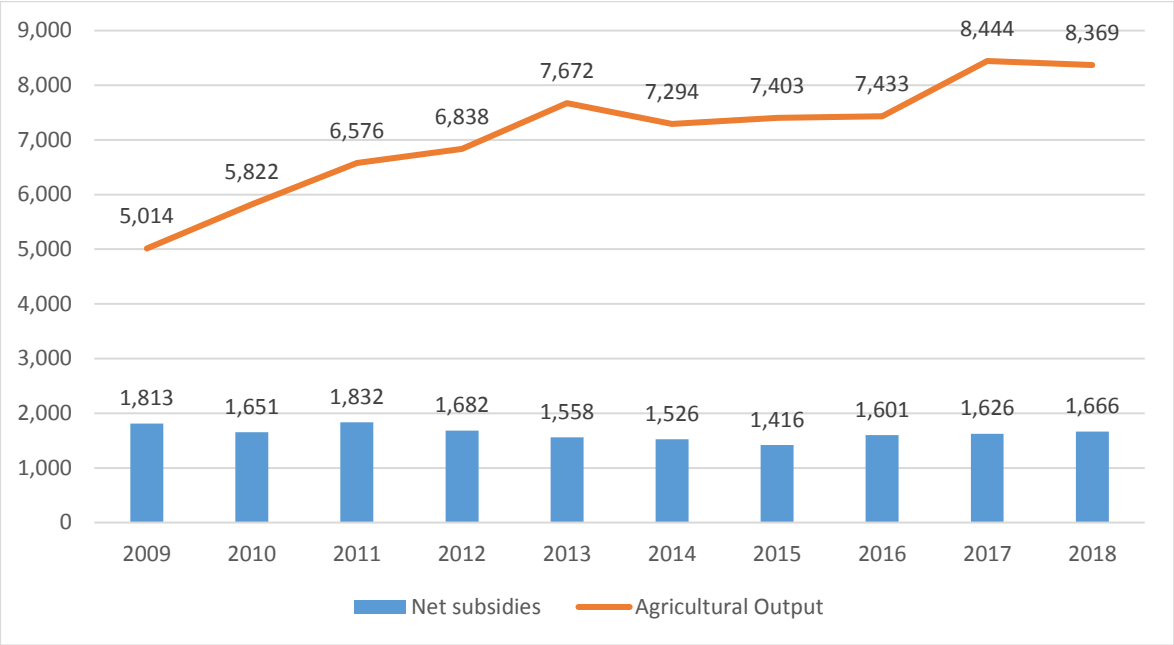
- The period 2016-2018 witnessed annual incremental increases in Capital funding for the sector (as the growing economy facilitated funding availability).

## Section 2: Expenditure Drivers

- The main expenditure driver is annual funding adjustments delivering on Common Agricultural Policy (CAP) multi-year expenditure commitments (in line with resource availability). The reduction visible in the level of Net Subsidies (Figure 2.1 below) over the period 2011-2013 reflects the winding down of CAP 2007-2013 commitments. Likewise, the Net Subsidies increase which is visible from 2015-2018, reflects the pattern of RDP 2014-2020 commitments (as the various new schemes were launched).

- The pre-committing of €4bn towards RDP 2014-2020 inevitably impacts the annual quantum of (as yet un-committed) financial headroom remaining to action Government policy initiatives (e.g. to compensate for weather-related disturbances to sectoral income levels).

*Figure 2.1: Net Subsidies comparison with Agricultural Output in €m (2009-2018)*



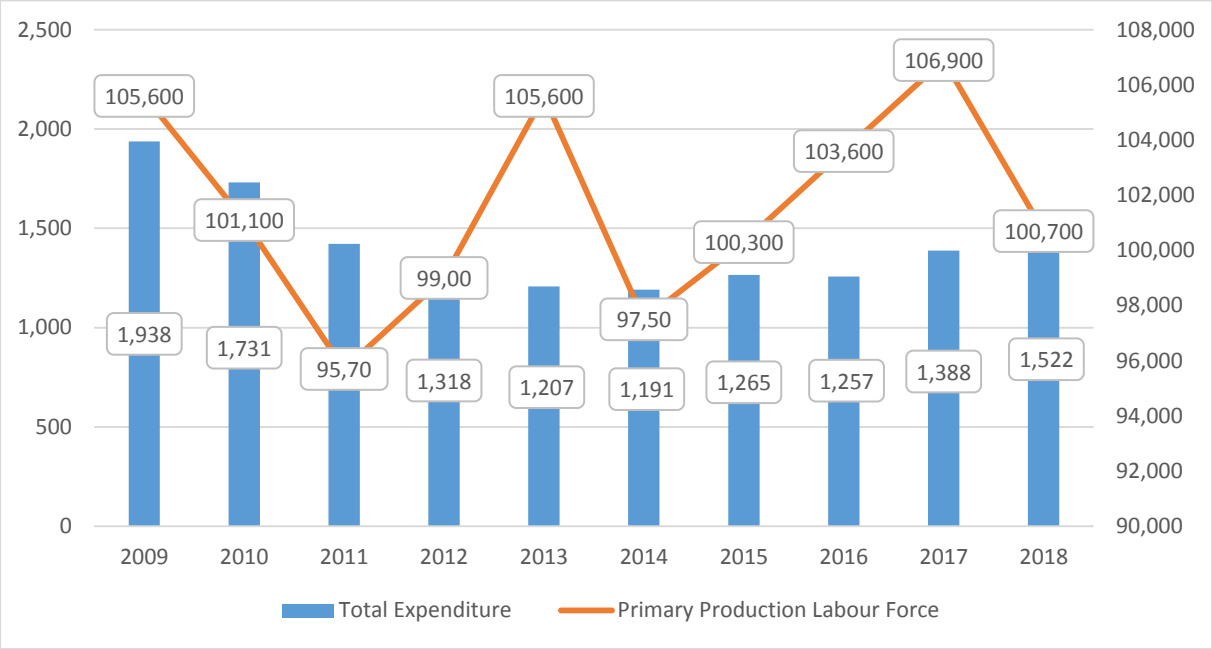

- Figure 2.1 (above) evidences a gradual increase in the value of Agricultural Output over the period 2009-2018 inclusive. During the same time period, the level of net subsidies (subsidies minus taxes on production) has not risen beyond the 2011 level.

- In 2009 (CSO) annual Net Subsidies equated to 36% of annual Agricultural Output. By 2018, annual Net Subsidies were equivalent to 20% of the value of annual Agricultural Output. In practical terms, this indicates a reduction in the taxpayer subvention level over time (for every euro worth of Agricultural Output over the same time period).

- The noticeable peak in the value of Agricultural Output in 2013 is partly attributable to milk price & milk volume increases.

- Similarly, the visible peak in output value in 2017 is partly attributable to a greater volume of milk supplied following on from the mid-2015 abolition of the Milk Quota scheme.

*Figure 2.2: Total Voted Expenditure €m comparison with Primary Production labour force (involved with extraction and collection of natural resources)(2009-2018)*




- Figure 2.2 (above) evidences a degree of correlation between changes of trajectory in market support levels and the coincident impact on agricultural sector (Primary Production) labour force numbers (which excludes food-processing employment). It could be implied from figure 2.2 (above) that sectoral employment levels are generally impacted in line with changes in market support levels. The implication is that pre-programmed downward adjustments in market support levels may need to be carefully managed so as to not trigger an equivalent negative sectoral employment level impact.

- The 2013 temporary increase in the (farm-level) Primary Production labour force was due to a brief period in which (higher-paying) off-farm employment income source opportunities were scarce due to a rise in unemployment generally. This phenomenon reversed itself as the general economy recovered in subsequent years.

## Section 3: Outcomes and Performance Indicators

The Treaty of Rome provided for the establishment of a common agricultural policy (CAP) which would have as its objectives:

- to increase agricultural productivity by promoting technical progress and by ensuring the rational development of agricultural production and the optimum utilisation of the factors of production, in particular labour;
- thus to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture;
- to stabilise markets;
- to assure the availability of supplies;
- to ensure that supplies reach consumers at reasonable prices

A difficulty in assessing the degree to which CAP expenditures (in Ireland) are delivering on these aspirations (listed above) derives from the absence of food affordability and food quality metrics (see Table 3.1 below).

- It may be timely & prudent to create higher-level, outcome-orientated metrics against which CAP 2021-27 expenditures could be monitored.
- Given the sustainability-focus of an emerging post 2020 agri-food sector policy informing CAP 2021-27 expenditure patterns, it may be feasible to adopt pre-existing data streams (already being collected by DAFM) to provide e.g. a suite of emissions metrics which, when combined, provide an overview which is relatable to the sectoral emissions target challenge.
- While the legacy activity indicators (Table 3.1 below) are useful from an economy and efficiency perspective, they are of limited utility in providing feedback about the degree to which strategic objectives are being achieved.
- Given the practicalities of maintaining and monitoring large numbers of performance metrics, it is suggested that over time, the lesser useful 'activity indicators' (appearing in Table 3.1 below) be replaced with outcome indicators which are directly relatable to the sectoral challenges & opportunities.

*Table 3.1 DAFM Longitudinal performance indicators 2009 to 2018*

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cattle Tested for TB** | 9m | N/A | 8.3m | 8.5m | 8.5m | 8.4m | 8.4m | 8.6m | 8.9m | 8.9m |
| **Plant Health Inspections** | New Metric | New Metric | New Metric | New Metric | New Metric | New Metric | New Metric | 2,133 | 1,958 | 2,423 |
| **Hectares of New Forestry Plantings** | 6,648 | 8,314 | 6,653 | 6,652 | 6,252 | 6,156 | 6,293 | 6,500 | 5,538 | 4,025 |
| **Organic Farming Scheme Applicants Paid** | New Metric | New Metric | New Metric | New Metric | New Metric | New Metric | New Metric | 1,076 | 1,600 | 1,750 |
| **No. of Farmers Receiving EU Funded Direct Payments for Basic Payments** | 124,289 | 121,000 | 121,000 | 119,802 | 123,536 | 120,946 | 126,244 | 124,000 | 124,000 | 122,800 |
| **Amount Paid for EU Funded Direct Payments** | €m 1,250 | €m 1,145 | €m 1,316 | €m 1,248 | €m 1,202 | €m 1,162 | €m 1,189 | €m 1,184 | €m 1,177 | €m 1,171 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **for Basic Payments etc.** | | | | | | | | | | |
| **Teagasc Clients Engaged** | New Metric | New Metric | New Metric | New Metric | New Metric | New Metric | 43,290 | 40,454 | 43,452 | 42,325 |

## Section 4: Future Policy Challenges

**1. Rural Development Programme (RDP) post 2020**

The scale of Ireland's post 2020 Rural Development Programme (co-funded by the EU) has yet to be determined. Work and preparations are now underway for the development of the next agri-food strategy to 2030. The present moment provides opportunity to ensure greater future cohesion between national policy initiatives and pan-EU policy measures.

**2. Brexit**

Brexit poses policy challenges in the form of market demand changes, adjustments to supply chain logistics, the relative significance of the land-bridge as well as tariff and non-tariff barriers to trade. Given Brexit outcomes resulting in long-term structural change, policy responses to encourage resilience and diversification could be accelerated. An effective hedge against Brexit-related negative effects is to continue to boost diversification. This approach could be complemented by focusing on reducing input costs and maximising the use of available resources which hitherto may have been regarded as by-products or waste.

**3. Challenges to Agri-Food industry sustainability**

The recently published Teagasc Marginal Abatement Cost Curve (MACC) provides an enriched menu of policy options to activate measures reducing emission levels. The challenge to policy makers is to devise expenditure schemes which are complementary in their effectiveness, delivering significantly greater levels of mitigation, sequestration and afforestation than hitherto.

**4. Aligning multi-year EU budgetary objectives with annual national budgetary cycle**

Project Ireland 2040 is an example of a Governmental long-term, overarching strategy to align investment decisions with a well-thought-out and defined strategy. Implicit in the management of other multi-year programmes of expenditure such as the Rural Development Programme 2014-2020 is the *long-term ambition of facilitating the agricultural sector to realise its economic & social potential* via annual domestic budgetary allocations.

**5. Financial Sustainability**

Figure 2.1 (above) evidenced a reduction in the level of taxpayer subvention of the sector (per euro of output value). The future challenge will be to continue to add more value, enhance quality, entrench sustainability and diversify markets while taking advantage of

the opportunities presented by global markets. A key global marketing differentiator for Ireland will be to project consumer awareness of the positive aspects of our production methods & high food quality standards.

## Business Enterprise & Innovation

Sue Blood, Andrew Grey

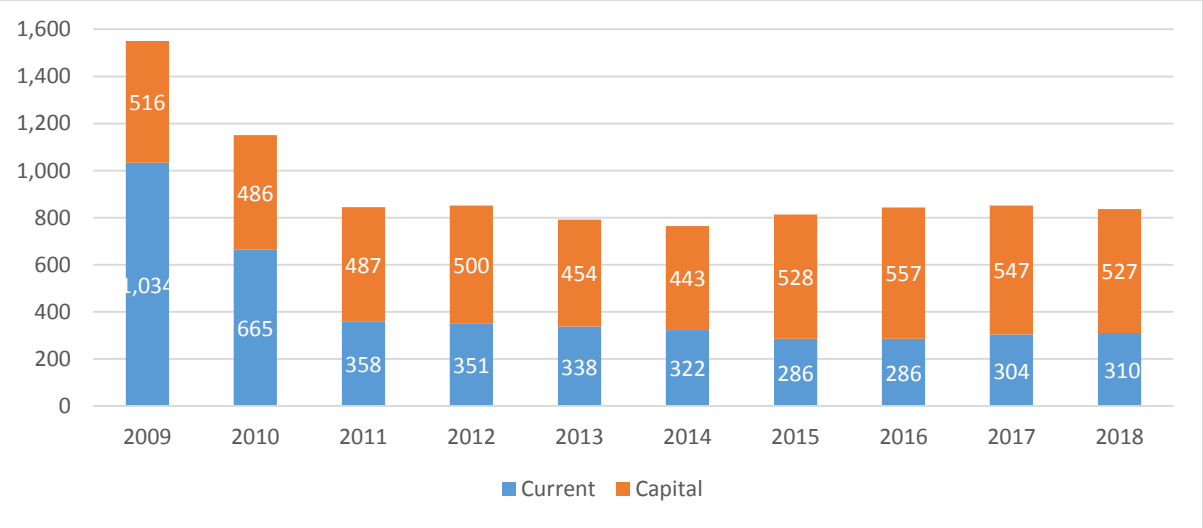
Summary

- Expenditure for the Business Enterprise and Innovation Vote (excluding FÁS) has risen year-on-year since 2014. This reverses the trend experienced in the preceding 5 years when expenditure was reduced significantly from its peak in 2009.
- Key factors which influenced the reduction of expenditure from 2009 to 2014 were the measures taken in response to the economic downturn and the removal of FÁS from the Departments remit. The overall impact was an expenditure reduction of €784.5 million or a 50% reduction from the 2009 peak.
- Expenditure in Business Enterprise & Innovation (including FÁS) has dropped from 2.4% of overall gross voted Government expenditure in 2009 to 1.3% in 2018.

### Section 1: Long-Term Trends

The Department of Business Enterprise and Innovation has undergone significant change in the last decade which has been reflected in the long term spending trend of the Department. One of the most significant changes in terms of its expenditure profile was the removal of the FÁS function in 2010. In addition, this also occurred during the economic downturn. Figure 1 outlines the extent of the impact which both of these events had on the expenditure of the Department with current expenditure being reduced by €676m or 65% from 2009 & 2011. This downward trend in expenditure ended following 2014 and has gradually increased in line with overall Government spending.

*Figure 1 – Business Enterprise & Innovation Expenditure (Including FÁS) €m 2009-2018*




For comparative purposes, Figure 2 below shows a like-for-like view on the levels of expenditure in relation to the current functions of the Department. When excluding FÁS, the

expenditure trend is much more stable, with spending increases and reductions being much more gradual. One observation to note is that the Department reduced current expenditure significantly (2018 = 18% lower than 2009) during the period while capital expenditure has returned to pre-crisis levels.

*Figure 2 – Business Enterprise & Innovation Expenditure (Excluding FÁS) €m 2009-2018*

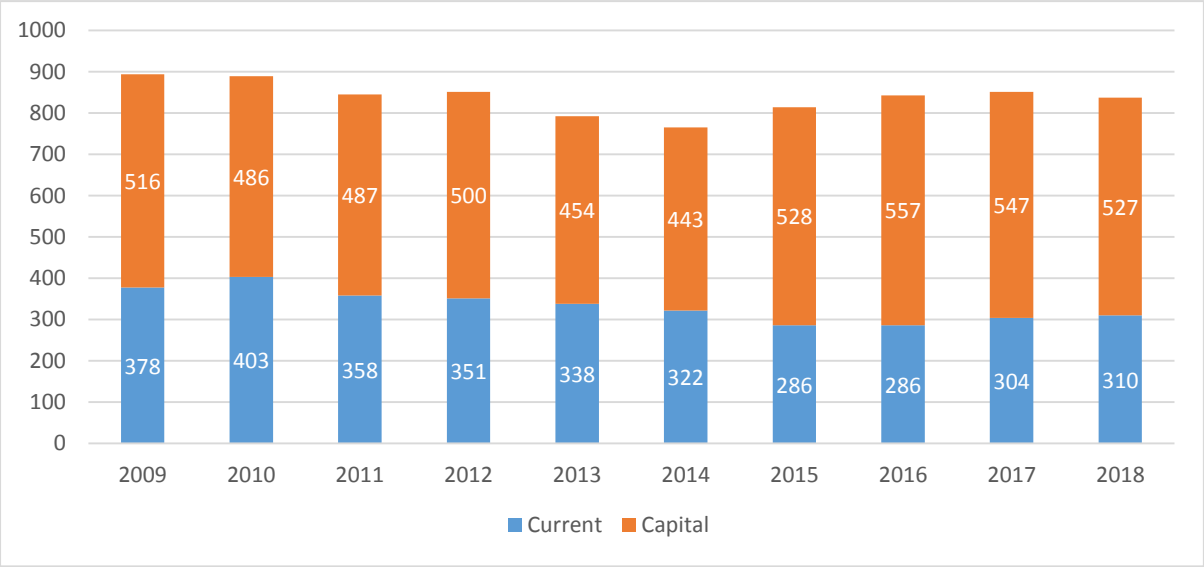
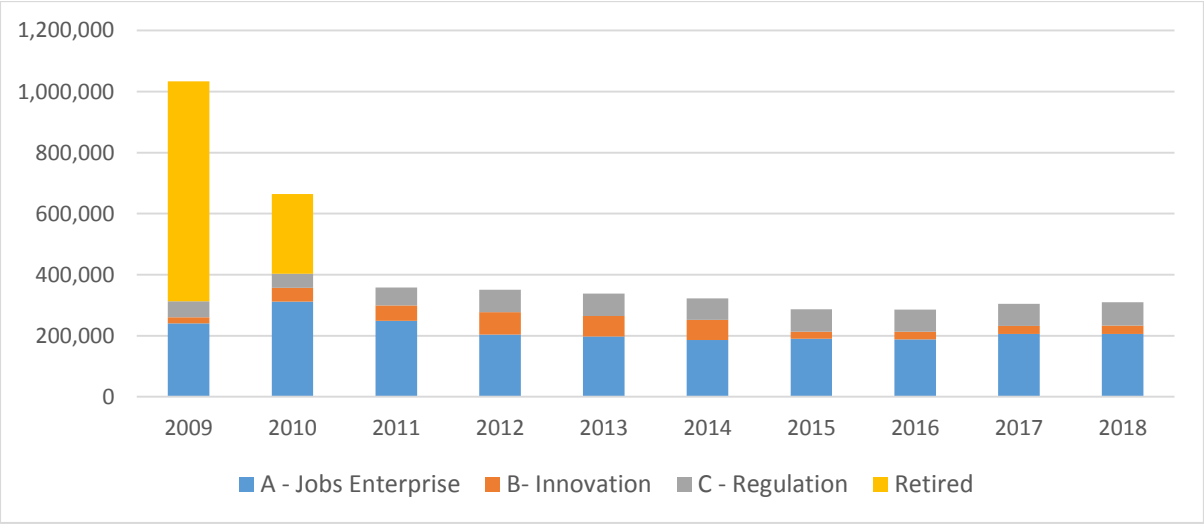


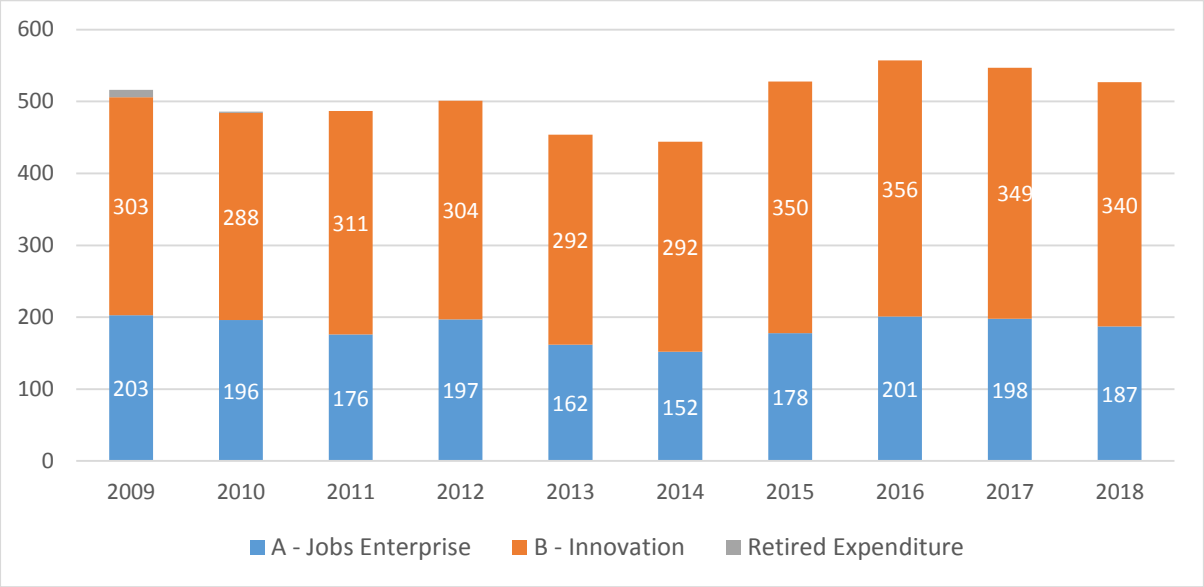

Figure 3 and Figure 4 outline expenditure over the period in terms of current and capital expenditure respectively. Figure 3 again illustrates the level of current expenditure which was reduced as a result of the removal of FÁS under the heading of retired expenditure. The Jobs & Enterprise Development Programme has the largest current expenditure of the 3 Department functions, averaging 66% of current expenditure over the period excluding retired expenditure. This is primarily driven by agencies such as IDA Ireland and Enterprise Ireland.

*Figure 3 – Business Enterprise & Innovation Current Expenditure by Function €m 2009-2018*



In terms of capital spend, expenditure has been relatively stable during the period 2009-2018 as illustrated in figure 4 below. Total capital spend reached its lowest level of the period in 2014 with spend of €443m but this was quickly reversed to an upward trend which peaked in 2016 with a capital spend of €557m. The Innovation programme is the largest in terms of capital spend with 64.5% of capital spending by the Department (from 58.7% in 2009).

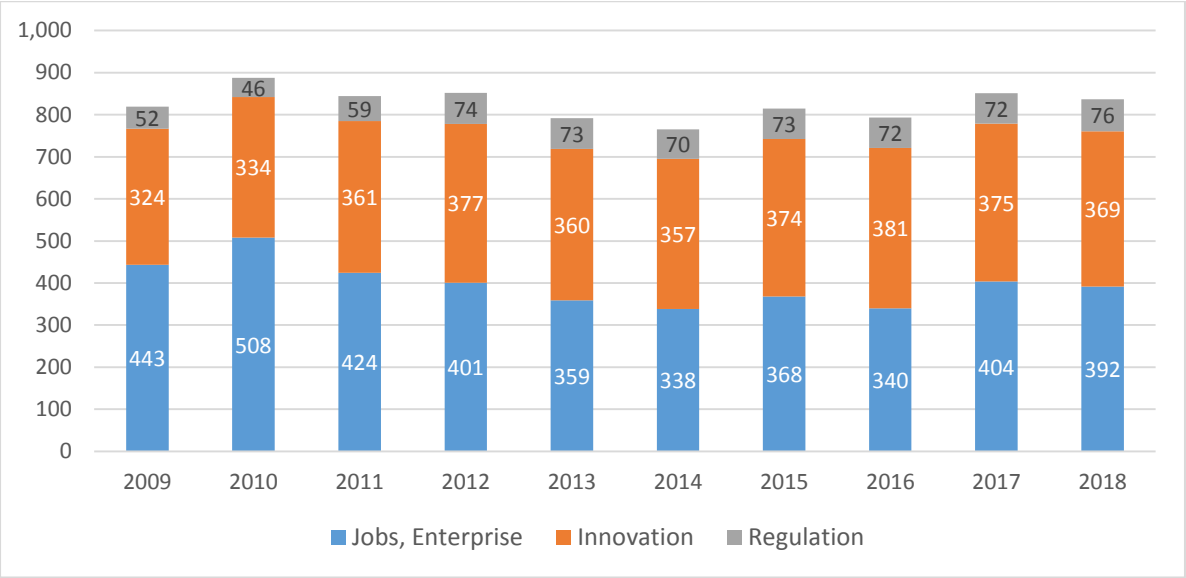
*Figure 4 – Business Enterprise & Innovation Capital Expenditure by Function €m 2009-2018*




## Section 2: Expenditure Drivers

- DBEI does not have clear expenditure drivers such as demographics. Expenditure is driven primarily by the perceived need for interventions in the sector as reflected in Government policy.
- The key strategy which drove policy in the sector during this period was the Action Plan for Jobs which was published in 2012. Over 3,200 measures were implemented under the Action Plan for Jobs and sought to support job creation in the economy to tackle unemployment.
- Economic and other external factors play a significant role in driving expenditure in the Department. During the financial crisis, significant expenditure was allocated to reducing unemployment by maintaining supports for SMEs and by continuing to attract FDI. In recent times, the preparations for Brexit have been a significant external factor driving expenditure.

*Figure 5 – Business Enterprise & Innovation Total Expenditure by Function (Excluding FÁS) €m*




## Section 3: Outcomes and Performance Indicators

- It is the view of the Vote Section that the performance indictors currently employed by DBEI are appropriate. A highlight from the table of outputs is the level of outputs delivered through IDA Ireland despite an extremely competitive environment worldwide to attract FDI.
- GERD is the sum of R&D expenditure in the business, higher education and government sectors. As a percentage of both GDP, GNP and GNI*, GERD has been falling since 2012. The actual amount of R&D investment has increased over this period but GDP, GNP and GNI* levels have increased at a faster rate.
- Some of the performance indicators are useful in highlighting the need for a review of policy or a change of policy in certain areas. For example, the trend line of the number of jobs created needs to be viewed in the context of an improved economic climate. However it should also be considered with a view to the economy's capacity to sustain current levels of job creation via both FDI and indigenous industry, given the demands it may place on infrastructure and housing etc. The priorities of the enterprise agencies may need to be re-calibrated to place a greater emphasis on jobs of a highly-skilled nature and which are sustainable in light of future technology developments. In turn, this would require the development of new performance indicators to reflect this.

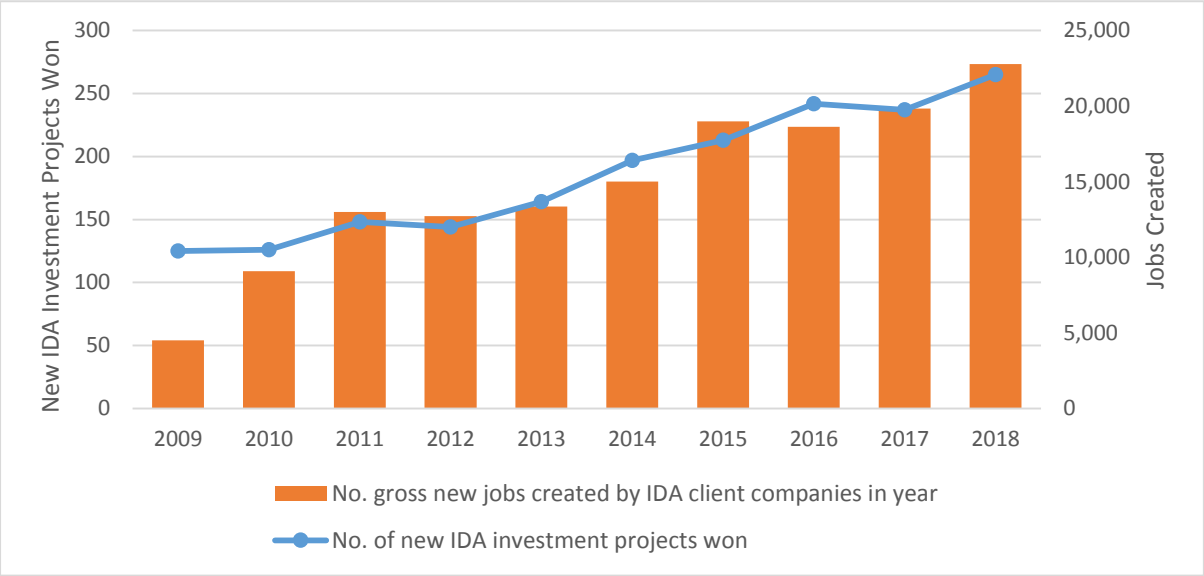
*Table 1: DBEI Performance Indicators (Source: Revised Estimates/Agency Annual Reports 2009-2018)*

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|---|
| **No. of new IDA investment projects won** | 125 | 126 | 148 | 144 | 164 | 197 | 213 | 242 | 237 | 265 |
| **No. gross new jobs created by IDA client companies in year** | 4,500 | 9,075 | 13,000 | 12,722 | 13,367 | 15,012 | 18,983 | 18,627 | 19,851 | 22,785 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **No. gross permanent fulltime job gains in EI client companies in year** | 7,443 | 8,193 | 9,076 | 7,645 | 12,532 | 14,873 | 15,905 | 14,814 | 19,332 | 18,846 |
| **Total direct expenditure in Irish Economy by IDA/EI client companies** | 36.9bn | 36bn | 38.2bn | 40.1bn | 43.4bn | 45.3bn | 42.2bn | 45bn | 45.9bn | N/A |
| **No. High Potential Start-Ups supported** | 188 | 80 | 93 | 97 | 104 | 102 | 105 | 105 | 90 | 82 |
| **Gross Expenditure on Research and Development - % of GNP** | 2.16% | 2.08% | 2.16% | 2.21% | 1.81% | 1.74% | 1.74% | 1.46% | 1.46% | N/A |
| **No. of workplace inspections and investigations undertaken by the HAS** | 18,451 | 16,714 | 15,000 | 13,000 | 12,244 | 10,719 | 10,880 | 10,477 | 9,934 | 9,828 |
| **No. of work place fatalities reported under Safety, Health and Welfare at Work Act 2005** | 43 | 48 | 55 | 47 | 47 | 55 | 55 | 56 | 48 | 39 |
| **No. of calls made by Consumers to the CCPC call centre** | 65,000 | 60,000 | 62,000 | 60,000 | 56,200 | 49,432 | 43,000 | 44,102 | 42,112 | 43,000 |
| **Days lost through strike action** | 329,593 | 6,602 | 3,483 | 8,486 | 14,965 | 19,238 | 32,964 | 71,647 | 50,191 | 2,213* |

**To end Q2 2018*

*Figure 6: IDA Performance 2009 - 2018*




## Section 4: Future Policy Challenges

**1. Brexit**

Brexit poses significant policy challenges for DBEI in terms of its potential to cause disruption across a variety of sectors. The impacts will be felt most notably in many exporting sectors, including agri-food, indigenous manufacturing and tourism, as well as in importing sectors, especially those characterised by just-in-time supply chains, such as parts of the retail sector. The uncertainty surrounding a departure date and the form of Brexit poses significant policy challenges to DBEI and creates challenges to businesses in terms of preparation. A number of measures have already been implemented, including the Brexit Loan Scheme and the Future Growth Loan Scheme. Both IDA Ireland and Enterprise Ireland have received additional funding in order to allow them to increase their global footprint. Other DBEI Agencies have sought additional resources to enable them to meet demands arising from Brexit.

**2. Increased prevalence of loan schemes**

In recent years there has been an increase in the number of schemes and the level of support which is delivered via the provision of loans as opposed to conventional grants. Examples include the Microfinance Loan Scheme, the Brexit Loan Scheme and the Future Growth Loan Scheme. The rationale for such schemes is to provide access to finance where traditional lending is not available or is prohibitively costly. By their nature, these loans are at higher risk of default and have the potential to increase Exchequer exposure should defaults materialise.

**3. Future Jobs Ireland**

Future Jobs Ireland is a strategy document that will be a significant driver in DBEI's policy direction in the medium term. The strategy aims to embrace anticipated technological change with the targeted result being an increase in SME productivity and labour market participation as well as transitioning to a low carbon economy. Future Jobs aims to have

an array of deliverables achieved during 2019, with significant consequence for further policy developments as well as future expenditure demands in the years to come.

**4. Innovation 2020**

Ireland has challenging targets for investment in Research and Development at 2.5% of GNP by 2020. As GNP increases, the amount of expenditure required to meet this target also increases.

## Children & Youth Affairs

Larry Dunne

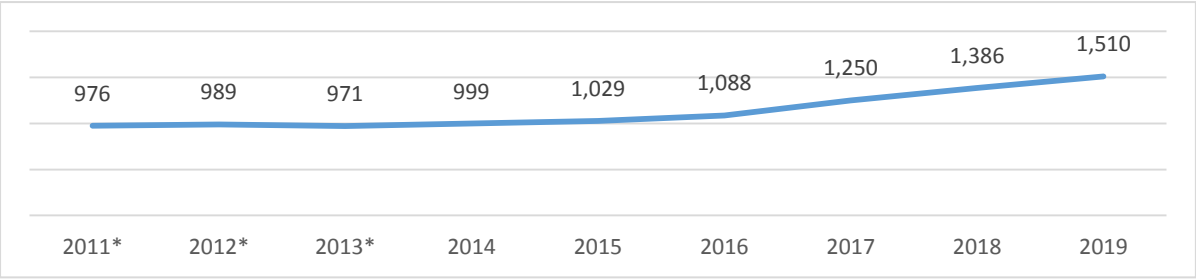
Summary

- Since 2014, gross voted expenditure by the Department of Children and Youth Affairs has increased by 51% to €1.51 billion.
- In terms of composition, 52% of gross expenditure allocated for 2019 relates to the work and services of TUSLA while 38% is accounted for by childcare related supports.
- At end Quarter 1 2019 there were 4521 (fte) staff employed within the Department and its Agencies, with some 87% employed in Tusla providing child protection and welfare services.
- The primary drivers of expenditure are related to demographics, economic dynamics, service demand and policy direction/implementation.
- In terms of demographics, the number of children is projected to increase over the next couple of years but demographic pressure in this cohort is expected to ease over the medium term.
- Policy direction and implementation is a key factor in determining expenditure in the area of childcare, the implementation of the National Childcare Scheme, the extension of ECCE and commitments to provide supports in this area are important factors.

### Section 1: Long-Term Trends

Over the period 2014 to 2019, gross expenditure on the Children and Youth Affairs (CYA) Vote increased from just under €1 billion to €1.51 billion, an increase of €511 million or 51%. As the Children and Youth Affairs Vote, established in 2011, centralised policy areas and programmes from a range of areas including health, education and justice, comparing expenditure before 2011 is challenging.

*Figure.1: Gross Voted Expenditure, 2011 – 2019 (€'000)*




Source: DPER. 2011 and 2018 are provisional outturn. 2019 is allocation.

** Note: 2011-2013 figures adjusted for HSE Children and Family Services expenditure subsequently transferred to CYA on Tusla's establishment.*

The Department's responsibilities include a range of policy and service activity, direct and indirect, for children and young people and has a diverse range of cross-cutting impacts on other policy areas. CYA expenditure is focussed on early learning and care (ELC) and school age childcare, youth justice, child welfare and protection, children and young people's participation, research on children and young people, youth work and cross-cutting children's initiatives. This cross-cutting feature is reflected in the Department's National Policy Framework, 'Better Outcomes, Brighter Futures', launched in 2014. Building on this work, First 5: A Whole-of-Government Strategy for Babies, Young Children and their Families was published in November 2018.

The following sets out an overview of expenditure by programme between 2011 and 2019 (Table 1) and by type in 2019 (Figure 2). Looking at CYA expenditure by sub-programme area from 2011 to 2019, as in Table 1, 52% of the 2019 gross expenditure is associated with TUSLA. The (i) childcare schemes and programmes along with delivery supports and other initiatives and the (ii) ECCE (including AIM) account for 16% and 22% of the allocation respectively, while the remainder relates to youth services and organisations (4%) and other expenditure streams. Note the 2011-2013 figures are amended to include HSE expenditure on Child and Family Services, which transferred to the CYA Vote with the establishment of TUSLA[2] in 2014.

*Table 1: Gross Expenditure 2011-2019 by Sub-Programme Area, €'000*

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|
| TUSLA - Child and Family Agency | 623,645* | 628,560* | 623,988* | 619,318 | 662,690 | 678,996 | 712,693 | 752,484 | 784,619 |
| Early Childhood Care and Education Scheme | 163,033 | 175,768 | 174,112 | 173,797 | 177,082 | 223,751 | 297,136 | 326,195 | 329,676 |
| General Childcare Programmes and Childcare Initiatives | 85,778 | 85,682 | 76,139 | 79,001 | 84,179 | 81,217 | 119,097 | 175,409 | 244,767 |
| Youth Services and Organisations | 60,941 | 57,030 | 53,895 | 50,523 | 51,485 | 53,607 | 62,747 | 59,925 | 63,595 |
| Youth Justice – Oberstown Children Detention Campus | 15,853 | 17,254 | 19,293 | 54,701 | 29,343 | 22,869 | 23,743 | 27,411 | 25,860 |
| Other | 26,913 | 25,072 | 23,733 | 21,805 | 24,594 | 27,988 | 34,568 | 44,524 | 61,796 |
| **Total** | **976,163*** | **989,366*** | **971,160*** | **999,145** | **1,029,373** | **1,088,428** | **1,249,984** | **1,385,948** | **1,510,313** |

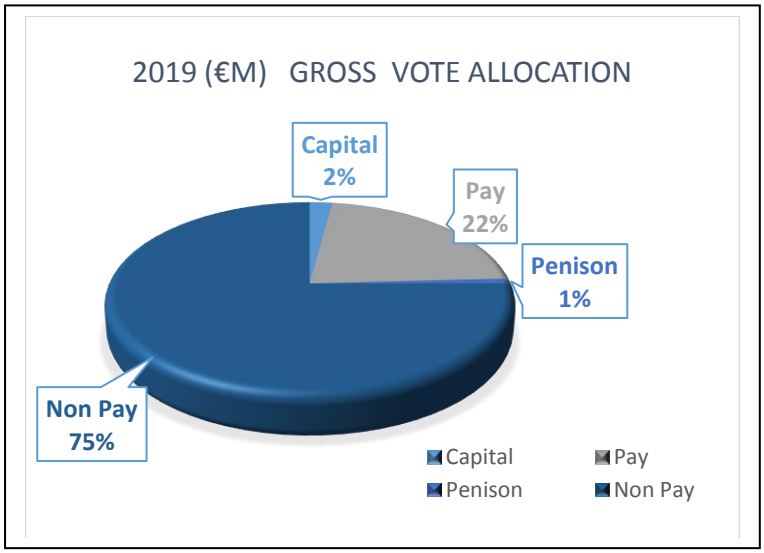
Source: DPER. 2011 and 2018 are provisional outturn. 2019 is allocation.

Note: 2011-2013 TUSLA figures include expenditure under CYA Vote on Family Support Agency, National Educational Welfare Board, School Completion Programme and Child and Family Support Programme and expenditure on Child and Family Services by the HSE.

Note: The Early Years Subheads under Programme B were reorganised in REV 2019 reducing the validity of year-on-year comparisons

[2] Campbell, T and Mullins, D. (2016) 'Health Spending: Moving Back to Peak Funding'. http://igees.gov.ie/wp-content/uploads/2014/11/Health-Expenditure_Moving-Back-to-Peak-Funding.pdf

*Figure.2: Gross Allocated Expenditure 2019 by Type*




Gross expenditure is around three-quarters non-pay and one-quarter pay, as in Figure 2.

As such, the vast majority of the Vote is current expenditure with capital expenditure accounting for 2% of the 2019 allocation.

These proportions are broadly similar to 2018.

The following sets out a brief overview of the main programme areas under the CYA Vote.

### Tusla – Child and Family Agency

Tusla's funding, delivered under Programme A, Children and Family Support, aims to support and improve the existing service delivery for the welfare of children, young people and families, including oversight of Tusla. Tusla provides for child protection and welfare services, educational welfare services, psychological services, alternative care, community-based welfare of children and families, pre-school inspection services and domestic, sexual and gender-based violence services.

### Early Years Care and Education

Funding of the Childcare schemes, related supports and initiatives are delivered through Programme B - Sectoral Programmes for Children and Young People. The aim is to support the provision of both universal and targeted services for the care, development and well-being of children and young people.

- **Early Childhood Care and Education Scheme (ECCE)**

ECCE provides children with their first formal experience of early learning prior to primary school. It is a universal and demand-led scheme, available to all legally resident children within the qualifying age range. The scheme entitlement is currently three hours per day, five days per week, over 38 weeks per year, for 2 programme years or 76 weeks in total (up from 38 weeks when introduced and 61 weeks on average when enhanced in 2016).

- **General Childcare Programmes**

These programmes contain targeted and universal demand-led childcare schemes. The Community Childcare Subvention Scheme (CCS and CCSP), the largest in 2018 expenditure terms, supports low-income parents to avail of reduced childcare costs at participating

childcare services. The CCSU Universal scheme - universal entitlement introduced in September 2017 - provides up to €1,040 per annum for childcare subsidisation for the under 3s. The National Childcare Scheme (NCS), currently in development, will replace these schemes and provide a platform for childcare subsidies in the future.

### Youth Services and Organisations

The Youth Services and Organisations sub-programme provides funding for youth development related initiatives and organisations - grant programmes and services including the Youth Service Grant Scheme, the Special Projects for Youth Scheme, the Young People's Facilities and Services Fund Rounds 1 and 2, Local Drug Task Force projects, the Local Youth Club Grant Scheme, Youth Information Centres, certain other youth programmes and provision for Leargas and An Gaisce.

### Other Expenditure

Other expenditure primarily relates to smaller areas within Programmes (A) Children and Family Support and (B) Sectoral Programmes for Children and Young People. These includes *Youth Justice* (Oberstown Children Detention Campus); Prevention and Early Intervention Programmes; Intervention Programmes for Children and Young People; Programme *for Peace & Reconciliation*; and *Administration expenditure.* In addition, Programme (C) Policy and Legislation, is targeted at key areas of policy, legislation and inter-sectoral collaboration. This expenditure has expanded in recent years relating to *Growing Up in Ireland*- The National Longitudinal Study on Children, the *Children and Young People`s Policy Framework and Other Programmes* and the *Commission of Investigation into Mother and Baby Homes and certain related matters*. The funding delivered under Programme C also supports the Adoption Authority of Ireland and the Office of the Ombudsman for Children.

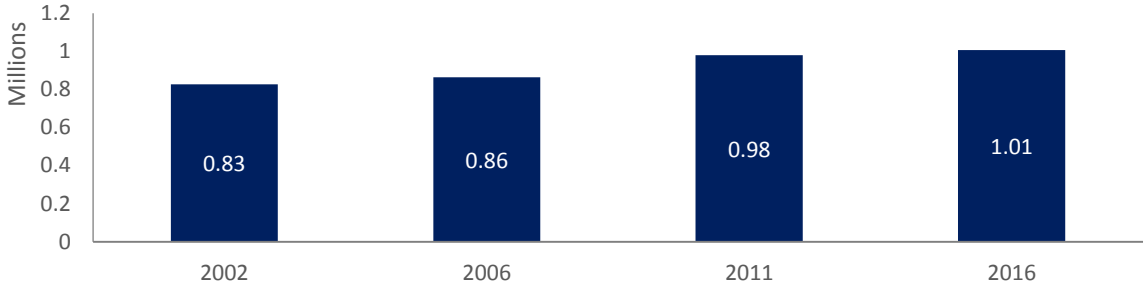
## Section 2: Expenditure Drivers

The key drivers of expenditure are demographics, economic dynamics, service demand and policy choices. As with any policy area the factors that drive expenditure are varied and complex. However, it is possible to usefully identify a number of high level and interrelated drivers.

### Demographic Change

A significant driver is demographic trends in the cohort of children in the State. Over the period 2002 to 2016, the cohort aged between 0-14 expanded significantly by 22%, from 827,428 to just under 1.01 million. This significant expansion has led to expenditure pressures in a number of areas including education, children services, childcare and child related payments (including Child Benefit which is provided from Department of Employment Affairs & Social Protection Vote).

*Figure 3: Population Years 0-14, 2002-2016*




Source: CSO

In 2016, the number of families in Ireland was 1,218,370, an increase of 3.3% on 2011 and 51% since 1996. Child population growth has a strong upwards pressure on childcare expenditure, with increased uptake on demand-led supports and programmes. In tandem, there is an increasing demographic demand in child and family and other Tusla services, with an upward trend in child welfare/abuse referrals since 2006, reaching over 50,000 annually in recent years.

### Economic Dynamics

This general driver impacts on service demand. Trends in household income, employment, cost of living, quality of life, poverty and wealth are all important factors for child development. Demand to access childcare and for support to do so, is a function of a number of factors including employment rates, the cost of childcare and income levels etc. Notably, parents' eligibility for the Community Childcare Subvention scheme is determined by their Department of Employment Affairs and Social Protection (DEASP) status. Trends in the uptake of DEASP schemes, driven by wider economic and social factors, can impact both the level of demand and subvention for the CCS/CCSP scheme. Significant reductions in the number of Live Register participants, which fell 40% from 319,600 in February 2016 to 193,118 in April 2019, reduced the eligibility cohort for Band AJ of the subvention (with medical card) and the lower subvention Band B (without medical card). Conversely the eligibility criteria for higher subvention rate (Band A) which includes, DEASP Pension, Disability & FIS schemes, have seen considerable increases in uptake and expenditure in recent years.

### Service Demand

The level of demand for service provision is a driver of expenditure and is itself impacted by other stated factors such as demographics. As with other policy areas, expenditure pressures are interlinked with demand for services.

- **Tusla**

An example of service demand is set out in Table 2 which shows the total number, and rate, of referrals to Tusla's Child Protection and Welfare Social Work Services between 2014 and 2018. The total number of referrals increased by 30% to 56,830 between 2014 and 2018 while the rate of referrals (per 1000 population 0-17 years) increased from 37 to the mid-forties.

*Table 2: Referrals to Child Protection and Welfare Social Work Services and Rate per 1,000 Population 0-17 Years, 2014–2016*

| Referrals | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| Total Referrals | 43,630 | 43,596 | 47,399 | 53,755 | 56,830 |
| Rate/1,000 pop 0-17* | 37 | 37 | 40 | 45 | **n/a** |

*As more than one referral can be received per child, the number of children is likely to be lower than level of the referrals.
Source: Tusla Business Plan 2019

A further indication of service demand is the total number of children in care as measured by Tusla. There are 6,029 children in care, about five for every 1,000 children under 18 years (2018). This figure includes Separated Children Seeking Asylum. The majority of children in care (92%) are in foster care, with more than a quarter (28%) in care with relatives. The data, in Table 3, indicates the total number of children in care was 2% lower at end 2018 than at end 2011.

*Table 3: Total Number of Children in Care, End-December 2011- End November 2018*

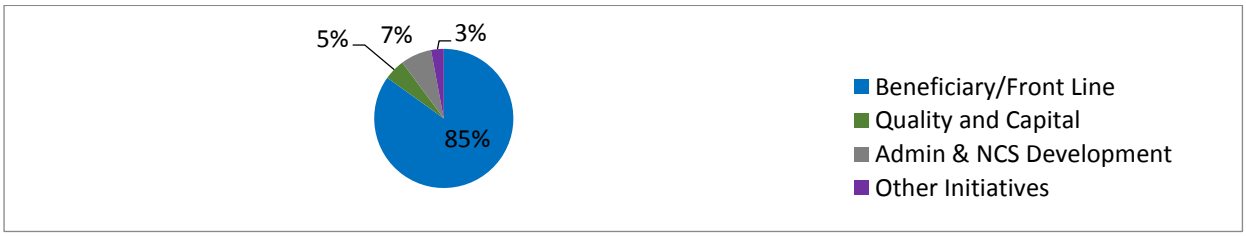
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|
| **No. of Children in Care** | 6,160 | 6,332 | 6,469 | 6,454 | 6,388 | 6,258 | 6,189 | 6,029 |

Source: TUSLA Review of Adequacy Report 2014, Monthly Management Data and Tusla Business Plan 2019.

- **Early Years: Care & Education**

In respect of the impact of service demand €574.4m was allocated to Early Years in 2019, representing an increase of €313.2m in funding since 2015. The majority of this funding is allocated to ELC beneficiary schemes and front line services (85%). The remainder provides for overall administration costs and NCS development costs (7%), quality and capital measures (5%), and other initiatives (3%):

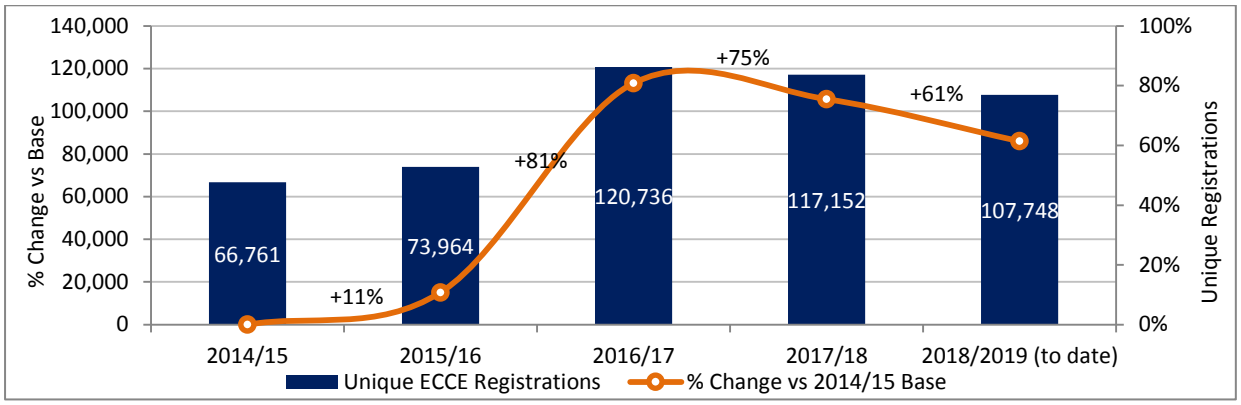
*Figure 4 Breakdown of ELC Beneficiary Schemes Expenditure*




This 120% funding increase over the past four years provided for growth in the provision of childcare. Figures 5 and 6 demonstrate, respectively, a significant increase over this period in children availing of the two largest beneficiary schemes - ECCE and CCS. Figure 5 below demonstrates that unique ECCE registrations increased by c. 50,000 (61%) between 2015 and 2019, corresponding to a funding increase of €135m (83%). This included a 7% capitation rate increase in 2018 and various accessibility/eligibility measures. Registrations peaked in 2016/17 following improvements to eligibility criteria, which allowed children to begin pre-school from age three years. This accessibility measure was extended in 2018, with availability to children over 2 years and 8 months for two full programme years (76 weeks).

ECCE registrations have fallen by c. 13,000 (11%) since 2017, which may be attributed to two primary factors (i) reintroduction of a single entry point, reducing enrolments (although the number of weeks children availed of increased) and (ii) a number of ECCE eligible children enrolling on other DCYA schemes. It is anticipated that the level of ECCE uptake will remain relatively stable until the beginning of the 2019/2020 Programme Year in August 2019.

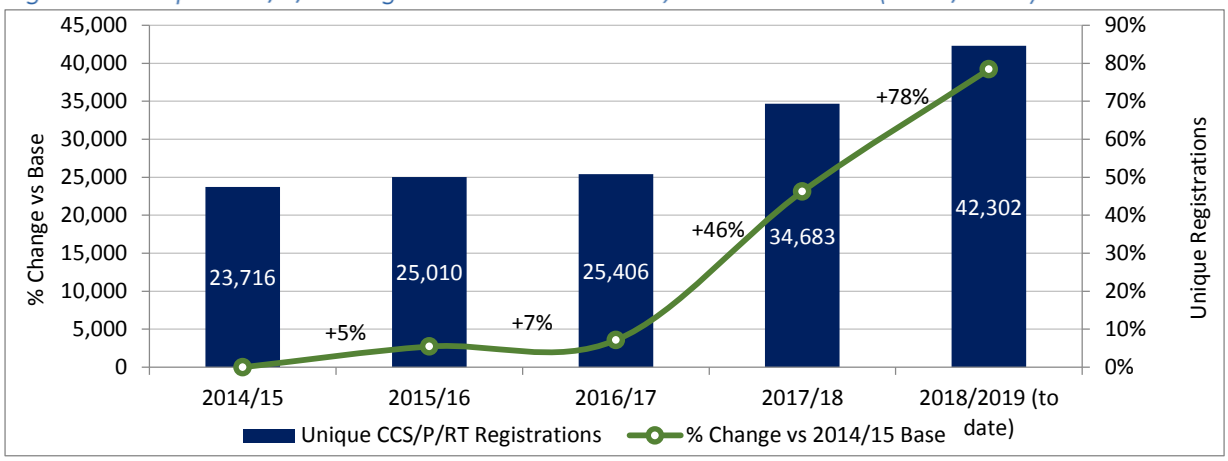
*Figure 5: Unique ECCE Registrations 2014-2019, Annual vs Base (2014/2015)*




CCS registrations increased by c. 16,900 (66%) between 2017 and 2019, following a comparatively stable trend over 2014 to 2016. Specifically, in 2017/2018, there were some significant changes, in particular to the Community Childcare Subvention (CCS) and the Community Childcare Subvention Plus (CCSP). A new universal subsidy was introduced for children under 3 in early learning and care settings with increases in, and changes to eligibility for, targeted subsidies under these Schemes. A public information campaign generated awareness. Prompted by growing parental demand for subsidies, greater numbers of ELC services contracted to deliver these Schemes and greater numbers of families benefitted.

Figure 6 below demonstrates the significant increase in CCS registrations following these measures.

*Figure 6: Unique CCS/P/RT Registrations 2014-2018, Annual vs Base (2014/2015)*

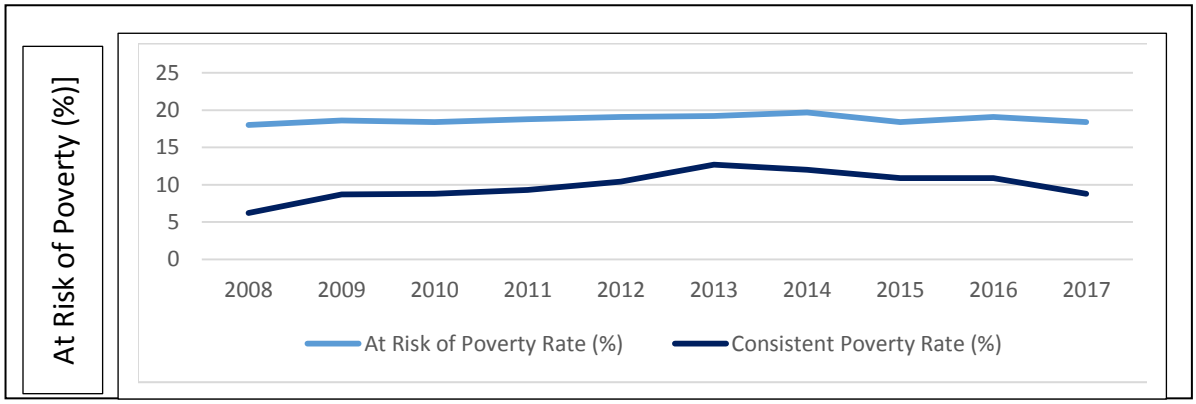


## Section 3: Outcomes

Assessing outcomes for DCYA expenditure is challenging, with many policies having a longer term focus. Furthermore, factors affecting outcomes, such as child wellbeing, are multifaceted and span a range of Government supports, as well as external factors. The biennial 'State of the Nation's Children Report'[3] (the 2018 report, with updated data, is to be published later this year) provides a comprehensive overview of measures, while the annual report of the indicators set for Brighter Outcomes Brighter Futures[4], is another important source of data outputs. However, for the purposes of this brief overview, trends are outlined in three relevant metrics, some relating to agreed indicators by Eurostat[5]: child poverty rates, cost of childcare and labour market participation.

The proportion of children at risk of poverty, while an important outcome measure of child wellbeing, is impacted by a number of factors. The prevalence rate of those at risk of poverty at ages up to 17 was 4.5 percentage points lower in 2017 (18.4%) than 2006 (22.9%). In addition, the percentage of the population of ages 0 and 17 in consistent poverty has increased by 2.6 percentage points to 8.8% since 2008 – see Figure 7 for trends.

*Figure 7 At Risk of and Consistent Poverty Rate, Age 0-17, 2004-2017*

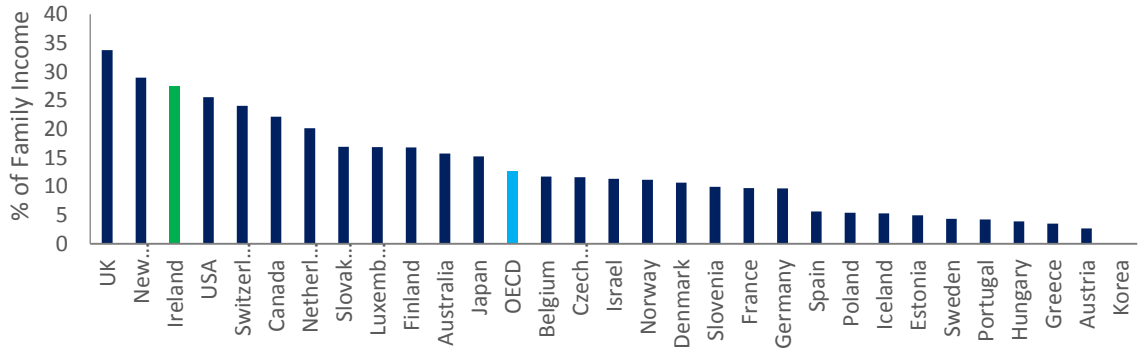



Source: CSO

In terms of childcare costs, Ireland has higher costs relative to other OECD countries. As Figure 8 displays, the cost of full-time childcare in Ireland is 27.4% of family income (2012), slightly lower than the UK's level 33.8%, but above the OECD average of 12.6%. Note the latest available data is for 2012 and as such predates much of the latest policy changes in the area.

[3] https://www.dcya.gov.ie/documents/stateofthenationschildren/20170302SOTNCReport2016.pdf
[3] https://www.dcya.gov.ie/documents/ReportOnTheIndicatorSetForBetterOutcomesBrighterFuturesThe National PolicyFrameworkForChildrenAndYoungPeople2014-2020.pdf
[4] http://ec.europa.eu/eurostat/web/employment-and-social-inclusion-indicators/social-protection-and-inclusion/investing-children

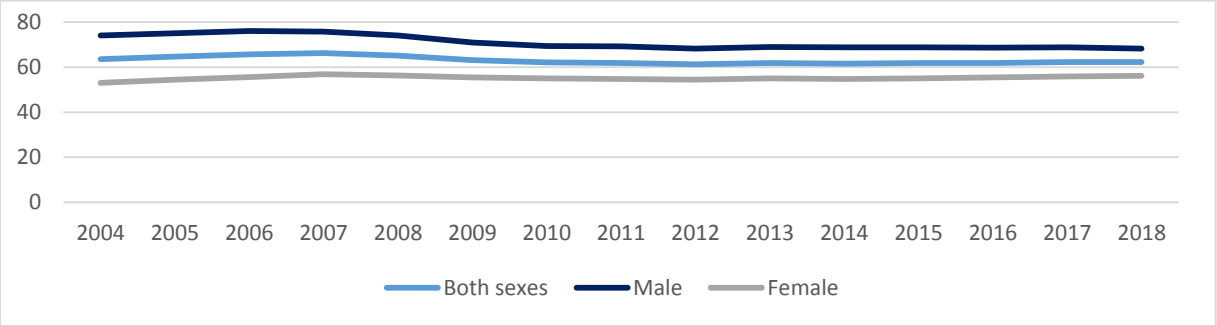
*Figure 8: Out of Pocket Full-Time Childcare Costs as % of Net Family Income, Couple Family, 2012*




Source: OECD Society at a Glance 2016

Women's labour force participation rates are lower than men but the gap has narrowed. The European Commission's latest Country Specific Report on Ireland[5] notes that investing in access to quality and affordable childcare and rolling out the National Childcare Scheme will help increase women's rather low employment rate. In comparison to the EU15, Irelands female labour force inactivity rate is 32.9%, 2.1 percentage points below the EU15 average of 30.8% in 2018. However, the gap between Ireland and the EU has been reducing consistently since 2015[6].

*Figure 9: Labour Force Participation (Ages 15-64) by Gender, 2004-2018*




Source: CSO

## Section 4: Future Policy Challenges

In terms of future policy challenges, there are a number of areas relevant to the Children and Youth Affairs Vote including demographics and policy direction/implementation.

**Demographic**

Demographic pressure will likely moderate over the medium/long term. Population modelling and analysis of demographic cost pressures carried out previously by IGEES estimated that the number of children (ages 0-18) will continue to increase until 2020, but will then begin to decrease with an average fall of 3,264 between 2021 and 2022 and an average fall of 7,312 between 2023 and 2027. The CSO's latest projections (based off Census 2011) estimates a similar trend with the cohort increasing initially before the overall

number declines due to falling birth rates. However, it is unclear how the relative level of service demand as a proportion of the population will trend in the future.
Policy decisions taken within the childcare space have had significant expenditure implications. The resources provided to the Department of Children and Youth Affairs facilitate continued improvements in the affordability, accessibility and quality of childcare and reflect Government commitments in this area.

### The National Childcare Scheme

The National Childcare Scheme, the new scheme of financial support for parents towards the cost of childcare is under development and is due to launch at the end of 2019. The scheme will replace the existing childcare subvention schemes (with the exception of ECCE) with a single, streamlined system, encompassing both universal and targeted subsidies. Eligibility for targeted subsidies will be based on income, with flexible income thresholds and subsidy rates allowing for the possibility of expanded investment and extension of the scheme to greater numbers of families over time.

**First 5**

First 5: A Whole-of-Government Strategy for Babies, Young Children and their Families was published in November 2018. First 5 is a ten-year plan across all aspects of children's lives to help ensure positive early experiences. First 5 provides a framework to improve the lives of babies, young children and their families consisting of four goals: Strong and supportive families and communities; Optimum physical and mental health; Positive, play-based early learning; and An effective early childhood system.

### Legislation

Legislative reform and other changes in the regulatory environment can also impact on funding requirements. For example, the implementation of the requirements of the Children First Act, 2017 and the enactment of the provisions of the Adoption (Information and Tracing) Bill will necessitate a robust response from Tusla and the Adoption Authority of Ireland within the overall framework in which they operate in the provision of services to children, young people and their families.

## Communications, Climate Action & Environment

Ronan Nestor

Summary

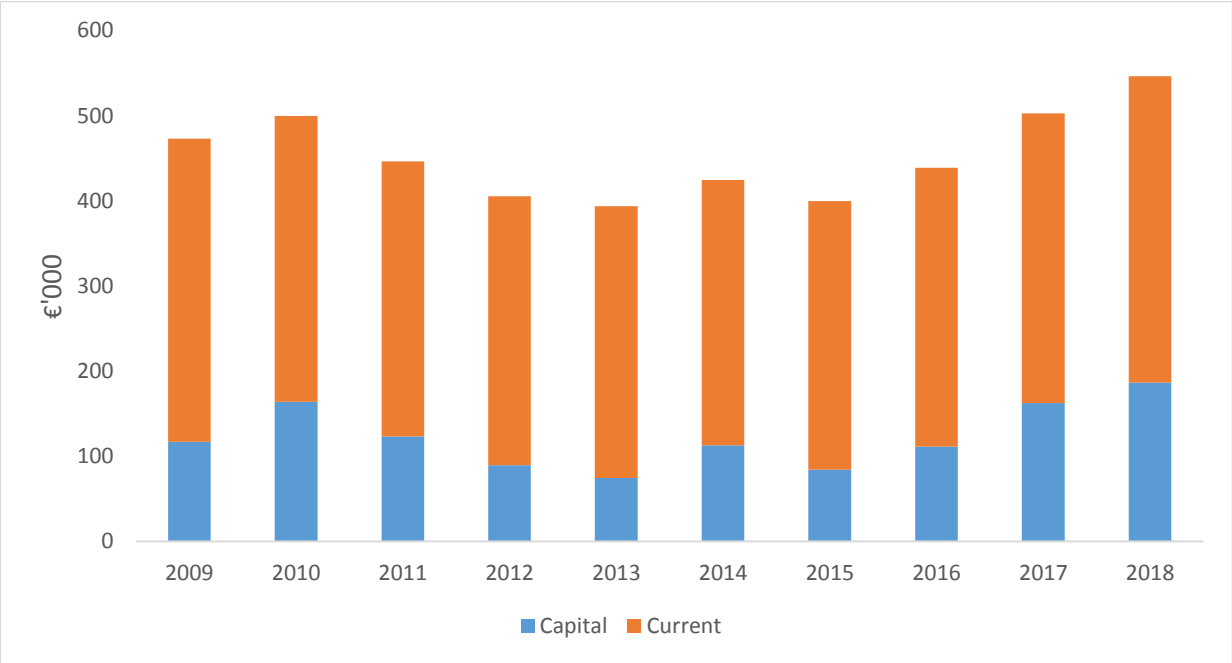
- Exchequer expenditure has increased from €473.2m in 2009 to €546.5m in 2018 - although annual expenditure over the period cannot be compared on a like-for-like basis due to a number of changes to Departmental functions.
- The Department accounts for approximately 0.9% of overall gross Government expenditure in 2018.
- Expenditure relates to a number of sectoral areas (which have been varied over the years via Transfers of Departmental Functions).
- The primary drivers of increased expenditure in this period have been capital programmes under the Energy subhead.
- Forecasted increases in capital for Sustainable Energy programmes and the National Broadband Plan under the National Development Plan will continued to drive increases in the Department's expenditure.

### Section 1: Long-Term Trends

**2018 Gross Exchequer expenditure of the Department at €547m is less than 1% of the overall Government expenditure**.

Expenditure in the Department over the period has been across a number of sectoral areas**,** determined by the transfer of Departmental functions at different times during the period from 2009 to 2018 - e.g. the Environment and Waste Management area, with a 2018 gross spend of €59.8m, was added to the functions of the Department in 2016. As a result, the total expenditure from 2008 to 2018 depicted in Figure 1 below does not show a like-for-like trend over the period. Certain functions also transferred out of the Department at different times during the period from 2009 to 2018.

*Figure 2:Communications, Climate Action & Environment Gross Expenditure (€m), 2009–2018*




The Department's expenditure encompassed by this analysis only relates to those Departmental functions that are currently located within the Department.

There have been a number of transfers of function both to and from the Department in the last 22 years:

**1997** – Transfer of Forestry, Mining and Offshore Exploration functions to the Department of the Marine. Renamed as the **Department of the Marine and Natural Resources**

**2002** – Transfer of Communications functions to the Department, renamed as **Department of Communications, Marine and Natural Resources**

**2007** – Transfer of Marine function out of Department, renamed as **Department of Communications, Energy and Natural Resources**

**2016** – Transfer of Climate Action and Environment function to the Department, renamed as **Department of Communications, Climate Action and Environment**

*Current Expenditure*

Gross Current expenditure on the Vote is skewed by the 'pass-through' nature of TV Licence Fee revenue, which enters the Vote through Appropriations-in-Aid and is simultaneously allocated out to RTÉ, the Broadcasting Fund and An Post (as collection agent) under the Broadcasting Programme. TV Licence fee revenues typically represent approximately 85% of the Broadcasting Current Expenditure, with the remainder comprised primarily of grant funding to TG4 and a small proportion on Departmental administration.

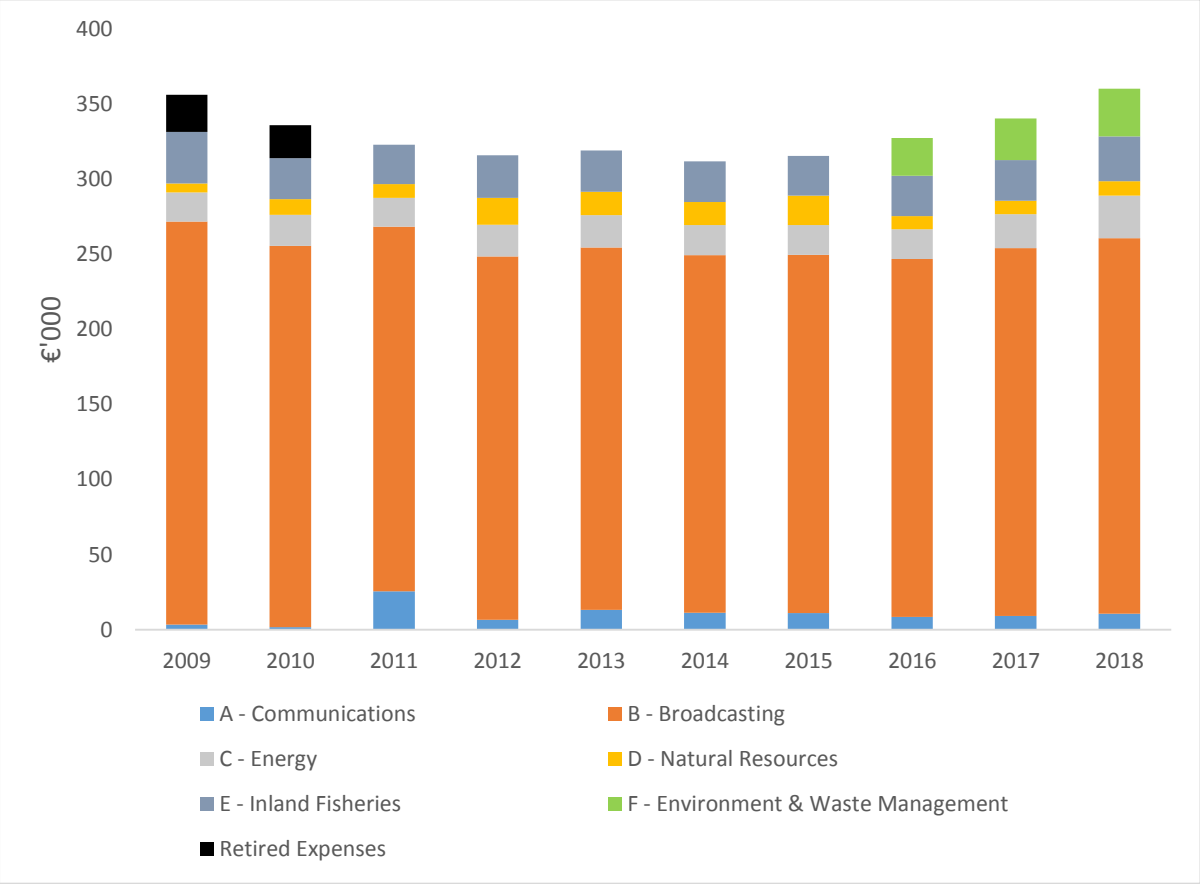
Outside of the TV Licence Fee receipts and Administration expenditure, the largest portions of current expenditure have been represented by grant funding to TG4 and by funding to the

exchequer-funded Non-Commercial State Bodies, such as SEAI, IFI, and the EPA since the transfer of the Environment function in 2016.

Retired expenditure represented for 2009-10 relates to Administration expenditure for all Department programmes. In 2011, the separate Administration Programme was broken up and the relevant Administration expenditure allocated under the respective programme subheads.

In 2016, the Environment and Waste Management function was transferred to the Department from the Department of Housing, Planning and Local Government. This function represented approx. 9% of the Department's total Current expenditure in 2018.

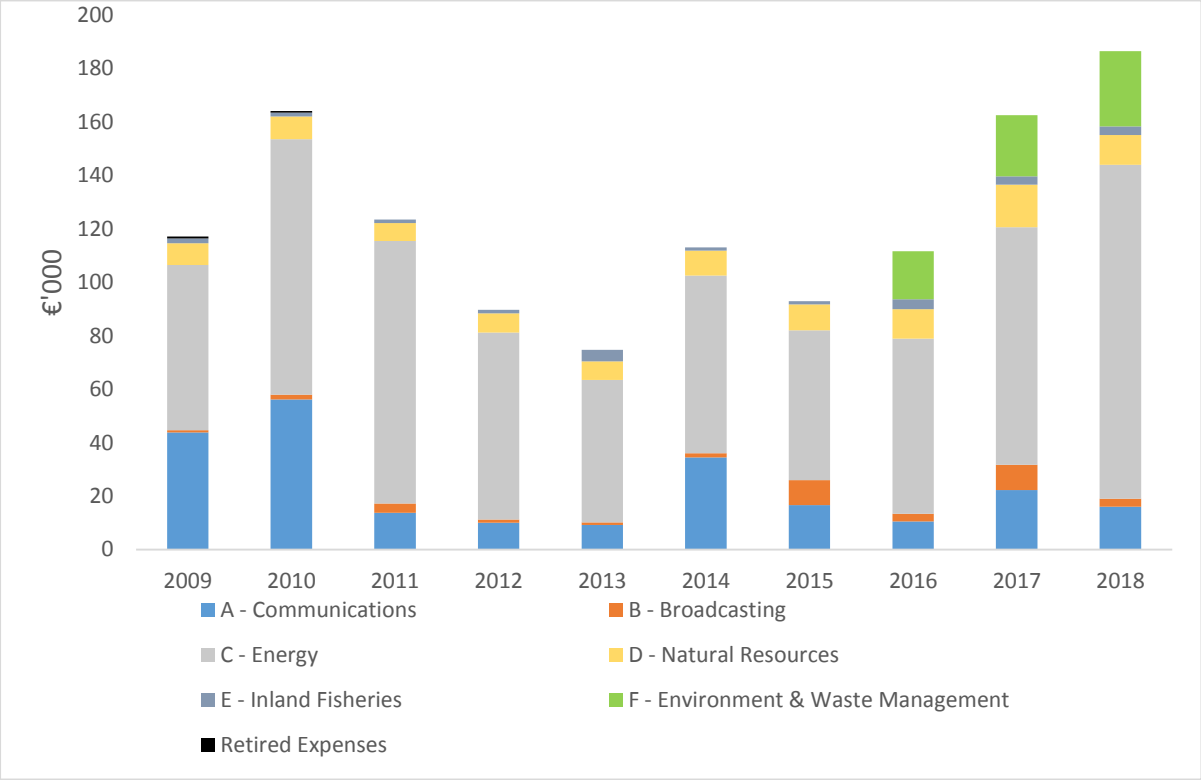
*Figure 2: Communications, Climate Action and Environment – Gross Current Expenditure by Function (€m), 2009 – 2018*




*Capital Expenditure*

Capital expenditure for Vote 29 has consistently been primarily dominated by Energy expenditure. The vast majority of this funding is directed toward the Better Energy Programme (previously known as the National Energy Retrofit Scheme), the energy efficiency upgrade scheme operated by the Sustainable Energy Authority of Ireland (SEAI).

*Figure 3: Communications, Climate Action and Environment – Gross Capital Expenditure by Function (€m), 2009 – 2018*




*Non-Commercial State Bodies Expenditure*

Funding for Non-Commercial State Bodies has reflected Government priorities, as laid out initially in the Capital Plan 2016-21 and subsequently in the National Development Plan (NDP) 2018-27. Under these plans, a significant ramping up of capital expenditure on energy efficiency schemes is envisaged in this period. As such, grant payments to the SEAI have increased by approximately 86% between 2016 and 2018.

*Figure 4: Gross DCCAE Funding of Non-Commercial State Bodies under the aegis - SEAI, IFI & EPA 2016-18*

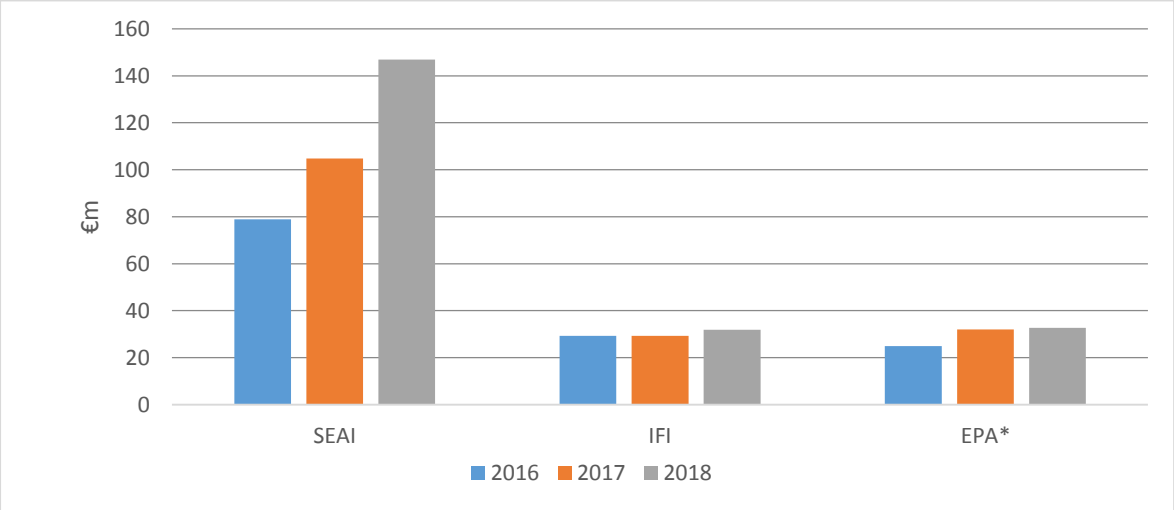



**Figure for EPA expenditure only represents portion of funding received from DCCAE (Vote 29). This figure does not include portion of Exchequer funding EPA receives from either DHPLG (Vote 34) or the Environment Fund.*

## Section 2: Expenditure Drivers

Expenditure within Vote 29 will continue to be driven significantly by Government commitments to the National Broadband Plan and climate change measures, such as energy efficiency schemes, meeting compliance targets with EU Directives on emissions and renewable energy.

**Renewable Energy Compliance**

Current estimates indicate that Ireland is likely to achieve 13% renewable energy use by 2020 against a legally binding EU target of 16% - i.e. 80% of the progress required towards our target. To close the projected gap towards our target, Ireland needs to purchase compliance or face infringement.

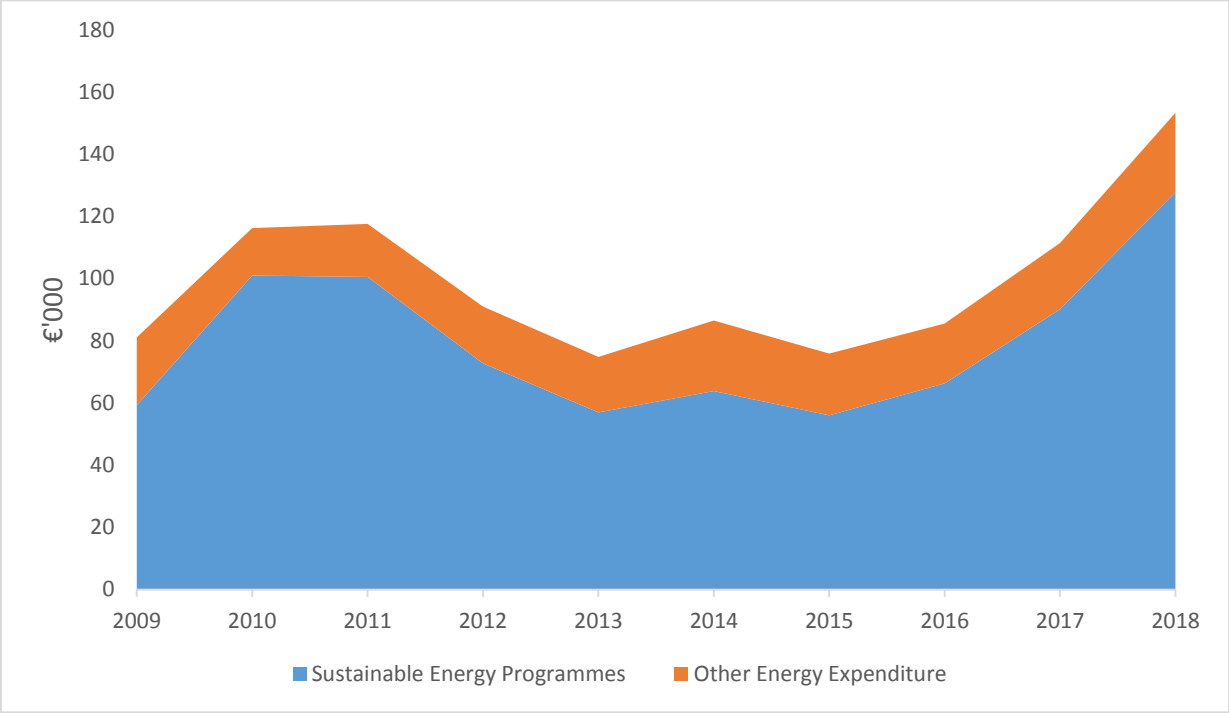
The method of achieving compliance is to purchase statistical transfers from other Member States which are projected to over-achieve against their 2020 renewable energy targets.

**Sustainable Energy Programmes**

Energy expenditure is consistently the largest area of Capital expenditure for Vote 29, on average accounting for 65% of Capital expenditure for the Vote, and 22% of the total gross expenditure for the Vote, over the period 2009-2018.

Within the *Programme C - Energy* itself, on average 70-80% of the annual expenditure has gone toward the Sustainable Energy Programmes subhead over this period.

*Figure 5: Communications, Climate Action and Environment – Programme C: Energy - Gross Expenditure (€m), 2009 – 2018*

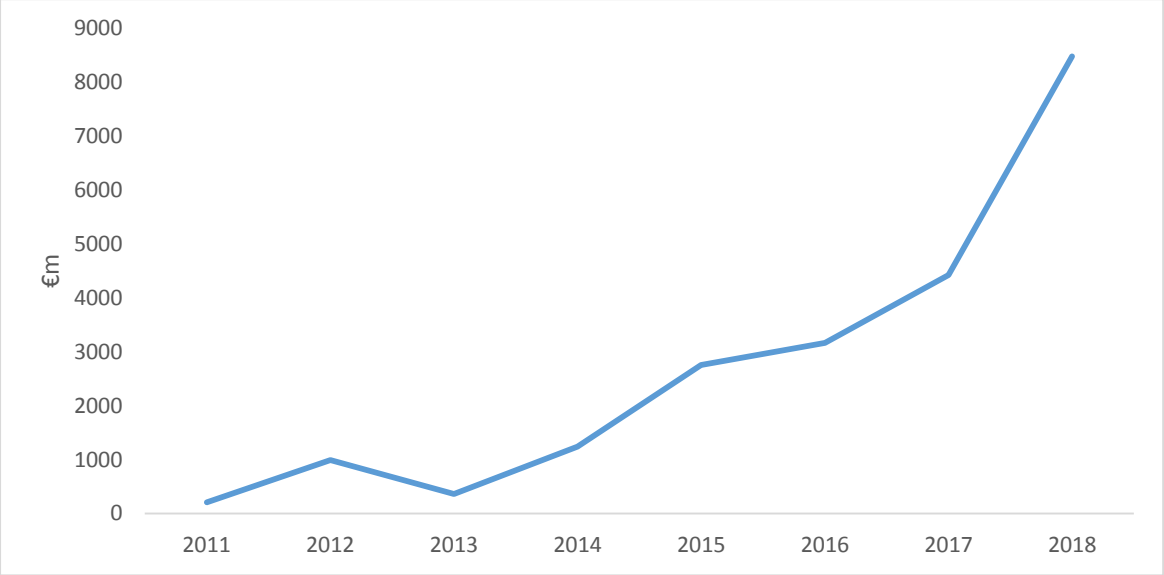


This expenditure is driven by a number of energy efficiency schemes managed by the Sustainable Energy Authority of Ireland (SEAI). Among these programmes are:

- *Better Energy Programme*
  Operated on behalf of the Department by the SEAI, this is the umbrella programme for a number of schemes that provides full and partial grant aid to householders, communities and people at risk of energy poverty to make energy efficiency improvements.

- *Electric Vehicles (EVs) Scheme*
  In place since 2011, this scheme provides grant support for the purchase of EVs. Since 2018 this also supports home chargers, public recharging facilities and EV awareness. As the number of EV models and charging points has increased since 2011, so has the level of funding drawdown from the EV Scheme, in particular since 2015. In 2018 there was a marked increase in expenditure, due to availability of new EV models and improved range in EV batteries.

*Figure 6: Gross Expenditure on Electric Vehicles, 2011-2018*




An analysis of incentives for the EV Scheme will be published as part of the 2019 Spending Review process.

As referenced in Section 1, under the 2016-2021 Capital Plan an increase in capital spending was directed toward the energy programme in order to support the Government's commitment to EU energy efficiency targets. Under the National Development Plan (NDP) (2018-27), a significant 'ramping up' of expenditure is envisioned for Energy capital expenditure:

*Figure 7: Communications, Climate Action and Environment – Estimated Energy Efficiency Capital Expenditure under NDP (2018-2027)*

| Name of Programme | Estimated Exchequer 2018 to 2027 (€m) |
|---|---|
| Energy Efficiency - Residential | 3000 |
| Energy Efficiency - Commercial | 161 |
| Support Scheme for Renewable Heat (SSRH) | 300 |
| Electric Vehicles (EVs) | 200 |
| Energy Research and Development | 189 |
| Climate Initiatives and Research | 130 |
| Geoscience | 119 |
| Remediation | 120 |
| Digital Support | 95 |
| Replacement of Oil Boilers | 700 |
| Energy Efficiency - Public Sector | 800 |

**An estimated €500m of Non-Exchequer funding is also allocated to the Climate Action Fund under the NDP expenditure on Energy Efficiency*

**Broadband**

An initial allocation of €275m was provided in the Capital Plan (2016-21) towards the development and roll-out of the National Broadband Plan (NBP). It was expected that such funding would be required over the initial "deployment phase" of the Plan, prior to full costs being ascertained and prior to the signing of contracts.

**However as the finalisation of the tender process was significantly delayed, expenditure on Broadband in the period 2016-2018 has been much lower than the allocated amounts.**

Expenditure on the National Broadband Plan from 2013 to 2018 amounts to €24.8m (including VAT), broken down annually as follows:

*Figure 8: National Broadband Plan Expenditure 2013-2018*

| Year | Expenditure (€) |
|---|---|
| 2013 | 394,507 |
| 2014 | 681,327 |
| 2015 | 2,978,464 |
| 2016 | 2,345,659 |
| 2017 | 10,071,200 |
| 2018 | 8,330,653 |

This expenditure includes the cost of corporate and economic advice, technical support and network design, the cost of legal and environmental advice. However, this is expected to change from Q4 2019, once the contract for the National Broadband Plan is signed.

### Section 3: Outcomes and Performance Indicators

Given the level of capital expenditure and range of schemes, it is useful to focus on the Outcomes and Performance Indicators under the Energy Programme to assess the validity and strengths of indicators for Vote 29.

On a whole, the performance and output indicators for Vote 29 provide a detailed level of information.
One issue is with the lack of overall context for some figures that indicates what can be considered progress, thus making it difficult to assess the relative improvement in figures over a period.

Similarly, the annual figure for a set year appears to fluctuate from year to year. For example, in the 2018 REV, the figure given for 2-b in 2015 is listed as 5.7%, whereas it is listed as 6.2% in the 2019 REV. While this is a relatively small variance, a reference note should be added to account for any change in a figure for a given year from one REV to the next.

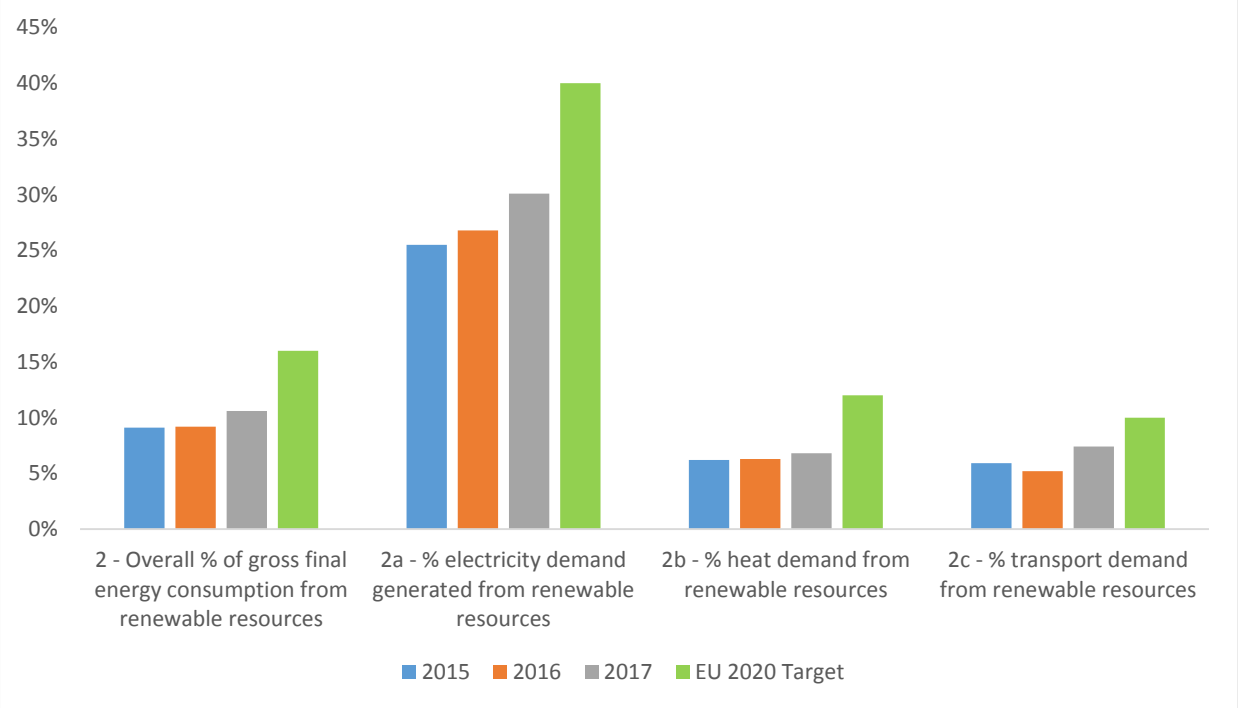
*Figure 9: Context and Impact Indicators, Programme C – Energy, 2009-2017*

| Programme C | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|
| Level of avoided energy use through increased energy efficiency, **GWh** | n/a | 8,235 | 9,150 | 9,910 | 12,377 | 14,957 | 19,200 | 18,654 | TBC |
| Level of avoided energy use through increased energy efficiency, **€m** | n/a | 460 | 512 | 553 | 688 | 880 | 1,130 | 1,098 | TBC |
| Overall % of gross final energy consumption from renewable resources | | | | | | 8.6% | 9.1% | 9.2% | 10.6% |
| % electricity demand generated from renewable resources | 13.7% | 14.8% | 16.2% | 19.3% | 20.9% | 22.7% | 25.5% | 26.8% | 30.1% |
| % heat demand from renewable resources | | | | | | 6.6% | 6.2% | 6.3% | 6.8% |
| % transport demand from renewable resources | | | | | | 5.1% | 5.9% | 5.2% | 7.4% |
| Level of CO2 avoided from use of renewable energy (electricity, heat and transport) **kt** | 2,966 | 2,885 | 3,155 | 3,000 | 3,446 | 2,629 | 3,990 | 3,504 | 4,250 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Level of CO2 avoided from use of renewable energy (electricity, heat and transport) **€m** | 44 | 43 | 47 | 26.6 | 16 | 14.3 | 30.4* | 27.3** | 29.5*** |

Taking subsection 2 of the Energy Programme Context and Impact Indicators, we can see a trend toward greater renewable energy usage. These indicators align with the targets Ireland is committed to meeting under the EU Renewable Energy Directive (2009/28/EC). Under the Directive, Ireland is committed to produce from renewable sources at least 16% of all energy consumed by 2020. This is to be achieved through 40% renewable electricity, 12% renewable heat and 10% renewable transport. However, this context is lacking from the table above. As such, these indicators would benefit from a brief reference note outlining the overall 2020 targets that these figures relate to.

*Figure 10: Renewable Energy Usage Indicators, 2015-2017*




## Section 4: Future Policy Challenges

**Climate Change**

The need for Ireland to transition to a low carbon, climate resilient and environmentally sustainable economy is increasingly urgent, with the 2020 greenhouse gas emissions reduction target of 20% and the target of at least a 40% reduction in emissions by 2030. As such, it will be necessary for the Department to continue funding technical and modelling analysis underpinning national climate change mitigation and adaptation measures

Climate action and energy transition is already a key priority in the NDP with circa €30bn dedicated to this over the period 2018-2027. In addition to this allocation, the Government

has recently published a new All of Government Climate Action Plan which has set ambitious targets for decarbonisation over the coming decades, using the funding available to the maximum potential to help achieve these targets.

**Energy**

As noted above, current estimates indicate that Ireland is likely to achieve 13% renewable energy use by 2020 against a legally binding EU target of 16% - i.e. 80% of the progress required towards our target. To close the projected gap towards our target, Ireland will need to purchase compliance from other Member States who over-achieve targets, or otherwise face infringement. The Government has recently agreed a target of 70% for renewable energy by 2030.

The development of the Celtic Interconnector project between Ireland and France is particularly important for enhancing the security and diversification of supply for Irish electricity users. As this will constitute Ireland's only direct energy connection to an EU Member State following Brexit, it will be key to achieving the EU Council interconnection target of at least 10% of installed electricity production capacity by 2020. It is expected the interconnector will result in downward pressure on the cost of electricity and the facilitation of the future development of renewable energy.

**Broadband**

In order to further develop connectivity, investment in high speed broadband networks across the country ensuring the successful implementation of the National Broadband Plan (NBP) remains a priority for DCCAE.

The initial allocation of €275m for the NBP provided for in the Capital Plan (2016-21) was intended as a Budgetary provision to cover the preliminary stages of development and roll-out, in advance of having certainty on ownership models and the costing of bids received at the full tender stage. While no explicit provision was made for funding after 2021, such funding would be required over the initial 'deployment phase' and the subsequent operational life of the proposed 25 year contract.

The provisions in the NDP (2018-2027) built on the original capital envelope allocations and a figure of €405m was provided for Broadband in the 2019-23 period (retaining the allocation for 2019 – 2021 as previously included in the Capital Plan):

***Figure 11: Capital Provision for NBP - Capital Plan (2016-21) & NDP (2018-27)***

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|
| **Subsidy (€m)** | 10 | 10 | 30 | 75 | 75 | 75 | 90 | 90 |

While the NDP allocated €800m to the NBP for period up to 2027, it did not specify the figure in the Plan, as the procurement process was still ongoing, nor did it set out any annual breakdown of the €800m over the period of the Plan.

It is now projected that the State subsidy required for the NBP will be up to €3bn over the 25 year timeframe of the NBP. As such, additional funding of up to €477 million will be required over the period 2019 to 2022, and a total of €1.579 billion of additional funding in total over the period of the NDP (2019 to 2027), to fund the National Broadband Plan. This additional funding is to be provided from future revenues, and will therefore not have any impact on any other planned projects within the NDP.

## Culture, Heritage & the Gaeltacht

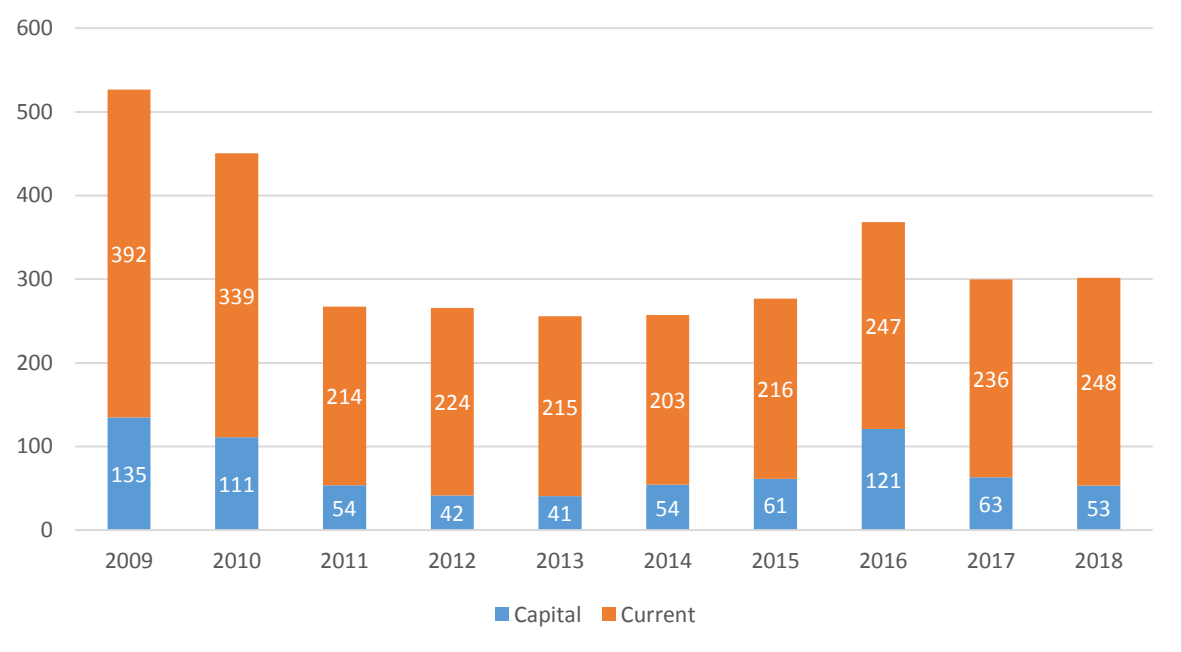
Patricia Ballantine and Tina Hayes

Summary

- Total Voted expenditure on Culture, Heritage and the Gaeltacht equalled €3,270m from 2009 to 2018. In 2018 Total Voted Expenditure was €302m.
- Spending on the Culture Programme has been the largest component of spending on the Vote in recent years.
- Total Agency expenditure on the Vote from 2011-2018 was €1,448m. In 2018 Total Agency Expenditure was €196m.
- The Culture, Heritage and the Gaeltacht group has represented 0.66% of total Voted expenditure over the last 10 years.

### Section 1: Long-Term Trends

*Figure 1: Culture, Heritage and the Gaeltacht Long Term Expenditure Trends (2009-2018)* [6]

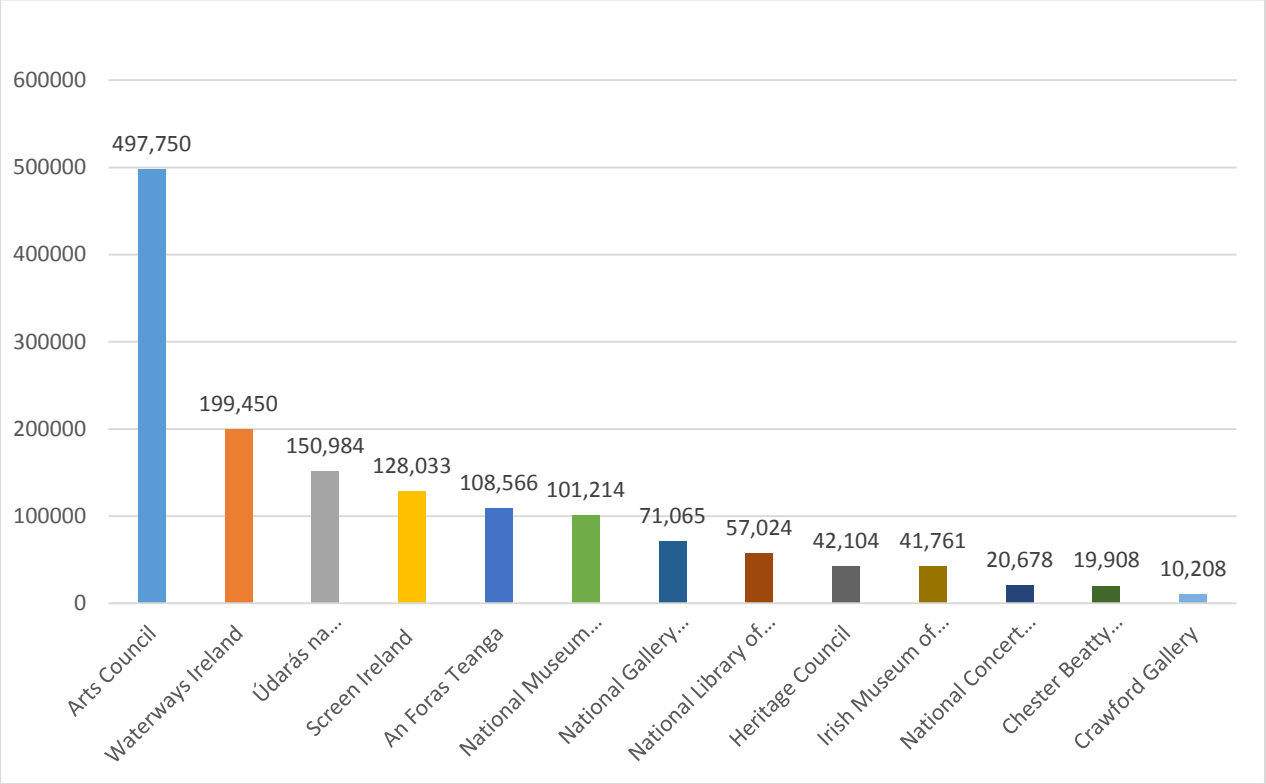



- Vote 33 is comprised of four programme areas: Culture; Heritage; Irish Language, Gaeltacht and Islands and North-South Co-operation.

[6] *Note:* The configuration of the Department has changed a number of times during the period 2009 to 2018 and the expenditure shown above includes all programme expenditure across every iteration e.g. expenditure on sport, tourism, regional and rural affairs, etc. which are no longer associated with the Department.

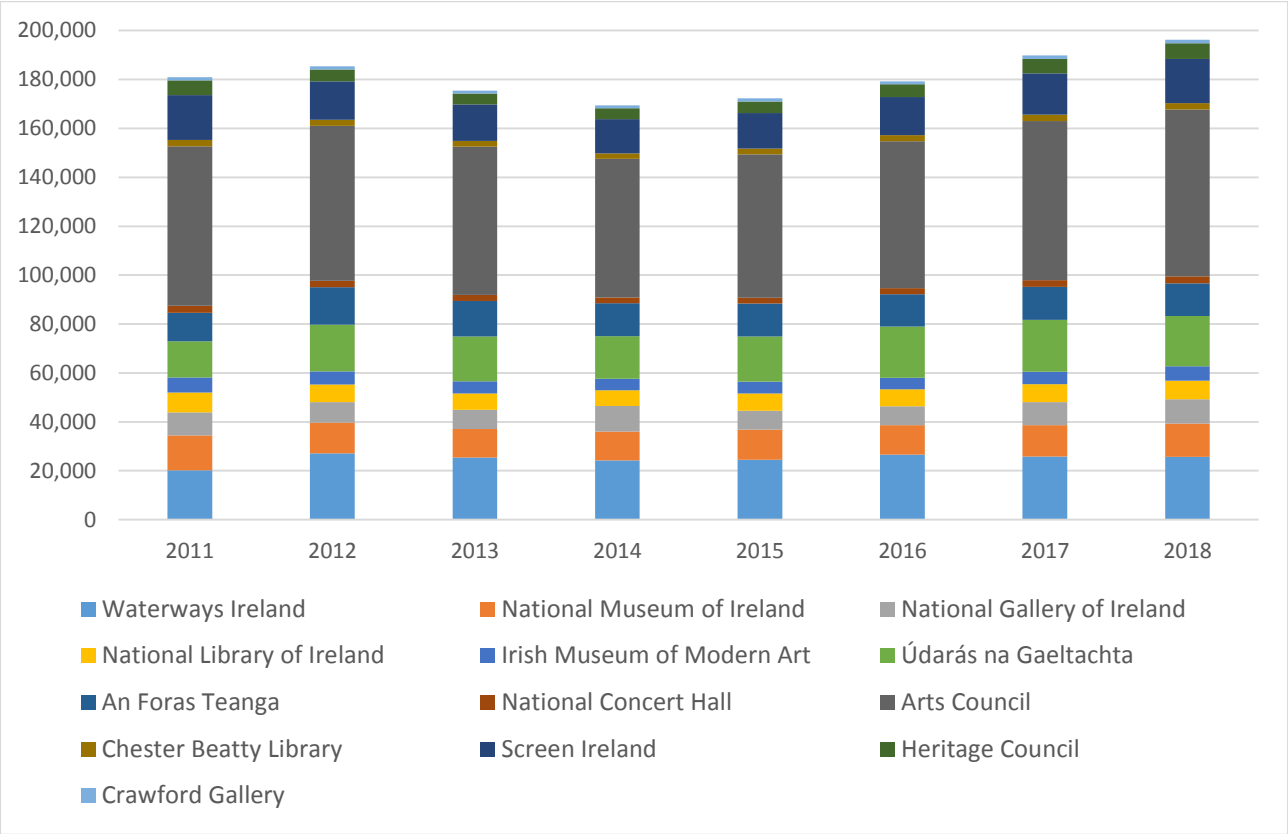
- The structure of the Department has changed in line with Government priorities. For example, over the past decade the arts function has been within the following Departments: Department of Arts, Sports and Tourism (2002-2010), Department of Tourism, Culture and Sport (2010-2011), Department of Arts, Heritage and the Gaeltacht (2011-2016), Department of Arts, Heritage, Regional, Rural and Gaeltacht Affairs (2016-2017) and Department of Culture, Heritage and the Gaeltacht (2017 onwards).

*Figure 2: Vote 33 Agency Expenditure (2011-2018)*



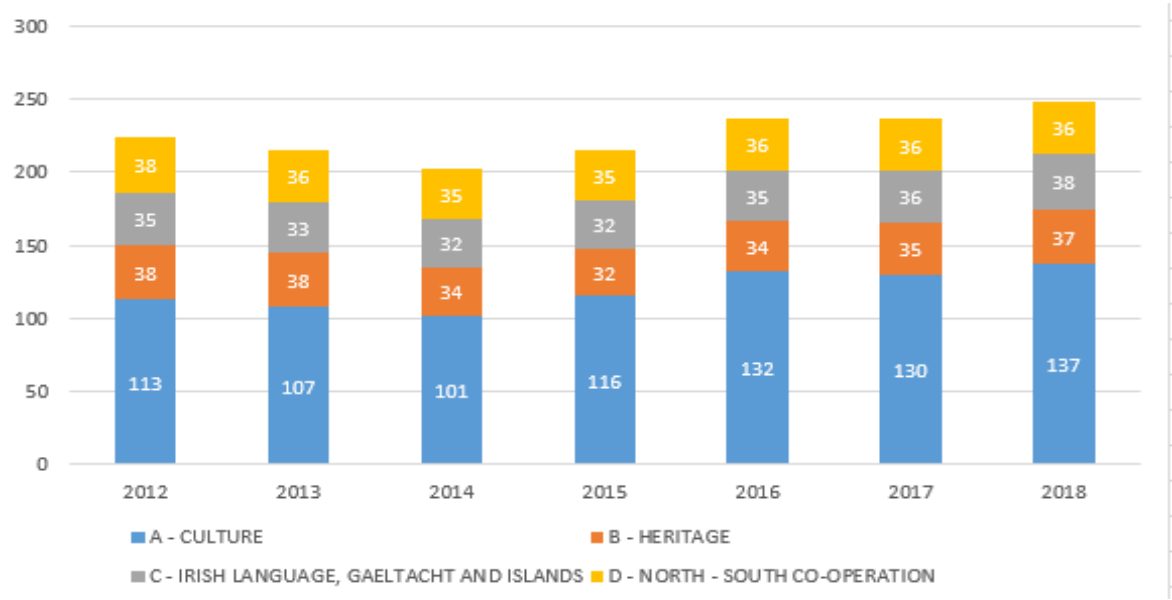

- Total Agency expenditure on the Vote from 2011-2018 was €1,448m. In 2018 Total Agency Expenditure was €196m.
- There are 13 agencies under the aegis of the Department: the Arts Council; Chester Beatty Library; Crawford Gallery; An Foras Teanga; Heritage Council; Screen Ireland; Irish Museum of Modern Art; National Concert Hall; National Gallery of Ireland; National Museum of Ireland; National Library of Ireland; Údarás na Gaeltachta; and Waterways Ireland.

*Figure 3: Vote 33 Total Agency Expenditure per year (2011-2018)*



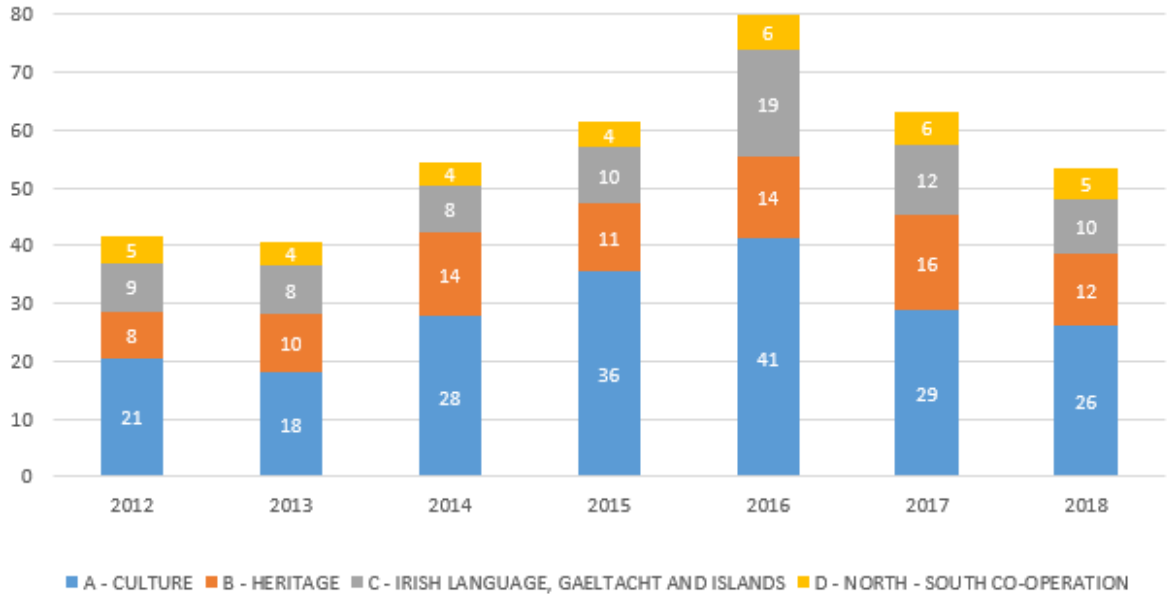

- The Arts Council had the largest agency spend on the Vote totalling €497m from 2011-2018, representing 34% of the overall agency voted expenditure.
- Agency expenditure has increased year on year from 2014. Agency expenditure was €169m in 2014, increasing to €196m in 2018.

*Figure 4: Vote 33 Current Expenditure by Function (2012-2018)[7] (€m)*




[7] *Note*: Due to a reconfiguration of programme spending in 2011, expenditure trends are shown from 2012 onward only.

*Figure 5: Vote 33 Capital Expenditure by Function (2012-2018) (€m)*




- **Programme A:** Culture is the largest expenditure on the Vote. The current expenditure on this programme totalled €982m and capital expenditure €228m from 2011-2018. A total programme spend of €1,210m.
  - Programme expenditure includes cultural infrastructure and development, general expenses of all of the National Cultural Institutions and the National Archives and Advisory Council, the Arts Council, Screen Ireland, regional museums, galleries and cultural centres, the European City of Culture project and the Decade of Centenaries programme.
  - The Decade of Centenaries programme commenced in 2012 with an initial focus on the many significant centenaries occurring over the period 1912–1922. Programme expenditure totaled €25m from 2014 – 2018. Important events commemorated include the 1916 Rising and many anniversaries relating to the events of World War One.

- **Programme B:** Heritage is the second largest expenditure on the Vote. The current expenditure on this programme totalled €262m and capital expenditure €97m from 2011-2018. A total programme spend of €359m.
  - Programme expenditure includes the Heritage Council; the Irish Heritage Trust, National Parks and Wildlife Service, built heritage initiatives including the Built Heritage Investment Scheme and peatlands restoration, conservation and management

- **Programme C:** Irish language, Gaeltacht and Islands is the third largest expenditure on the Vote. The current expenditure on this programme totalled €269m and capital expenditure €86m from 2011-2018. A total programme spend of €355m.

- Programme expenditure includes Údarás na Gaeltachta, Irish language support schemes, Gaeltacht support schemes, the Islands and the 20 Year Strategy for the Irish Language 2010-2030.

- **Programme D:** North- South Co-operation is the smallest expenditure on the Vote. The current expenditure on this programme totalled €280m and capital expenditure €37m from 2011-2018. A total programme spend of €318m.
  - Programme expenditure includes Waterways Ireland and An Foras Teanga.

## Section 2: Expenditure Drivers

Changes in allocation and expenditure in the area of culture, heritage and the Gaeltacht are driven by Government policy rather than by demographics or service demand, as in other areas. The key policies are as follows:

**1. Programme for a Partnership Government**
The Programme for Government contains a number of commitments across the areas of culture, heritage, rural Ireland including the Gaeltacht, the Irish language, and north-south relations, which impact the Department.

**2. Project Ireland 2040**
Culture, heritage and sport is one of the ten Strategic Investment Priorities in the National Development Plan, 2018-2027 and total funding in the area is in excess of €1bn over the life of the Plan. Areas of investment will include the National Cultural Institutions (€460m), national heritage, regional arts and culture facilities, digitisation of national collections, Galway European City of Culture, the restoration of Ulster Canal and investment in waterways and related infrastructure, and investment in media production and the audio visual industry.

**3. Creative Ireland (2017-2022)**
Launched in 2017, Creative Ireland is the main implementation vehicle for the priorities identified in *Culture 2025 - Éire Ildánach*, Ireland's first Framework National Cultural Policy, currently in draft format. It is a five year initiative to put creativity at the centre of public policy and support and enable participation in creative activities.

**3. 20 Year Strategy for the Irish Language 2010-2030**
Policy in this area is to increase on an incremental basis the use and knowledge of Irish as a community language. It commits to the development of a bilingual society, while recognising the policy focus of maintaining the linguistic identity of the Gaeltacht community.

**4. Realising our Rural Potential: Action Plan for Rural Development**
Despite the transfer of the Regional Development and Rural Affairs programme to the Department of Rural and Community Development in 2017, this Action Plan, which contains over 270 actions and aims to ensure that people who live in rural areas have increased opportunities for employment locally and access to public services and social networks that

support a high quality of life, still impact on the Department with regards to Údarás na Gaeltachta, etc.

**5. National Biodiversity Action Plan,**

Ireland's vision for biodiversity is that biodiversity and ecosystems are conserved and restored, delivering benefits essential for all sectors of society and that Ireland contributes to efforts to halt the loss of biodiversity and the degradation of ecosystems in the EU and globally. The Plan captures the objectives, targets and actions for biodiversity that will be undertaken by a wide range of government, civil society and the private sector to achieve Ireland vision for biodiversity.

The Department is developing an adaptation plan for built and archaeological heritage under the framework of an established DCHG advisory group. This plan will build on a background study commissioned by the Department to assess climate change impacts and has been commissioned to meet the instruction given by government under the national adaptation framework. The sectoral climate change adaptation plan currently out for public consultation identifies goals objectives and actions that will be resourced by the Department through its implementation phase. Departmental spend on mitigating climate change impact on heritage will continue.

Summary

While future policy concerns will differ across the distinct functions of the Department, some challenges continues to exist around measuring and analysing outcomes and benefits delivered by the programmes in question, as a consequence of the qualitative nature of much of the work of the Department. As a result, prioritisation both between the programmes and against other areas of Government expenditure will remain an ongoing challenge.

## Section 3: Outcomes and Performance Indicators

It is important to link spending to impact in all areas of expenditure. Efforts continue to be made to capture the impact of all expenditure areas on the Vote. While the Department gathers a large level of detail in terms of output outturn (as demonstrated in Table 1, below), some challenges exist in the analysis of outcomes for the different functions under the Department's remit, largely due to the qualitative nature of much of the work of the Department, e.g. cultural endeavour, heritage activity, Irish language. To contribute to expenditure research in the area of culture, a Value for Money and Policy Review was undertaken in 2015 with regards to the Arts Council which produced a number of recommendations. Following this, the Department completed a review of the Implementation of the Recommendations of the Value for Money and Policy Review of the Arts Council, published as part of the Spending Review 2018. In addition, as part of this Spending Review, research was undertaken to evaluate Subsidised Ferry Services to Offshore Islands. The ferry services were examined over the period 2008 to 2017 during which the following key outputs were identified:

- *410,880 sailings on subsidised services;*
- *3.95 million passengers have been carried on these sailings, of which 40.8% were islanders and 59.2% were visitors;*
- *274,000 vehicles travelled to the islands; and*
- *162,000 tonnes of cargo have been delivered to island communities.* [8]

In 2017, a review of the Heritage Council was completed which included a number of recommendations; as part of the 2019 Spending Review the Department is undertaking research on the implementation of the recommendations contained in the 2016 Review of the Heritage Council. As part of the Spending Review, the Department is undertaking a Post Project Review of the ACCESS scheme, which is to include a case study of the Pálás Cinema.

*Table 1: Vote 33 Key Outputs and Public Service Activities (2009-2018)*

| | 2009 Output Outturn | 2010 Output Outturn | 2011 Output Outturn | 2012 Output Outturn | 2013 Output Outturn | 2014 Output Outturn | 2015 Output Outturn | 2016 Output Outturn | 2017 Output Outturn | 2018 Output Target |
|---|---|---|---|---|---|---|---|---|---|---|
| **No. of individual artists to allocate funding to** | Not Available | Not Available | Not Available | Not Available | Not Available | 497 | 426 | 565 | 563 | 550 |
| **No. of arts organisations to allocate funding to** | Not Available | Not Available | Not Available | Not Available | Not Available | 485 | 537 | 496 | 500 | 500 |
| **No. of projects for Screen Ireland to invest in** | Not Available | Not Available | Not Available | Not Available | Not Available | 37 | 50 | 36 | 36 | 37 |
| **Aggregate output level of film and television production sector** | €243m | €388m | €327m | Not Available | €550m | Not Available | Not Available | €1.05bn | €1.05bn | Not Available |
| **No. of visitors to Cultural Institutions** | 2.89m | 3.1m | 3.5m | 3.5m | 3.6m | 4.0m | 4.6m | 4.9m | 5m | 4.7m |
| **Number of visitors to the National Gallery of Ireland** | 782,000 | 737,000 | 624,000 | 660,000 | Captured under No. of visitors to cultural institutions | Captured under No. of visitors to cultural institutions | Captured under No. of visitors to cultural institutions | Captured under No. of visitors to cultural institutions | Captured under No. of visitors to cultural institutions | Captured under No. of visitors to cultural institutions |
| **Participation level in arts/culture nationally by number** | 2.3m | 2m | 2m | 2.1m | 2.1m | 2.1m | 2.1m | 2.1m | 2.1m | Not Available |
| **Number of heritage visitor services open to the public** | 7 | 7 | 8 | 8 | 8 | 8 | 8 | 9 | 10 | 10 |
| **Number of registered boat users on waterways** | 13,418 | 13,335 | 13,788 | 14,147 | 14,386 | 14,386 | 14,391 | 14,548 | 14,965 | 15,539 |

[8] https://igees.gov.ie/wp-content/uploads/2018/07/21.-Subsidised-Ferry-Services-to-the-Offshore-Islands.pdf

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **% of waterways navigable in boating season** | 99.5% | 99.97% | 99.98% | 99.2% | 99.35% | 99.35% | 98.6% | 90% | 90% | 90% |
| **Number of people using subsidised travel services to the offshore islands** | 496,337 | 537,778 | 586,234 | 599,321 | 442,653 | 442,626 | 436,152 | 459,168 | 462,206 | 472,963 |
| **Number of jobs created in the Gaeltacht** | 710 | 704 | 734 | 689 | 611 | 737 | 533 | 559 | 630 | Not Available |
| **Number of jobs maintained in the Gaeltacht** | 7,472 | 7,074 | 7,000 | 6,933 | 6,969 | 7,053 | 7,268 | 7,348 | 7,503 | Not Available |
| **Number of Structures and Monuments protected/ assisted through grants or other mechanisms** | 752 | 735 | 137 | 266 | 142 | 548 | 29 | 332 | 486 | Not Available |
| **Licenses and permits issued under the Wildlife Acts & EU Regulations** | 6,242 | 6,519 | 6,812 | 7,317 | 7,036 | 6,710 | 7,340 | 7,781 | 8,150 | 8,332 |
| **No. of Local Authority Projects supported under the Creative Ireland Programme** | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable | Not Applicable | 256 | 1,300 |

- The number of individual artists allocated funding has increased from 497 in 2014 to 550 in 2018.
- The number of arts organisations allocated funding has increased from 485 in 2014 to 500 in 2018.
- The number of heritage visitor services open to the Public has increased from 7 in 2009 to 10 in 2018.
- The number of visitors to cultural institutions (including NGI visitors) in receipt of annual funding from the Department has increased from 3.6m in 2009 to 4.7m in 2018.
- The number of registered boat users on waterways has increased from 13,418 in 2009 to 15,539 in 2018.
- The number of jobs maintained in the Gaeltacht has increased from 7,472 in 2009 to 7,503 in 2018.
- Licenses and permits issued under the Wildlife Acts and EU Regulations has increased from 6,242 in 2009 to 8,332 in 2018.

## Section 4: Future Policy Challenges

**Delivery on Project Ireland 2040**

The scale of the funding being made available under Project Ireland 2040 is significant for the Department and delivery of major capital projects and maximising and measuring returns on investment will be challenging and will require careful planning on the Department's part. Funding is in excess of €1 billion for the 10 year capital investment programme *investing in our Culture, Language and Heritage*,
In response to this significant increase in funding the Department has established a Project Ireland 2040 Unit. This unit has responsibility for ensuring a coordinated, programme-approach to the management of the investment. The Unit also has responsibility for monitoring and reporting on activity under the programme and supporting compliance with the Public Spending Code including providing technical assessments and guidance on appraisal and evaluation.

## Defence

Josh Lernihan

Summary

- Defence expenditure is provided for by the Exchequer through two Votes: **Vote 35 (Army Pensions)** and **Vote 36 (Defence)** which, together, form the **Defence Vote Group**.

- Vote 35 funds military pensions and gratuities for retired members of the Defence Forces and (where applicable) their dependants. Vote 36 funds the capital and current costs of the **Defence Organisation** (i.e. the Department of Defence and the Defence Forces). The current expenditure allocation includes the pay and allowances of serving members of the Defence Forces, civilians employed by the Defence Forces, civil service staff of the Department of Defence. It also provides for expenditure on other ongoing Defence Forces standing and operational costs such as utilities, training, transport etc. The capital expenditure allocation allows the Defence Organisation to undertake a programme of sustained equipment replacement and infrastructural development across the Army, Air Corps and Naval Service, as identified and prioritised in the Defence White Paper.

- Outcomes for the Defence Vote Group are focused on the high-level goal of the Defence Organisation: *'To provide for the military defence of the State, contribute to national and international peace and security and fulfil all other roles assigned by Government'*.

- Gross expenditure on the Vote Group fell from €1.019 billion to €0.891 billion between 2009 and 2013, before rising again to €0.944 billion by 2018.

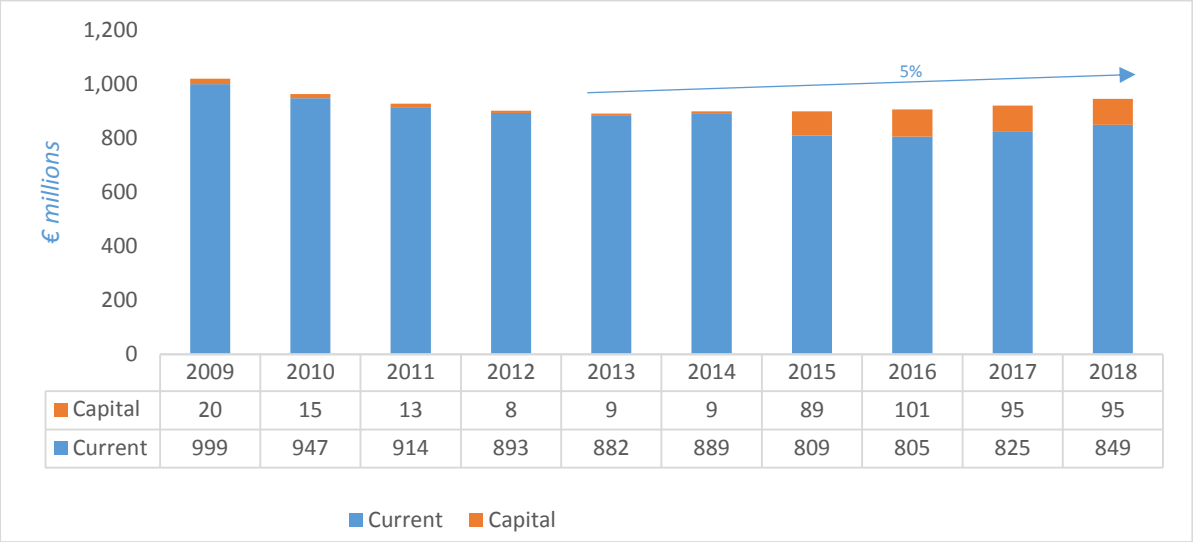
- Defence pay and pension expenditure accounted for the largest element of annual spend within the Vote Group, ranging from 76% to 80% over the 2009 to 2018 timeframe.

### Section 1: Long-Term Trends

**Gross expenditure on the Vote Group fell from €1.019 billion to €0.891 billion between 2009 and 2013, before rising again to €0.944 billion by 2018.**

Defence expenditure – as outlined in **Figure 1** – steadily decreased over the period of the economic crisis, reducing by around 12.6% between 2009 and 2013. However, expenditure has gradually risen again since 2014, increasing by 5.2% to 2018.

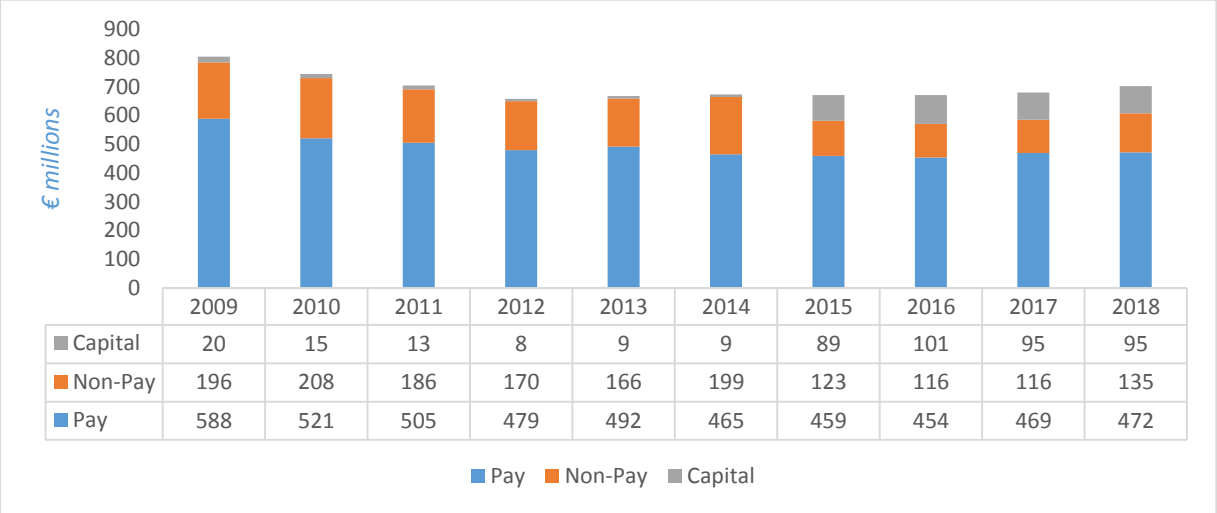
*Figure 1: Defence Vote Group Gross Expenditure, 2009-18 **




**Note* – from 2015 onwards, military equipment was reclassified as capital expenditure rather than current expenditure (D/PER Circular 07/14).
*Source:* Department of Public Expenditure and Reform Databank.

The Defence Vote Group consists of Vote 35 (Army Pensions) and Vote 36 (Defence) Defence. In Vote 35, retirement pensions, gratuities and disability pensions account for some 99% of all expenditure. In Vote 36, pay and allowances account for the largest element of annual expenditure, accounting for €472m (67%) of Defence outturn in 2018. Figure 2 shows this proportion of spend on pay, as against non-pay current expenditure and capital expenditure for Vote 36 alone.

*Figure 2: Vote 36 Gross Expenditure by Category, 2009-18 (€ millions)**



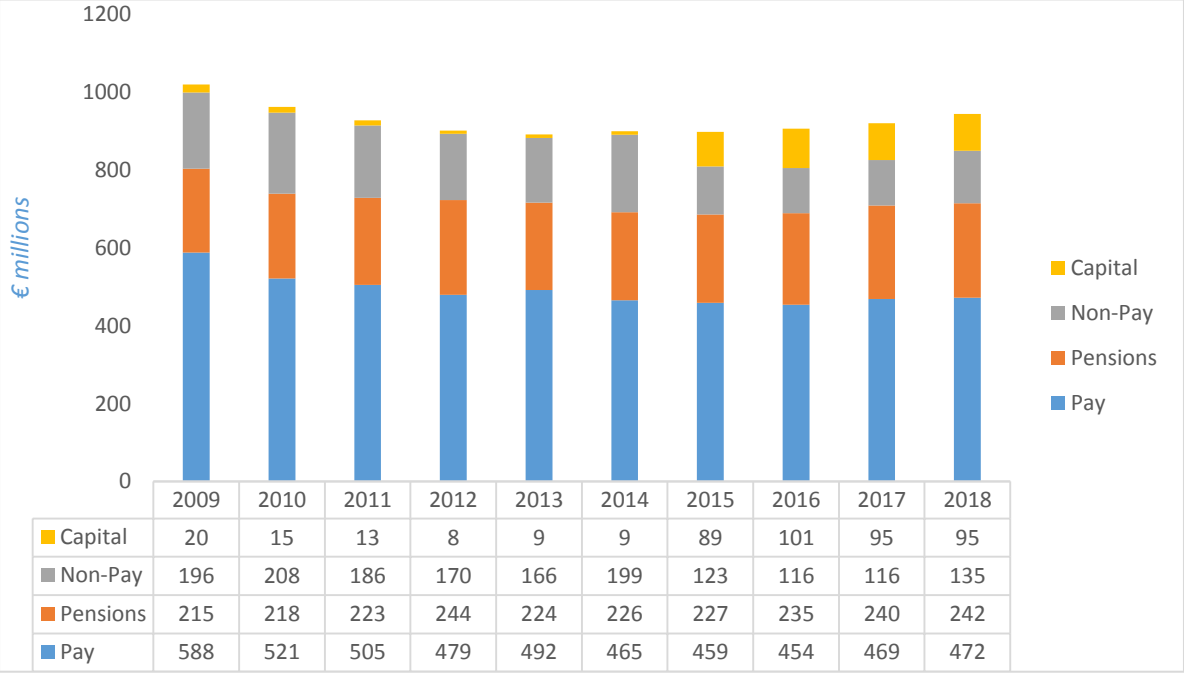

**Note* – from 2015 onwards, military equipment was reclassified as capital expenditure rather than current expenditure (D/PER Circular 07/14).
*Source:* Department of Public Expenditure and Reform Databank.

## Section 2: Expenditure Drivers

### Current Expenditure

**Defence Forces Pay and Pension costs account for the largest element of annual current expenditure on the Defence Vote Group over the last ten years. (Figure 3).**

*Figure 3: Defence Vote Group Gross Expenditure by Category, 2009-18 (€ millions)**




| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|---|
| Capital | 20 | 15 | 13 | 8 | 9 | 9 | 89 | 101 | 95 | 95 |
| Non-Pay | 196 | 208 | 186 | 170 | 166 | 199 | 123 | 116 | 116 | 135 |
| Pensions | 215 | 218 | 223 | 244 | 224 | 226 | 227 | 235 | 240 | 242 |
| Pay | 588 | 521 | 505 | 479 | 492 | 465 | 459 | 454 | 469 | 472 |

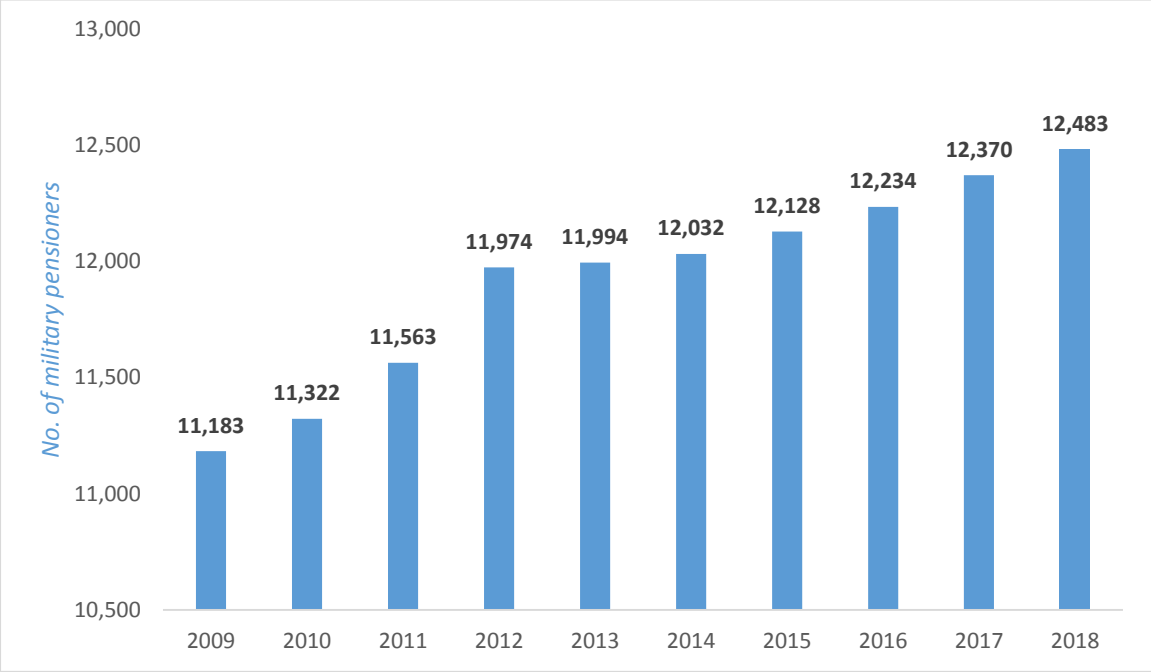
**Note* – from 2015 onwards, military equipment was reclassified as capital expenditure rather than current expenditure (D/PER Circular 07/14).
*Source:* Department of Public Expenditure and Reform Databank.

Defence pay expenditure comprises mainly of pay and allowances for serving personnel (i.e. military personnel, civil servants and civilian employees) and is administered through Vote 36. Non-pay current expenditure is mainly utilised on ongoing Defence Forces standing and operational costs. Military pension and post-service entitlements of retired members of the Defence Forces are administered through Vote 35[9].

Military Pensions expenditure is demand-driven and non-discretionary and there has been a steady increase in military pensioner numbers over the last decade **(Figure 4**).

[9] **NB:** While the pay of Civil Service staff of the Department of Defence and civilian employee is funded from Vote 36, their superannuation benefits are funded separately from **Vote 12 (Superannuation and Retired Allowances)**. This expenditure does not fall under the Defence Vote Group.

*Figure 4: Military Pensioners, 2009-18*




*Source:* Department of Defence data.

As the original provision for Vote 35 during the 2009-2018 timeframe was insufficient, an average Supplementary Estimate of €10.6 million was required each year. (**Figure 5**)[10]. This under-provision was examined in detail as part of a Spending Review of Defence Forces Pensions Expenditure undertaken in 2018 and resulted in an additional allocation of €10 million to Vote 35 for 2019.

*Figure 5: Vote 35 (Army Pensions) Supplementary Estimates, 2009-18*

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|---|
| | € m | € m | € m | € m | € m | € m | € m | € m | € m | €m |
| **Army Pensions Vote REV Allocation (Gross)** | 209.0 | 209.0 | 208.1 | 214.4 | 214.8 | 221.0 | 221.0 | 223.7 | 229.6 | 239.1 |
| **Supp. Estimate** | 5.9 | 9.5 | 15.3 | 30.0 | 9.4 | 4.8 | 6.5 | 11.0 | 10.7 | 3.5 |
| **Outturn* (Gross)** | **214.8** | **218.2** | **223.3** | **243.8** | **223.6** | **225.6** | **227.4** | **234.7** | **240.0** | **242.3** |

***Note:** *Final Appropriation Account outturn figures are slightly lower than the sum of REV allocation and Supplementary Estimate in some year due to the total Revised Estimate not being fully expended.*

[10] Supplementary Estimates were also required in 2006-8, inclusive.

### Capital Expenditure

The Defence capital expenditure allocation provides for the necessary procurement and upgrading of defensive equipment and infrastructure. Defence capital expenditure broadly encompasses spending on Defence Forces Capability Development, Defence Forces Built Infrastructure, Defence Forces Transport and Defence Forces Communication and Information Technology platforms. Outturn on Defence capital expenditure was some €95 million in 2018.

The White Paper provides for the replacement of the Air Corps fleet of Cessna aircraft through the purchase of three PC-12 fixed wing utility aircraft. The cost of these aircraft, which are suitably equipped to undertake Intelligence, Surveillance, Target Acquisition and Reconnaissance tasks is €43m, and payments of €12 million were made in 2018.

With regard to the modernisation and renewal of Defence Forces built infrastructure, some €14m was spent on various infrastructural projects throughout the country in 2018.
Following the Mid-Term Review of the Capital Plan in 2017 and the subsequent publication of the National Development Plan in 2018, the total 2018-22 Defence capital ceiling provision now stands at €541 million (**Figure 6**).

*Figure 6: Defence Vote Group Capital Allocations, 2018-22 (€ millions)*

| **Year** | **2018** | **2019** | **2020** | **2021** | **2022** |
|---|---|---|---|---|---|
| Defence Group Vote Allocation | 77 | 106 | 113 | 120 | 125 |

This capital funding allows the Defence Organisation to undertake a programme of sustained equipment replacement and infrastructural development across the Army, Air Corps and Naval Service. All future capital expenditure programmes are considered in the context of the White Paper on Defence (2015) as part of the ongoing evaluation of Defence capability development and physical infrastructural priorities.

## Section 3: Outcomes and Performance Indicators

The high-level goal of the Defence Organisation is: ***'To provide for the military defence of the State, contribute to national and international peace and security and fulfil all other roles assigned by Government'*** **(Department of Defence and Defence Forces Strategy Statement 2017-2020, p.3)[11].**

[11] http://www.defence.ie/website.nsf/SS2017

The Public Service Performance Reports 2016-2018 summarise annual outputs for the Defence Vote Group for each year. A number of these metrics are shown in Figure 7.

*Figure 7: Defence Vote Group Outputs 2016-18*

**What has been delivered in 2018?**

The following section lists the latest headline figures for 2018 for the defence sector in Ireland, as well as trend data for 2016 and 2017.

| Department of Defence €701.4m | | | | | |
|---|---|---|---|---|---|
| 8,957<br>9,173<br>9,126 | Permanent Defence Force (PDF) strength | 94%<br>97%<br>96% | Permanent Defence Force Strength as % of establishment (9,500) | 1,799<br>1,856<br>2,049 | Army Reserve and Naval Service Reserve effective strength |
| 42%<br>46%<br>50% | Reserve Force as % of establishment (4,069) | 100%<br>100%<br>100% | Requests for ATCP and approved ATCA support met | 1,076<br>1,091<br>1,068 | Naval Service fishery protection patrol days delivered |
| 184<br>227<br>297 | Air Corps fishery protection maritime air patrols delivered | 1,696<br>1,639<br>1,480 | PDF personnel deployed overseas | 19%<br>18%<br>16% | % PDF personnel who served overseas |
| 100%<br>100%<br>100% | Overseas peace support and crisis requirements met | 100%<br>100%<br>100% | Meet Aid to the Civil Power requests for support* | 41%<br>n/a*<br>n/a* | % of White Paper Projects initiated |
| 6<br>n/a*<br>n/a* | Meetings of the Government Task Force on Emergency Planning | 9<br>n/a*<br>n/a* | Meetings of the civil-military High Level Planning and Procurement Group | | |
| **Army Pensions €242.3m** | | | | | |
| 13,046<br>12,834<br>12,760 | Cases processed under Defence Forces superannuation code | 1,353<br>1,418<br>1,374 | Cases processed under the Defence Forces occupational injuries code | 13,183<br>13,071<br>12,909 | Pension accounts in payment at year end |

*New Metric 2018

*Source: Public Service Performance Report 2018 (amended)*

Both performance outputs and **Context and Impact Indicators** (reported in the Revised Estimates for Public Services 2013-2018) show quite consistent results. The indicators used are valid, being strongly in line with the Defence Organisation's Strategic goals under Defence Policy, Ensuring Capacity to Deliver, and Operational Outputs. Both Votes in the Defence Group have increased the number of metrics used to measure outputs over the period in focus, again, in line with the goals as outlined in the *Department of Defence and Defence Forces Strategy Statement 2017-2020*.

## Section 4: Future Policy Challenges

### Vote 35 (Army Pensions)

By its nature, the military pensions expenditure administered through the Vote is demand-driven and non-discretionary.

The trajectory of Exchequer spending on military pensions and the proportion of this area to overall Irish defence expenditure have both steadily grown over the last two decades. Military pensioner numbers are increasing. All of these trends are forecasted to continue in the short to medium term.

Military pensions differ in several key respects when compared to other areas of the public service, including an atypically high incidence of voluntary early retirement and immediate payment of benefits. This can make the estimation of annual expenditure requirements difficult to predict in any given year.

The Estimates provision for Vote 35 in recent years has proved to be insufficient. This has led to an annual requirement for a Supplementary Estimate, largely met through identified savings from the Defence Vote (Vote 36).

The **2018 Spending Review of Defence Forces Pensions Expenditure** (published with *Budget 2019),* recommended that Vote 35 should be allocated resources in line with the cost analysis in the review from 2019 onwards, to ensure that the full cost can be met– see https://www.per.gov.ie/en/spending-review/.

As announced in *Budget 2019,* some €249 million was provided to the Army Pensions Vote for 2019. However, the actual level of funding required by Vote 35 from year to year is influenced by the demand-led drivers as set out in the Spending Review.

### Vote 36 (Defence)

Defence policy is comprehensively outlined within the White Paper on Defence (2015) which sets out a policy framework for the period to 2025 and looks at defence capability within this framework.
Ireland's role in international peace-keeping has seen additional demands placed on resources over recent years. These demands together with an increasing focus at EU level on cooperative European defence may apply some potential expenditure pressure to Vote 36 in the medium term relating to the following areas.

***European Defence Fund (EDF)****:* On 13 June 2018, the European Commission proposed a new regulation establishing the European Defence Fund (EDF) under the 2021-2027 Multiannual Financial Framework. The EDF is an instrument intended to foster competition and innovation in the European Defence Technological and Industrial Base (EDTIB) thereby contributing to the EU's strategic autonomy. It aims to trigger cooperative programmes that would not happen without EU contribution and, by supporting research and development activities, to provide the necessary incentives to boost cooperation at each

stage of the industrial cycle. Agreement was reached in February 2019 on the European Defence Fund (EDF) regulation, which was the result of progressive steps in recent years.

Under the Regulation and subject to further negotiation, the Fund will have a provisional overall budget of some €13 billion over seven years (comprising of €4.1 billion on research and €8.9 billion on capability).

**PESCO:** Ireland formally joined ***PESCO*** (Permanent Structured Cooperation), a framework for enhanced EU defence cooperation, in December 2017. Under PESCO, Member States will come together in different groups to develop and make available additional capabilities and enablers for peacekeeping and crisis management operations. Joining PESCO does not involve an additional cost to the Exchequer. Additional costs may arise in respect of participation in specific PESCO projects similar to the case where the Defence Forces participate in European Defence Agency Projects.

**European Peace Facility (EPF)**: The proposal for a European Peace Facility (EPF) was published with Commission support last year. The proposal is for an off-budget funding mechanism that will be an instrument of the Common Foreign and Security Policy (CFSP) and Common Security and Defence Policy (CSDP). The proposal is broad-ranging, covering governance and financial ceilings, among other things. Should the proposal in its current format be agreed by all Member States, there would be an increase in Ireland's contribution to common costs in support of the EU's CFSP in the short and medium term.

## Education & Skills

Jonathan Morris

Summary

- From 2009 to 2019, Education and Skills expenditure experienced both a decline and rise. From 2009 to 2013 expenditure decreased from €9.7 billion to €8.8 billion before steadily increasing to €10.8 billion in 2019.
- As a portion of total government expenditure, Education and Skills is the third largest and has remained relatively stable as a percentage of total government expenditure at around 15% to 17%.
- The scale and composition of expenditure on Education and Skills has changed over time due to a variety of factors including demographics, increase in special needs education, the economic downturn, need for capital investment and the transfer of functions in the further education sector.
- The largest element of Department of Education and Skills expenditure is pay and pensions, which is estimated to account for 71% of overall DES expenditure in 2019.
- First, Second & Early Years Education saw the largest increase over the ten year period of 12% (€876 million increase) while Higher Education saw a decrease in expenditure over the same period of €121million (6%).
- In 2018, special education needs gross current allocation (€1.79 billion) surpassed that of Higher Education (€1.76 billion).
- There are a number of challenges facing the Education sector over the short and long term, the most fundamental being managing the demographic shift from primary to post primary level, as well as the future demographic changes, expected growth in superannuation costs, higher participation rates and pre-empting any future funding pressures in the Higher Education Sector. Also, in the Tertiary Education sector there is a need to ensure that both the higher education and further education and training sectors are optimally configured to meet the skills needs of the labour market.

### Section 1: Long-Term Trends

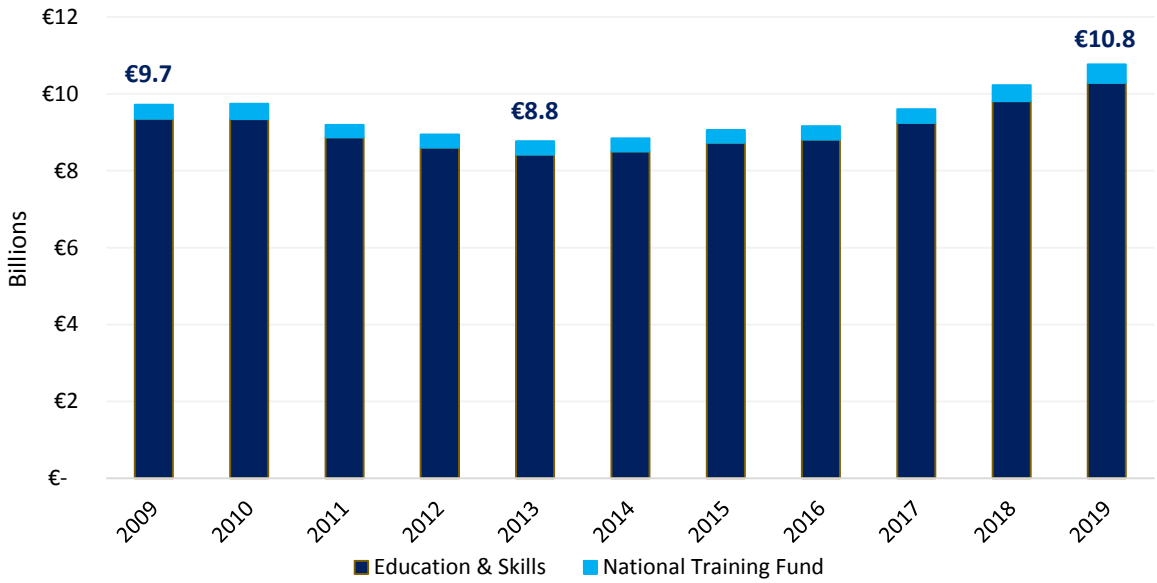
Overall, annual growth for the period 2009 to 2019 was 1%. However, as Figure 1 shows, expenditure in Education and Skills fell by an average of 2% per annum from 2009 to 2013, with an average annual growth of 3.5% from 2014 to 2019. Non-NTF Exchequer expenditure on Education and Skills in 2019 at €10.3 billion will be the largest ever allocation to the sector, a 10% increase from the peak in 2009

Expenditure from the National Training Fund (NTF) also decreased during the period 2009 to 2013 where it fell at an average of 2% per annum, with an annual growth of 6% during the

years 2014 – 2019. NTF expenditure will be €486 million in 2019, this represents an increase from 2018 to 2019 of 17%, the largest yearly increase observed over the period, in part due to decisions to increase the NTF from 0.7% to 0.9%. There will be a further increase of 0.1% in 2020 to bring the rate to 1.0%. These increases were originally agreed following a consultation process as part of Budget 2018.

Overall, expenditure for the sector as a whole (Exchequer and NTF) will be at its highest level to date in 2019 at €10.8 billion, after reaching €10 billion for the first time in 2018, some 11% higher than the peak in 2010.

*Figure 1: DES Expenditure, 2009 – 2019*

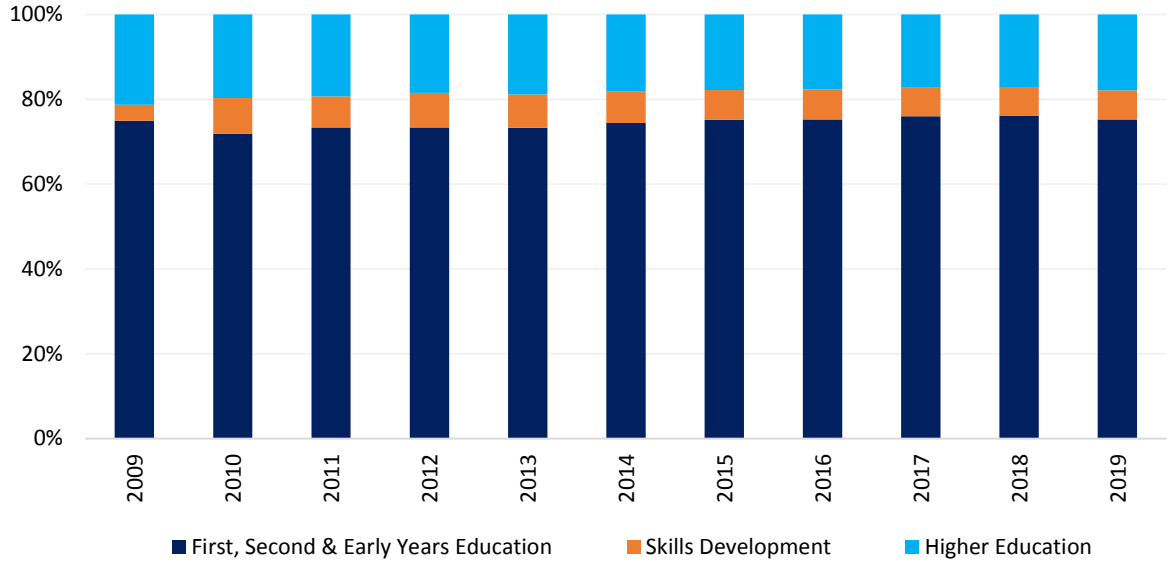



Source: Department of Public Expenditure & Reform

Figure 2 shows how expenditure on first, second and early year's education as a percentage of overall Education and Skills expenditure has remained relatively stable over the period, averaging 75% of total expenditure over the decade. Higher education expenditure declined after the onset of the fiscal crisis but has increased year on year since 2014. Higher education currently stands at 18% of aggregate expenditure. Expenditure on Further Education and Training averaged 7% of aggregate spend from 2010 to 2019.

The total share of capital expenditure decreased over the period 2009-2013 from 8% to 5%, but has since risen to a 9% share in 2019.

*Figure 2: DES Expenditure by Programme, 2009 - 2019*

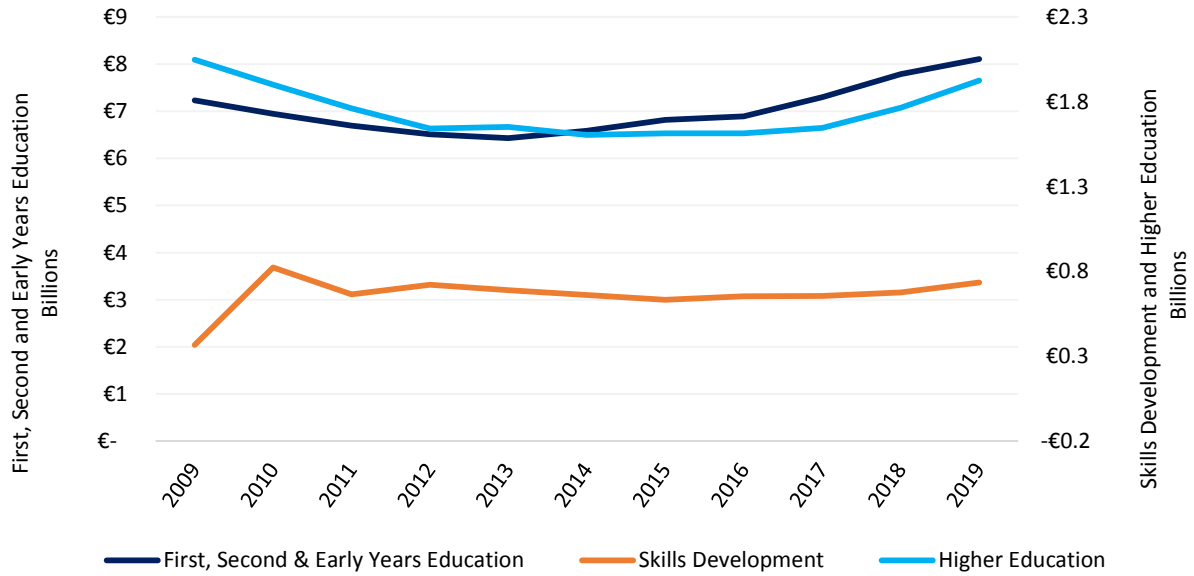



Source: Department of Public Expenditure & Reform

**Expenditure Growth**

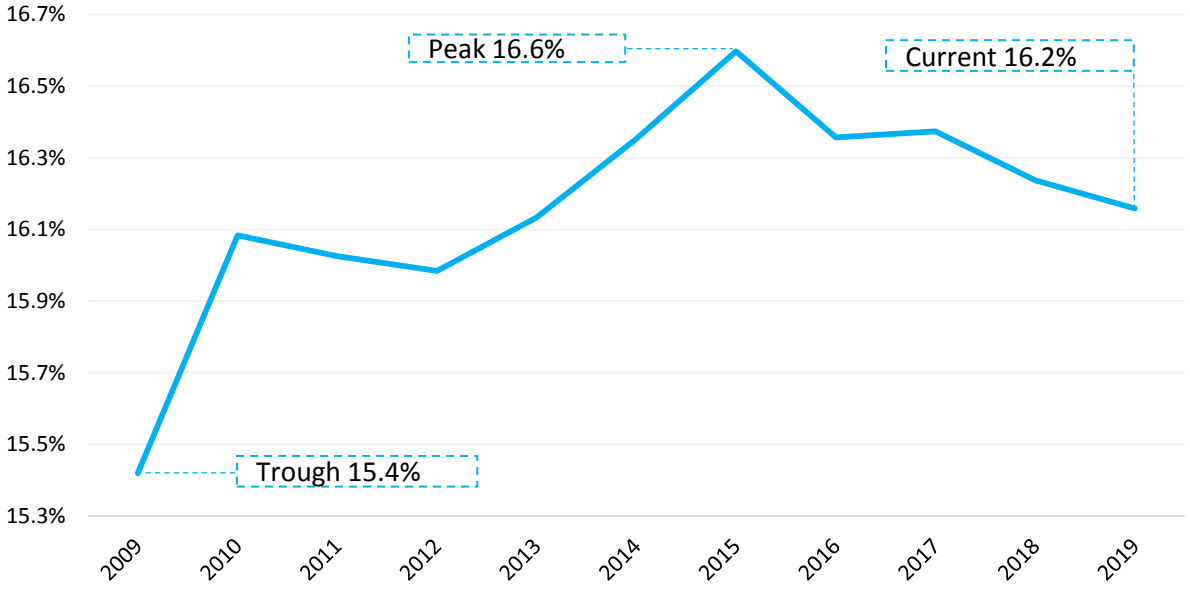
Figure 3 outlines expenditure growth over the past decade. Expenditure on first, second and early years education is the highest out of three areas examined. While first, second levels and early years education and higher education experienced a trough in the first half of the decade (in 2013 and 2014 respectfully) growth is more pronounced in first, second levels and early years education with current levels exceeding the original 2009 levels. Higher education remained relatively stable for the period 2014-2016 with growth rates increasing year on year from 2016-2019.

*Figure 3: Expenditure Growth 2009 – 2019*




Source: Department of Public Expenditure & Reform

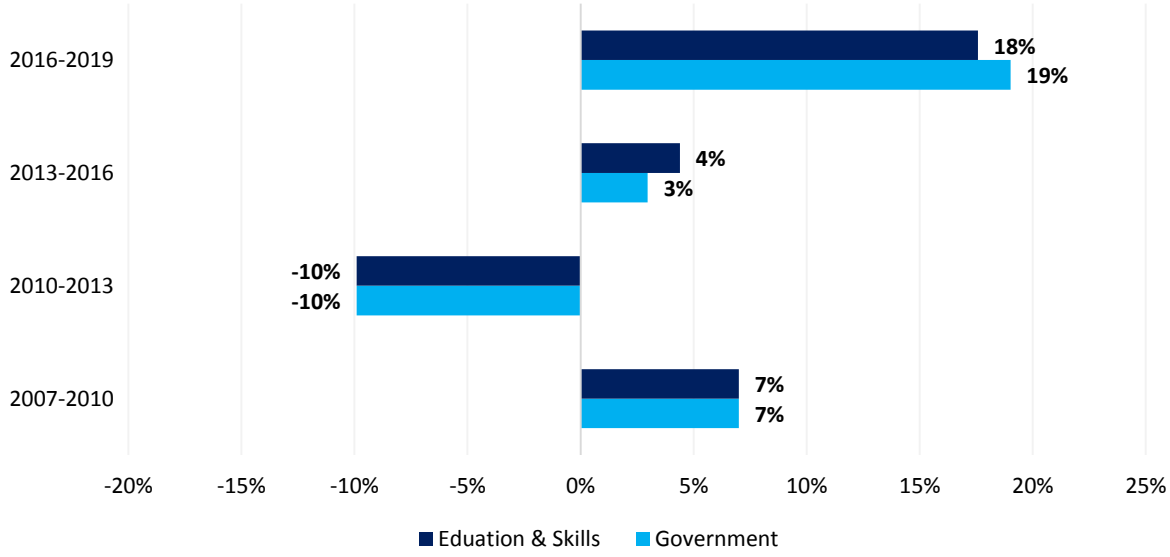
*Figure 4: DES expenditure as a proportion of total Government expenditure, 2009 - 2019*




Source: Department of Public Expenditure & Reform

Education represents the third largest element of government expenditure (after Social Protection & Health). Figure 4 (above) illustrates the ten year trend of Education and Skills expenditure as a percentage of overall government expenditure. Expenditure in Education and Skills rose from 15.4% in 2009, its lowest level during the economic downturn, to 16.2% in 2019. Expenditure as a proportion of total government expenditure was at its highest in 2015 at 16.6%.

*Figure 5: Gross voted expenditure growth: Three-year intervals, 2007 - 2019*



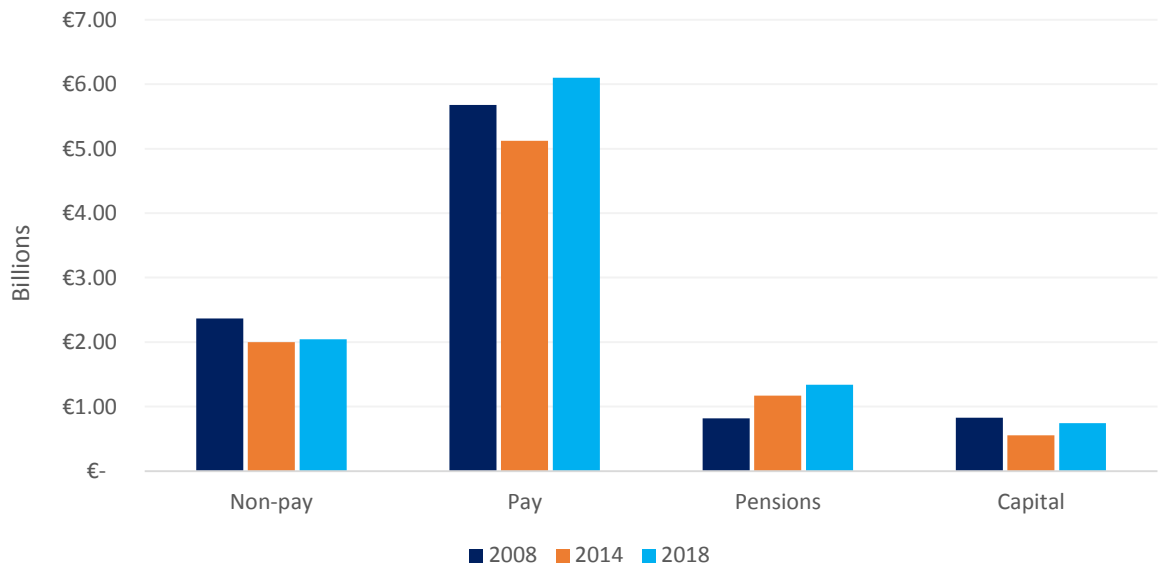

Source: Department of Public Expenditure & Reform

Expenditure in education followed overall government expenditure during the economic downturn as illustrated in Figure 5 (above). With the onset of the downturn gross education

expenditure grew in line with total government expenditure from 2007 to 2010. Similarly, approaching the trough in 2014, reductions in expenditure on education equalled reductions of total government expenditure. From 2013 to 2019 percentage growth of expenditure in education was broadly in line with percentage growth in government expenditure.

Figure 6 outlines the four components of DES expenditure in 2008, 2014 and end 2018. As with all other labour intensive frontline public services, such as Health, Defence, Garda, etc. pay is the single largest element of expenditure in the education sector. The education paybill at its pre-crisis peak in 2008 stood at €5.7 billion, reducing to €5.1 billion in 2014 before reaching just over €6.1 billion in 2018, with reduction and restoration pay deals being the main cause for the fluctuations in paybill over those 10 years. In overall terms, the share of four expenditure components as a percent of aggregate education expenditure are outlined in Table 1 below. It is worth noting that between 2014 and 2018 current education expenditure increased by €1,193 million, 89% (€1,056 million) of which was in the first, second levels and early years area. 48% of this expenditure (€506 million) was special education expenditure. Special Education is now 19 percent of total education current expenditure at €1.9 billion, 88% of which is pay related.

*Figure 6: Composition of DES Expenditure, 2008, 2014 and 2018*




Source: Department of Public Expenditure & Reform[12]

[12] 2014 used for clarity as trough in period.

*Table 1: Change in Composition of DES Expenditure (Percentage Share) 2008, 2014 and 2018*

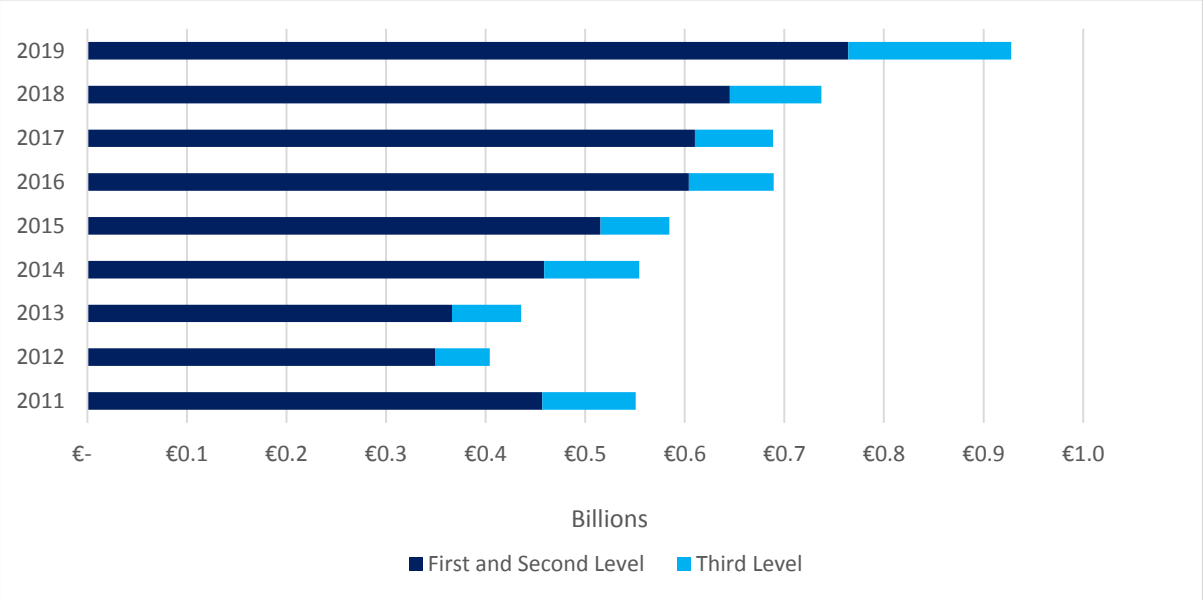
| | 2008 | 2014 | 2018 |
|---|---|---|---|
| ***Non-pay*** | 24% | 23% | 21% |
| ***Pay*** | 59% | 58% | 59% |
| ***Pensions*** | 8% | 13% | 13% |
| ***Capital*** | 9% | 6% | 7% |

Source: Department of Public Expenditure & Reform[13]

**Capital Investment**

Figure 7 outlines gross capital expenditure. Examining the years (2011-2019) the annual expenditure on first, second level and early years has increased to €764 million while third level has increased to €164 million. Following the outcome of the review of the Capital Plan in mid-2017, an additional €663 million was provided for the Education Sector for 2018-2021. This is in addition to nearly €3 billion already provided for the sector for those years under the Capital Plan (2016-21). In total, an overall allocation for the Education Sector of approx. €12 billion out to 2027 was set out as part of the National Development Plan 2018-2027.

*Figure 7: Composition of DES Capital Expenditure, 2011 - 2019*




Source: Department of Public Expenditure & Reform

## Section 2: Expenditure Drivers

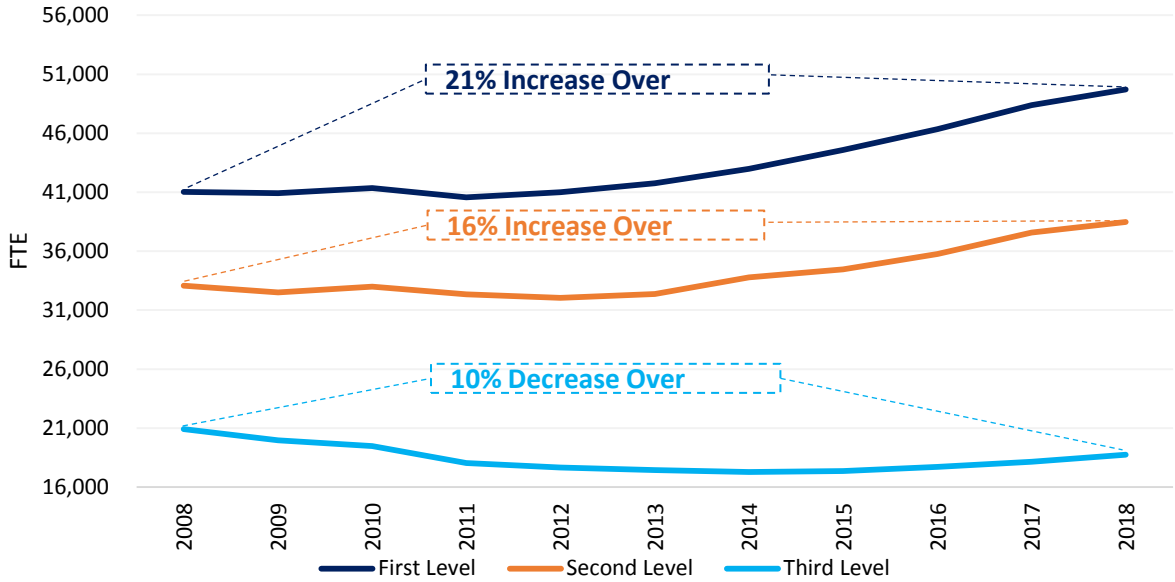
**Staffing and enrolment changes**

Figure 8 outlines staffing trends at first, second and third level. Staffing in the primary education sector has been on an upward trend from 2008 to 2018, growing by 21% over the

[13] 2014 used for clarity as trough in period.

period. Similarly, second level increased by 16% over the period. Exchequer funded third level staffing decreased from 2008 to 2018 (10% decrease).

*Figure 8: Staffing trend for 1st, 2nd and 3rd Level, 2008 – 2018*




Source: Department of Public Expenditure & Reform

Table 2 outlines the increase in students across all three levels of the education sector. Both the primary and post primary sectors saw considerable increases in student numbers with an increase of over 77,000 (16%) in the primary sector from 2008 to 2018 and an increase of over 53,000 (16%) in the post-primary sector for the same period. In percentage terms, the third level sector saw the largest percentage increase of 30% in student numbers (54,300 students).

*Table 2: Enrolments of Full-Time Students (Number) by Year and Level of Education*

| | 2008 | 2014 | 2018 |
|---|---|---|---|
| **First Level** | | | |
| *Enrolments* | 486,444 | 536,317 | 563,459 |
| *% Growth* | | 10% | 5% |
| **Second Level** | | | |
| *Enrolments* | 335,123 | 367,178 | 388,281 |
| *% Growth* | | 10% | 6% |
| **Third Level** | | | |
| *Enrolments* | 177,388 | 214,694 | 231,710 |
| *% Growth* | | 21% | 8% |
| ***Total*** | ***998,955*** | ***1,118,189*** | ***1,183,450*** |
| ***% Growth*** | | 12% | 6% |

Source: Department of Public Expenditure & Reform

*Table 3: Change in Expenditure Compared with Enrolments*

| | 2008-2014 | 2014-2018 | 2008-2018 |
|---|---|---|---|
| **1st, 2nd and Early Years Education** | | | |
| *Funding (% Change)* | -8% | 18% | 8% |
| *Enrolments (% Change)* | 10% | 5% | 16% |
| **Higher Education** | | | |
| *Funding (% Change)* | -21% | 10% | -13% |
| *Enrolments (% Change)* | 21% | 8% | 31% |

Source: Department of Public Expenditure & Reform and the Department of Education and Skills

Table 3 outlines the difference in the percentage changes in expenditure and enrolments for the three periods; 2008 to 2014, 2014 to 2018 and 2008 to 2018. The analysis shows the extent to which first, second and early years' education has been prioritised over higher education. Overall, higher education saw the largest percentage increase in enrolments from 2008 to 2018 while also seeing the largest decrease in funding over the same period.

**Special Education**

Special education needs expenditure represents nearly 20% of the Department of Education and Skills gross current allocation in 2019 (€1.87 billion). Expenditure on this area increased by 49% (€616m) from 2011 to 2018. An estimated 90% (€1.64 billion) of total expenditure in this area is allocated to pay. This is divided between teacher pay of €1.08 billion (58% of total) and special needs assistants' pay of €0.56 billion (30% of total). There have been various drivers of the increase in expenditure on special education including, the underlying change in the school age population, the increasing proportion of children who are qualifying for SNA and special educational needs supports, and in particular, the increasing number of pupils presenting with an autism diagnosis.

## Section 3: Outcomes and Performance Indicators

**Performance and output indicators**

As part of a 2018 review of the indicator set used in the Action Plan for Education, it became apparent that there was a need for a single repository to present the range of indicators for the education system as a whole. The objective of the exercise is to present a comprehensive set of educational indicators for Ireland, reviewed over time as necessary - with new indicators added and others deleted as strategies evolve.

It is proposed, once finalised the Report will contain headline indicators on a diverse range of areas including enrolments; school type, teacher education and school inspections; as well as Special Education, Transitions and Access; output indicators on achievements in STEM and languages; overall graduate numbers across all QQI levels; etc. The Education and Skills Vote

Section has engaged with DES on the exercise and the types of indicators relevant to D/PER from a performance budgeting and evaluation perspective.

**Context and Impact Indicators**

Given the size of the Education Sector, setting out all context and impact indicators is beyond the scope of this section. Table 4.4 sets out a selection of the context and impact consistently reported in the Revised Estimates over the period 2010 to 2018. Some of the summary findings from this data include:

- A rise in the percentage of pupils completing their post-primary education, from 87.7% in 2010 to 91.6% in 2018. This rise is even more pronounced in DEIS (Delivering Equality of Opportunity in Schools) schools, where rates have risen from 73.2% in 2010 to 85% in 2018. Also in post-primary the percentage of pupils taking higher-level mathematics has increased from 45% to 56.7% for the Junior Certificate, from 2010 to 2019, while the percentage of higher-level mathematics pupils for Leaving Certificate has risen from 16% to 30.9% over the same period.

- The percentage of the workforce with skills on the National Framework Qualifications over level 7 (equivalent to an Ordinary Bachelor Degree) has increased from 39% in 2010 to 44% in 2018. The percentage of workers with skills of between NFQ level 1 – 3 (Junior Certificate and below) dropped over the period from 19% to 18%, with its lowest level of 15% during 2014.

- In higher education, the percentage of those who have completed a third level education (OECD benchmark on tertiary attainment rates) has steadily risen over the period 2009-2017 with the rate of 25 to 64 years olds rising from 36% to 46% with the rate for 25 to 34 year olds rising from 48% to 53%.

*Table 4: Sample of Department of Education Context and Impact Indicators*

| ***Programme A*** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** |
|---|---|---|---|---|---|---|---|---|---|
| ***Leaving Certificate Retention Rates*** | | | | | | | | | |
| *- All schools* | 87.7% | 89.5% | 89.5% | 90.2% | 90.1% | 90.6% | 90.2% | 91.2% | 91.6% |
| *- DEIS schools* | 73.2% | 78.4% | 78.4% | 80.1% | 80.4% | 82.1% | 82.7% | 84.4% | 85.0% |
| ***% Students taking higher maths exam*** | | | | | | | | | |
| *- End-Junior cycle* | 45.0% | 46.0% | 48.0% | 52.0% | 54.0% | 54.6% | 54.5% | 56.5% | 56.7% |
| *- Leaving cert* | 16.0% | 16.0% | 22.1% | 25.6% | 27.0% | 26.7% | 27.3% | 29.4% | 30.9% |
| ***Programme B*** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** |
| ***% of labour force with qualifications at NFQ levels*** | | | | | | | | | |
| *- Levels 1 to 3* | 19% | 18% | 17% | 16% | 15% | 17% | 18% | 17% | 18% |
| *- Levels 4 to 6* | 39% | 39% | 39% | 38% | 39% | 42% | 39% | 38% | 38% |
| *- Levels 7 to 10* | 39% | 40% | 42% | 43% | 42% | 41% | 43% | 45% | 44% |
| ***Programme C*** | **2009** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** | **2016** | **2017*** |
| ***OECD benchmark on tertiary attainment rates*** | | | | | | | | | |
| *- 25 to 64 year olds* | 36% | 37% | 38% | 40% | 42% | 41% | 43% | 43% | 46% |
| *OECD Ranking* | 11th | 10th | 12th | 10th | 10th | 10th | 8th | 11th | 5th |
| *- 25 to 34 year olds* | 48% | 48% | 47% | 49% | 51% | 51% | 52% | 52% | 53% |
| *OECD Ranking* | 4th | 4th | 5th | 6th | 4th | 4th | 4th | 4th | 4th |

**OECD data only available up to 2017*

Source: Department of Public Expenditure & Reform and the Department of Education and Skills

## Section 4: Future Policy Challenges

There are a number of challenges facing the Education sector over the short and long term. The most fundamental challenges being managing the demographic shift from primary to post primary level, as well as the future demographic changes, expected growth in superannuation costs, higher participation rates and funding pressures in the Higher Education Sector. Also, in the Tertiary Education sector there is a need to ensure that both the higher education and further education and training sectors are optimally configured to meet the skills needs of the labour market.

Primary and Post Primary Education

**Demographic pressures at primary school level are expected to have peaked in 2018**. Under all six migration and fertility estimates the primary school population is expected to decline year-on-year from 2019 to 2034[14]. This is not an isolated challenge for the primary education sector; a demographic "bulge" is working its way through the education system. While the decrease in demand for primary teachers can be offset to some extent by the non-replacement of retiring teachers, the supply of teachers must be managed at post-primary level to ensure the needs of the sector are being met, particularly with regard to priority areas such as languages and STEM subjects. However, while post primary enrolments peak in 2024, this will be followed by a year-on-year decline for the following decade (up to 2035), resulting in a possible oversupply at second level. Thus the supply of teachers at both primary and secondary level needs to be carefully managed over the coming years, while having regard to challenges faced in meeting regional variations. Similarly, regional variations will also need to be managed appropriately to ensure cost-effective and sustainable planning of capital investment in the sector.

Higher Education

**Demographic changes, higher participation rates and funding pressures continue to pose a considerable challenge in the Higher Education Sector.** Full-time student enrolments have increased from 173,224[15] in 2014 to 183,642[16] in 2018 with a projected further increase of 27% (241,167[17]) by 2029. Of these enrolments, Non-EU fee-paying student numbers is projected to rise from 20,280 in 2018 to 27,245 in 2029[18]. The Government's response to addressing these challenges has included, commencing in 2018 to incrementally increase the NTF rate by 0.1% to 0.8% in 2018, with a further 0.1% annual increase in 2019 and 2020, bringing the cumulative NTF levy to 1.0%. These measures increased the yield by an additional c.€48 million in 2018, an additional €69 million in 2019 and an estimated additional €74 million in 2020.

From January 2020, a new Human Capital Initiative, will be established within the National Training Fund to invest c. €60 million per annum from the accumulated surplus in the NTF over a 5-year period. This investment will total c. €300 million over the period 2020-2024 and will be a key investment in HE and FET. The HCI will be used to support additional HE and FET expenditure to develop programmes and skills, at regional and national level, close to the labour market to help buffer the economy from potential economic risks.

**Optimising and aligning Higher Education and Further Education and Training to meeting the human capital needs of the labour market.** Central to sustaining the wellbeing of Ireland's economy is an appropriately trained workforce with the skills necessary to the meet labour market needs of the economy and society. Research by the ESRI and EU CEDEOP (European Centre for the Development of Vocational Training) shows a high degree of skill underutilisation among Irish employees with the percentage of Irish workers reporting education or skill levels in excess of those required to do their job - the third and fourth highest respectively of 28 EU countries. Over-skilled workers with a higher academic degree tend to have the highest persistence of mismatch, with over education having potentially adverse impacts for individuals, firms and the economy. An integrated and

strategic approach, with clear progression pathways, is crucial to optimising the HE and FET in meeting the demands of the labour market.

**Demographic changes, resulting in a larger number of first, second and third levels retirees on the superannuation education payrolls.** The actuarial review undertaken as part of the 2018 Spending Review, *Public Service Occupational Pensions in Ireland - Cash Flow Analysis*, projects continued growth in net benefit expenditure in the education sector over time, in line with trends across the public sector. This is a challenge across a number of Government Sectors.

[14] https://www.education.ie/en/Publications/Statistics/Statistical-Reports/Projections-full-time-enrolment-Primary-and-Second-Level-2017-2035.pdf

[15] https://hea.ie/assets/uploads/2017/06/Hea-Key-Facts-and-Figures-201415.pdf

[16] https://hea.ie/assets/uploads/2019/01/Higher-Education-Authority-Key-Facts-Figures-2017-18.pdf

[17] Using S3 baseline scenario from the Department of Education and Skills projections of full time demand for third level education.

[18] https://www.education.ie/en/Publications/Statistics/projections/projections-of-demand-for-full-time-third-level-education-2018-2040.pdf

## Employment Affairs & Social Protection

Jenny Connors

Summary

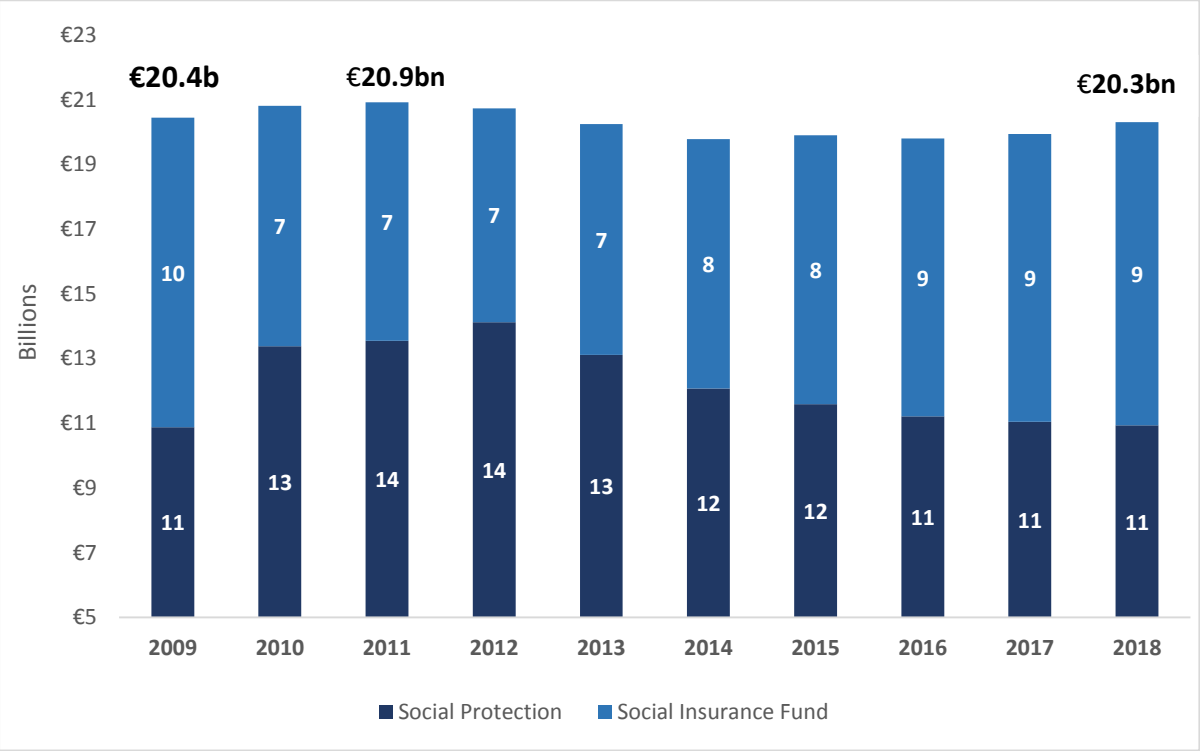
- From 2009 to 2018, Social Protection expenditure decreased by around €100m from €20.4bn to €20.3bn. Expenditure peaked in 2011 at €20.9bn.
- As a proportion of government expenditure, Social Protection has the largest share at 32% in 2018.
- Expenditure developments from 2014 to the 2019 Budget show that underlying expenditure (expenditure excluding Live Register related costs) increased by €2.1bn or 12.8% over the period.
- The scale and composition of this expenditure has changed over time due to a variety of factors including demographic changes, the prevailing economic climate and increases in the rates of social welfare payments.
- Pensions experienced the largest increase in expenditure over the 10 year period (€1.9bn, or 33.3%).
- In terms of outcomes, Ireland's social welfare system is focused primarily on helping to reduce income inequality and poverty levels.
- There are currently positive trends in relation to improving labour market conditions but there are also continued upward cost pressures driven by demographic change and an increasing number of recipients on certain schemes, particularly in relation to illness, disability and carer-related payments (IDC).
- Spending Review 2019 will take an in-depth look a key area of IDC spend, demographics and poverty alleviation supports as follows:
  - In-work and Lone Parent Supports;
  - Carers Allowance Expenditure;
  - Demographic pressures in Social Protection.

## Section 1: Expenditure Trends

### Long Term Expenditure Trends

**Social Protection expenditure increased from €20.4bn in 2009 to peak at €20.9bn in 2011, before falling back to €20.3bn in 2018.**

*Figure 3 - Social Protection Expenditure, 2009-2018*




*Source:* DPER Statbank

Total Social Protection group expenditure is funded through both the Vote and the Social Insurance Fund (SIF)[19]. In 2009, SIF expenditure represented approximately 46% or €10bn of total SP group expenditure. This share fell to 32% or €7bn in 2012 as a result of significant increases in unemployment level which put pressure on Vote expenditure. As unemployment and consequently income supports expenditure fell, the SIF expenditure share increased to 46% or €9bn in 2018.

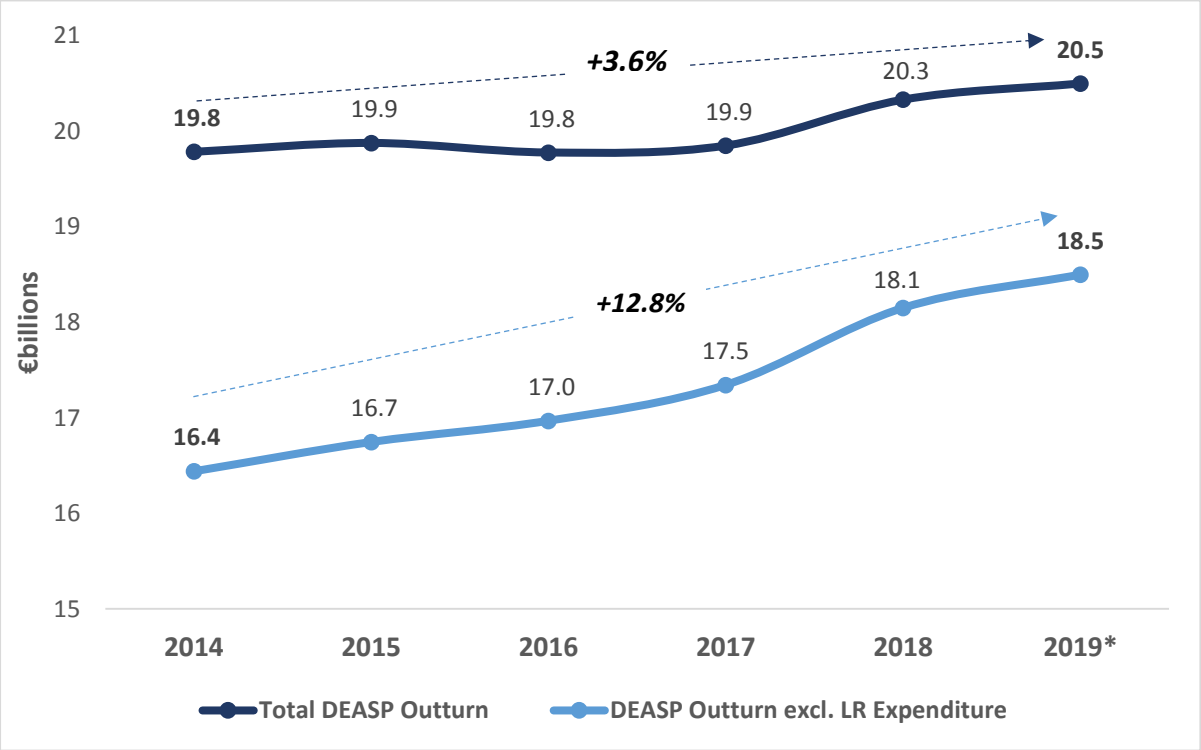
**In 2009, Social Protection expenditure as a proportion of total Government expenditure was 32%. It reached a peak of 37% as a result of the economic downturn over the period 2012 to 2014, but has returned to 32% of total Government expenditure in 2018.**

### Short Term Expenditure Trends

**From 2014 to 2019, total DEASP expenditure increased from €19.8bn to €20.5bn, an increase of €700m or 3.6%.**

[19] The Social Insurance Fund (SIF) is made up of on Pay Related Social Insurance (PRSI) contributions from employers, employees and the self-employed. The SIF provides insurance related payments to people in retirement and to meet certain contingencies, including periods of unemployment, illness and maternity leave.

*Figure 4: DEASP expenditure trends, 2014-2019 (allocation)*



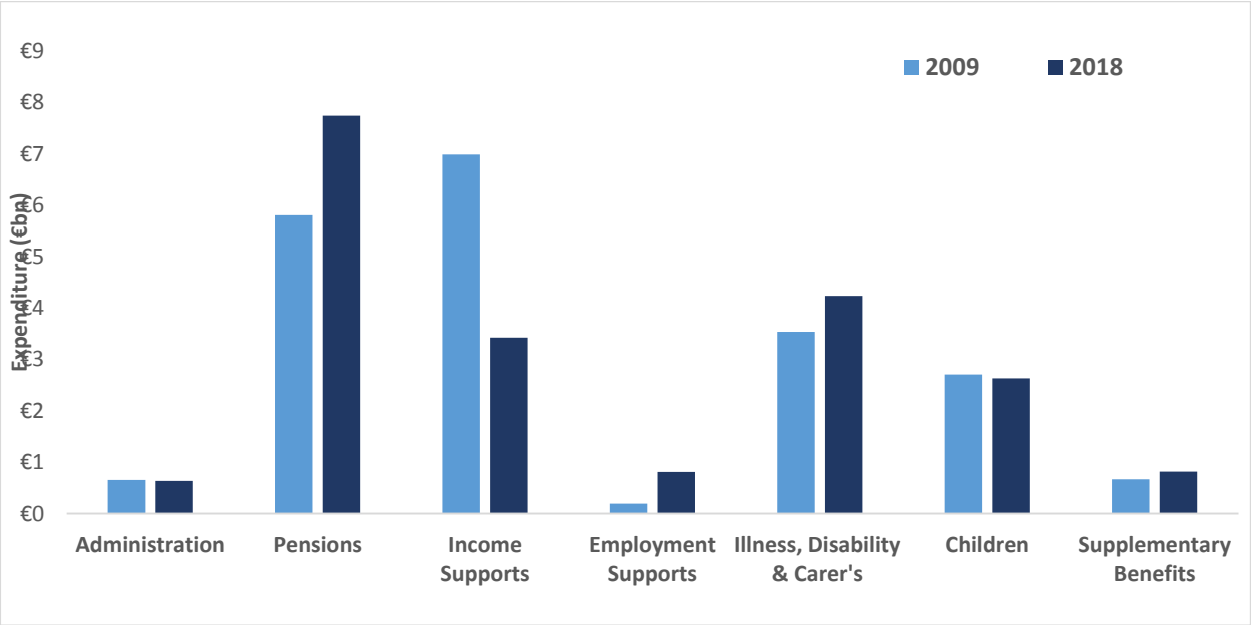

*2019 figures relate to the 2019 Budget allocation and do not include a Christmas Bonus.

There has been a dramatic fall in the Live Register over the period 2014 to 2019, resulting in a reduction of €1.4bn in jobseeker related expenditure. In addition, expenditure has reduced by a further €130m following transfers of rent supplement recipients to the Housing Assistance Payment (HAP) scheme and the transfer of the Community Services Programme to the Department of Rural and Community Development. **These reductions in Live Register spending and the transfer of schemes to other Departments has masked a much larger underlying increase of €2.1bn or 12.8% from 2014 to 2019.**

## Section 2: Expenditure Drivers

**As the quantum of Social Protection expenditure expanded over the past decade, the allocation to different sub-programme groups has evolved.**

*Figure 5 - Expenditure allocated to different Sub-Programme groups, 2009 & 2018*




*Source:* DSP Annual Statistical Reports

***Figure 3*** compares the level of expenditure allocated to each sub-programme in 2009 and 2018. Most sub-programme areas have seen significant increases in expenditure with pensions' expenditure having the largest increase in nominal terms at €1.9bn or 33%. The main driver of this increase is the rising cost of the contributory state pension (SPC). Employment supports had the largest percentage increase at 320%, increasing by €621m over the period. Illness, Disability & Carer (IDC) expenditure increased by €697m or almost 20% while Supplementary Benefits increase by €144m or almost 22%.

*Table 1 - Expenditure on social protection by sub-programme, 2009 & 2018*

| Sub Programme | 2009 | 2018 | Variance | % |
|---|---|---|---|---|
| | *€m* | *€m* | *€m* | *%* |
| Administration | 656 | 638 | *-17* | *-2.7%* |
| Pensions | 5,816 | 7,750 | *1,934* | *33.3%* |
| Income Supports | 6,991 | 3,421 | *-3,570* | *-51.1%* |
| Employment Supports | 194 | 815 | *621* | *320.4%* |
| Illness, Disability & Carer's | 3,534 | 4,232 | *697* | *19.7%* |
| Children | 2,709 | 2,633 | *-76* | *-2.8%* |
| Supplementary Payments | 672 | 816 | *144* | *21.5%* |

*Source:* DEASP admin data

**A range of factors have played a role in driving changes in the composition of expenditure over the past decade.**

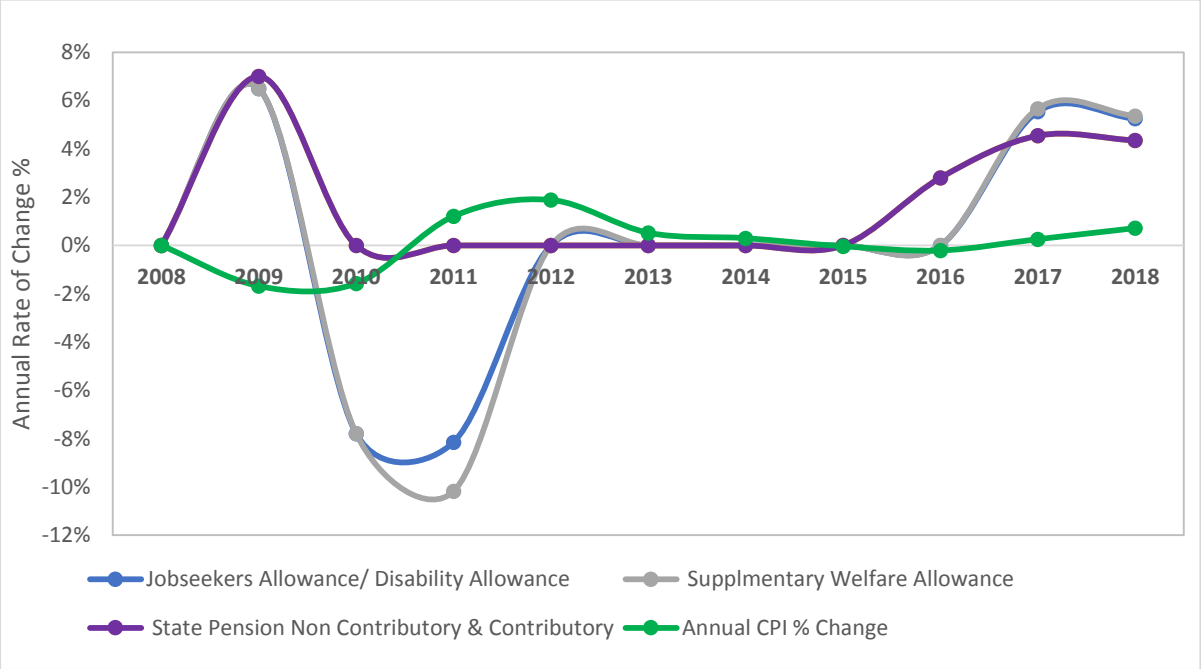
- Firstly, demographic pressures have increased pension recipients, by 144,000 (or 30%) over the last 10 years. This is compared to an overall population rise of 324,000 or 7% over the same period. The number of children increased by 145,400 or 12%. Some

of costs resulting from demographic pressures have been offset by the significant decreases in working age income supports expenditure as a result of improvements to the labour market.

- Social Protection plays an important role in providing a social safety net (automatic stabilisers) in the face of economic shocks and accordingly expenditure on jobseekers benefit and assistance and employment supports are driven by cyclical conditions. The number of people on the Live Register rose sharply in 2008 as a result of the economic downturn and peaked at approximately 450,000 in 2011. Since 2012, the numbers on the Live Register have been on a downward trajectory reaching an average of 221,323 at end 2018, with savings in the working age income supports programme of over €3.5bn between 2009 and 2018.

- There were successive cuts in the rates payable across the range of income supports from 2009 onwards during the economic downturn. Rates were not adjusted again until Budget 2016 when a rate increase to pensions was announced. In both 2017 and 2018, all primary social welfare payments were increased, well above changes in the inflation rate measures by Consumer Price Index (CPI).

*Figure 6 - Rate of changes to Weekly Social Welfare payments year on year Vs Annual CPI rate 2009– 2018, Base =2008)*




*Source:* DPER Statbank

***Figure 4*** above shows the year-on-year percentage changes in weekly social welfare payments and the CPI. These broadly follow a similar trajectory, for example, CPI falls in 2009 and there are reductions in Jobseekers Allowance, State Pension and Disability Allowance in 2010 and 2011. Successive €5 rate increases from 2016 has resulted in payment rates outstripping rates of inflation. Between Budget 2016 to Budget 2018 there was a total

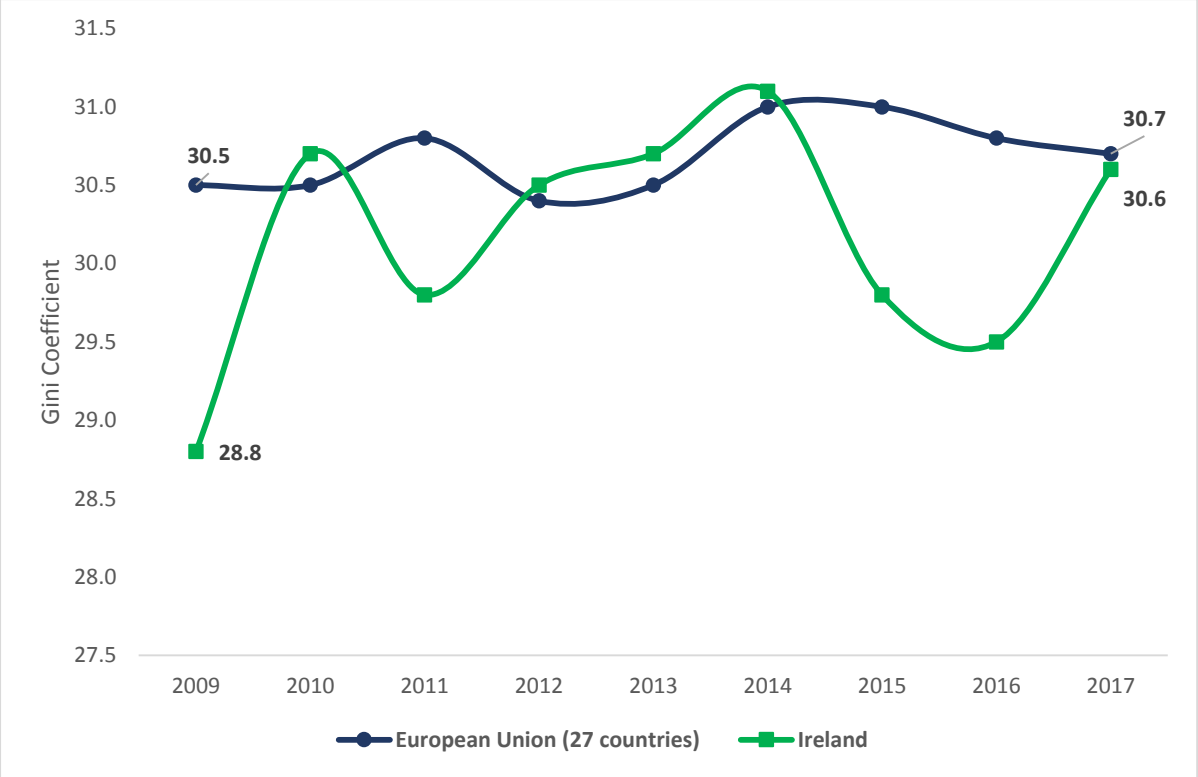
nominal increase on pension payments of €15, changes of between 3% and 4%. There was a total nominal increase of €10 on other primary social welfare payments from Budget 2017 and Budget 2018, changes of between 5% and 6%, meanwhile inflation have stayed below 1%.

## Section 3: Outcomes and Performance Indicators

**Ireland's welfare system performs well in terms of redistributing income and reducing inequalities.**

The Gini coefficient measures the degree of equality with 0 representing perfect equality and 100 representing total inequality. In 2017, Ireland's Gini coefficient stood at 30.6. In 2015 and 2016, income equality improved in Ireland with the Gini coefficient falling below the EU average. However in 2017 the coefficient increased, returning to just below the EU average.

*Figure 7 - Gini coefficient Ireland versus EU Average, 2009-2017*

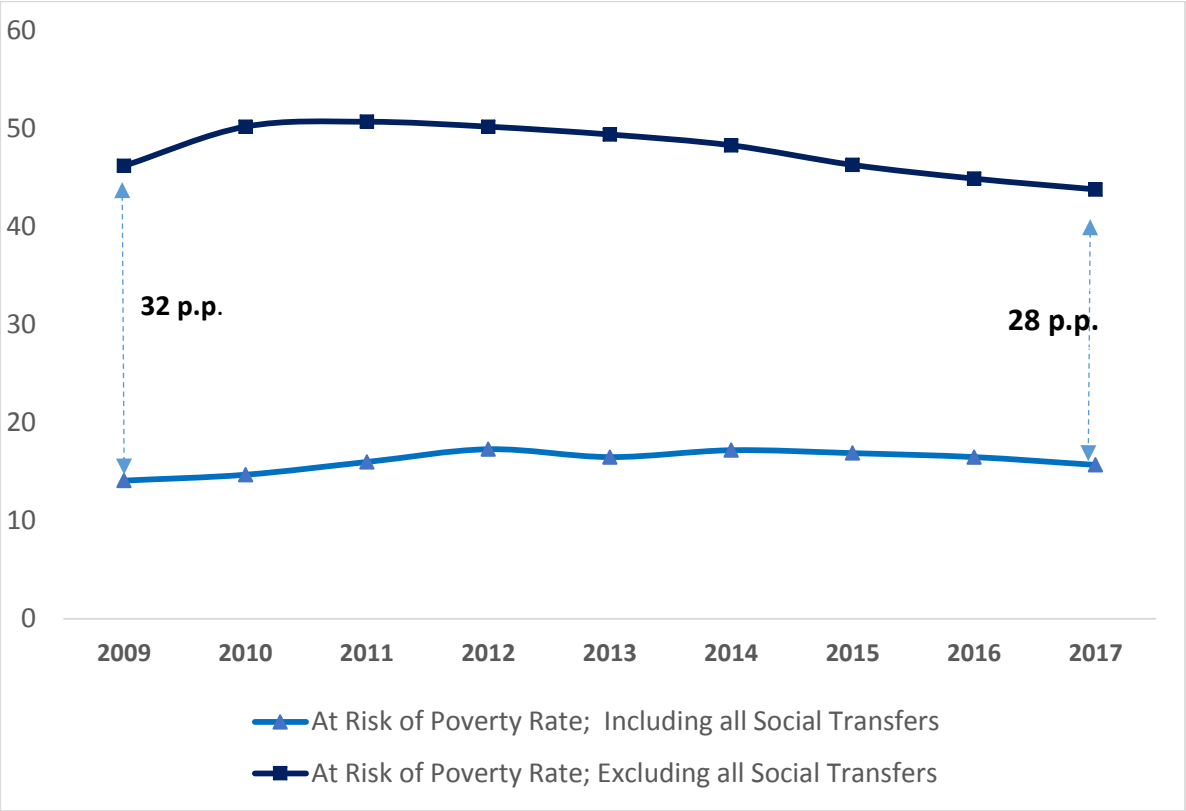



*Source: Eurostat*

**The impact social transfers play in reducing the 'at risk of poverty rate' has diminished in recent years. This is primarily due to the considerable employment growth Ireland has experienced, resulting in a reduction in the poverty rate before social transfers.**

In 2009, Ireland's social transfers system reduced the *"at risk of poverty rate"* from 46.2% to 14.1%, a 32 percentage point difference. In 2017 this impact reduced as Ireland's social transfers system helped the "*at risk of poverty rate"* to go from 43.8% to 15.7%, a decrease of 28 percentage points. See ***Figure 6*** below for Ireland's *"at risk of poverty rate*" before and after social transfers from 2009 to 2017.

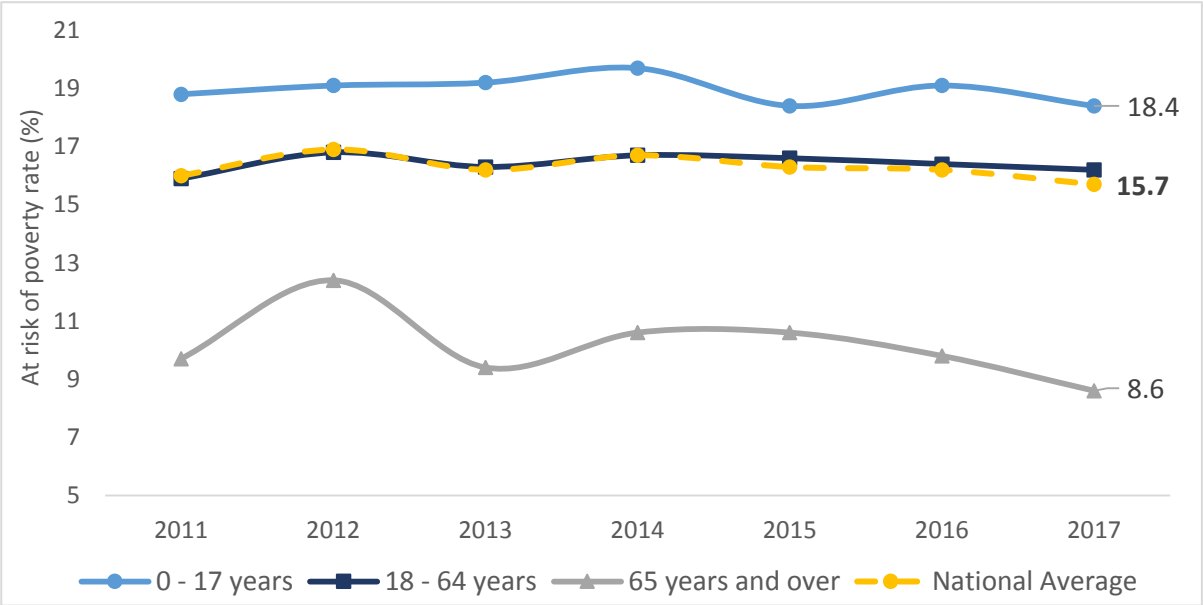
*Figure 8 – The "at risk of poverty rate" pre and post social transfers from 2009-2017*




*Source:* CSO Statbank

As illustrated in ***Figure 7***, the national average *"at risk of poverty rate"* reached 15.7% in 2017. Poverty rates by age, shows that older persons or those aged over 65 years remain the group with the lowest *"at risk of poverty rate"* at 8.6% in 2017; children or those aged 0-17 years have the highest poverty rate at 18.4% in 2017.

*Figure 9 - At Risk of Poverty Rate across age cohorts, 2011-2017*




*Source:* CSO Statbank

## Section 4: Future Policy Challenges

**There are a number of challenges facing the provision of Social Protection over the short and long term, including demographic related pressures, an evolving labour market, and other structural challenges.**

Table 2 - Positive and negative challenges

| | | | |
|---|---|---|---|
| **Positive Pressures** | Labour market improvements, continuing reductions in unemployment | | |
| **Negative Pressures** | Demographic-related pressures | Structural issues – increasing disability-related costs | Labour force participation |

**The future outlook for employment is positive with expected average growth of 1.85% over the medium term.**[20] The latest Labour Force Survey figures indicate that reductions in unemployment and growth in the numbers employed are continuing. At end 2018, the unemployment rate stood at 5.8%. The latest Department of Finance projections, contained in the Summer Economic Statement 2019, forecast average annual employment growth of 1.85% from 2019 to 2022. The unemployment rate is forecast to be 5.4% in 2019, and will reduce marginally in 2020 to 5.2% and to remain stable to 2021[21].

**Despite the positive outlook, there are significant risks and uncertainties from the potential fallout of a 'Hard Brexit' occurring. The implications of an increase in unemployment will cause Live Register numbers to rise and increases in jobseeker related expenditure.** This will also result in spill over effects into other areas of DEASP current expenditure for example increases in expenditure of employment supports and supplementary welfare payments.

**Future Policy Challenges**

**1. Demographic pressures will continue to drive up recipient numbers and costs, particularly in relation to pensions.** Previous analysis undertaken by IGEES in the paper "Budgetary Impact of Changing Demographics 2017 – 2027[22]" estimated the average short-term annual cost of demographic change on the Social Protection budget at €253m. This is almost exclusively driven by pension-related (€245m) increases, with child benefit accounting for a further €8m. Demographics will also contribute to upward pressures on disability and carer related supports, which are projected to amount to a further €38m annually.

[20] Summer Economic Statement 2019 - https://assets.gov.ie/10498/79569b9ea87b4be5bd077bb622c2d1ff.pdf
[21] As at May 2019 the seasonally adjusted unemployment rate is 4.4%.
[22] http://igees.gov.ie/wp-content/uploads/2015/02/Demographic-Paper-Final-101016.pdf. This analysis is expected to be updated in 2019.

**2. Other structural issues will also pose a challenge into the future.** Disability income support expenditure has increased significantly over the past 20 years but this growth escalated over the period since 2012 with annual growth of 6% in the number of recipients. As a result of these increased recipient numbers, the quantum of expenditure growth across the Illness/Disability and Carers (IDC) programme area is significant with annual increases in the region of €200m. Given the demographic pressures in Pensions and uncertainties around the Brexit outcome, this annual increase in expenditure is not sustainable.

**3. Challenges remain in relation to the level of participation in a constantly evolving labour market.** The participation rate is defined as the population in employment as a percentage of the total working age population. Between Census 2011 and 2016, Ireland's participation rate fell from 61.9% to 61.4%. Significant numbers of the population are not in the labour market as result of unemployment, home caring responsibilities, studying, or retirement. Whilst participation levels have been improving in recent years, they remain below the EU 28 average, placing a potential burden on the welfare system going forward. Activation is a key policy tool to boost labour force participation and further progress is required in implementing the actions from *Pathways to Work*, *Future Jobs* and the *Comprehensive Employment Strategy for People with Disabilities*.

**4. Evidence Base**

In order to inform sustainable policy decisions going forward, on-going analysis is required across the breadth of Social Protection expenditure. The 2019 Spending Review takes an in-depth look at a number of different policy areas: Carers Allowance, lone parents and in-work supports, and demographic pressures in Social Protection.

## Finance

Victoria Cahill

Summary

The Finance Group of Votes consists of:

- Vote 7 – Finance
- Vote 8 – Comptroller and Auditor General
- Vote 9 – Office of the Revenue Commissioners
- Vote 10 – Tax Appeals Commission

- Total voted expenditure for this Departmental Group 2009-2018 is €4,543m. This review focusses on the expenditure of the Department of Finance, Revenue Commissioners and the Tax Appeals Commission.

- The Department of Finance manages government finances and plays a central role in the achievement of the government's economic and social goals having regard to the Programme for a Partnership Government.

- The Office of the Revenue Commissioners, as the Irish tax and customs administration, plays a vital role in our economy by collecting taxes and duties due to the State. These receipts underpin Government's capacity to fund vital services and facilities for society.

- The Tax Appeals Commission (TAC) was established on 21 March 2016 and replaced the former Office of the Appeal Commissioners.

- The principal purposes of the establishment of the new structure for tax appeals were to:
  - ensure an enhanced and cost-effective appeal mechanism for tax cases;
  - provide transparency and increased certainty for taxpayers;
  - ensure that the Appeal Commissioners be seen as fully independent; and
  - ensure that there be no actual or perceived bias in the operation of the appeals system.

- The TAC's budget has increased from €1.5 million in 2016 to €3.208 million in 2019, to reflect the volume of appeals received, including legacy appeals transferred from Revenue in 2016, and the administrative burden arising from the establishment of the TAC as a statutorily independent body.

The future policy challenges facing these Department/Offices are:

Department of Finance

- Outcome of Brexit negotiations

- Shareholding in Banks
- Introduction of Financial Management Shared Services

Revenue Commissioners

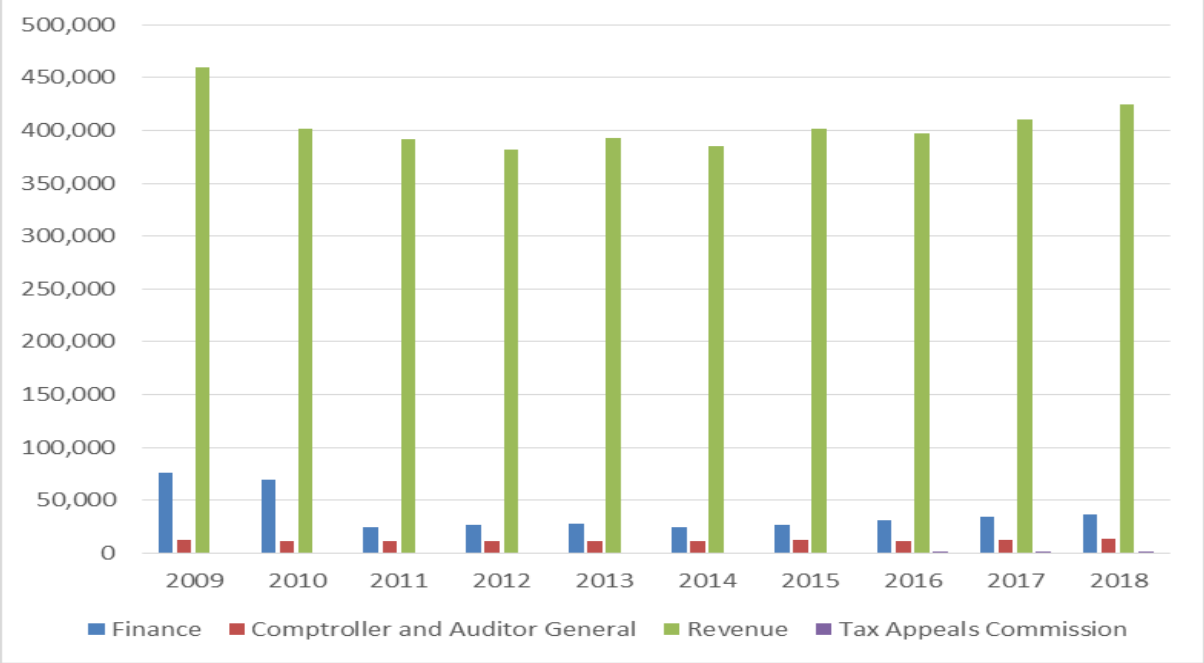
- Brexit
- Domestic and International Policy Framework
- PAYE Modernisation

Tax Appeals Commission

- Addressing backlogs
- Legislation
- Progression of ICT projects

- The Vote considers that the performance indicators for the Finance Group properly account for the work being carried out by these Departments and Offices and give an appropriate report on the real outcomes that are being delivered.

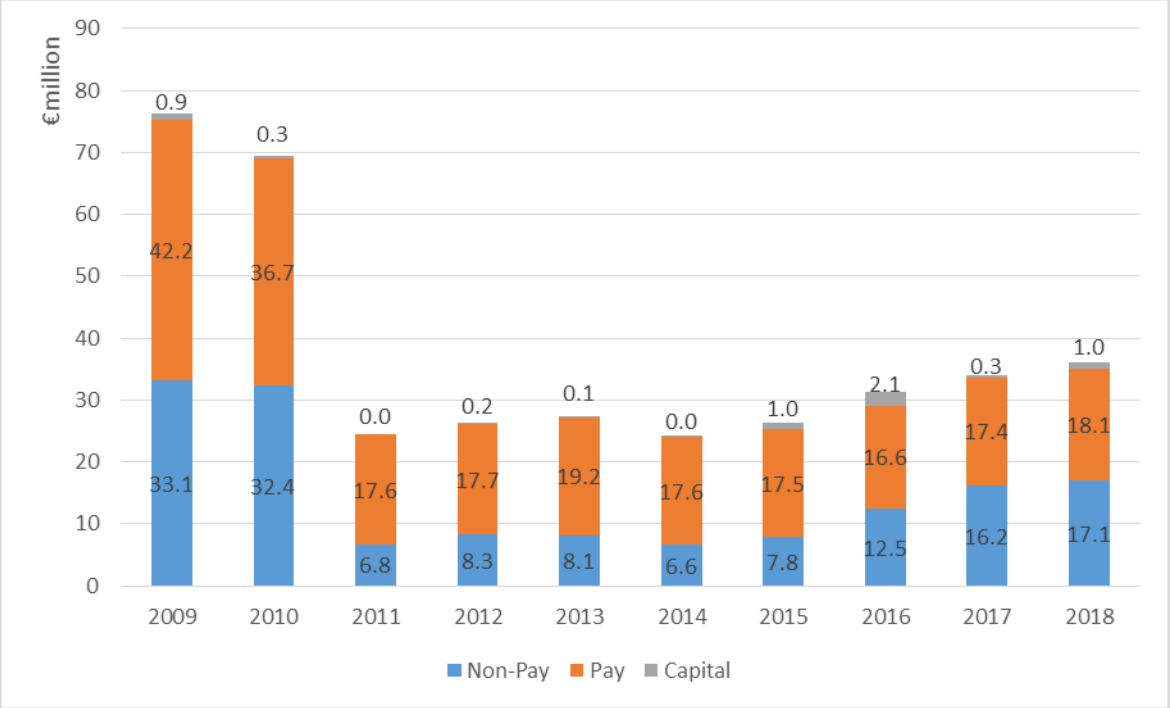
*Figure 1 – Total Gross Voted Finance Group Expenditure, 2009-2018*



## Department of Finance

### Section 1: Long-Term Trends

*Figure 2: Department of Finance Expenditure, 2009 – 2018*




Total Voted Expenditure on the Department of Finance equalled €375.4m within the period 2009-2018. The expenditure cliff in 2011 represents the establishment of the Department of Public Expenditure and Reform, and the separation of functions. Funding remained relatively stable between 2012 and 2015. Since 2015 it has increased slightly year-on-year.

From 2011 to 2018, gross expenditure has increased from €24.4m to €36.1m, an increase of €11.7m or 48%. In 2018, the Department of Finance received 0.05% of Government expenditure.

### Section 2: Expenditure Drivers

The drivers of expenditure for the Department of Finance are:

- **The paybill,** while remaining relatively stable from 2011 to 2018, it accounts for approximately 50% of the Gross Estimate.
- **Fuel Grant:** The increase in Non-Pay costs in 2016 are primarily due to the Fuel Grant, which now accounts for approximately 25% of the Department's Gross Estimate.
- **Consultancy** related to policy advice and legal advice account for approximately another 15% of the gross estimate. The outturn in any year in this category of expenditure depends on the amount of the potential legal cases concerning the Department take place.

## Section 3: Outcomes and Performance Indicators

The Department of Finance delivers under three programmes; Economic and Fiscal Policy, Banking and Financial Services and Delivery of Shared Services. While is not possible to fully cover the entire range of outputs and outcomes of programme spending, the following is reflective of the overall output trend in recent years.

*Table 1: Selected Outputs and Outcomes*

| | **2016** | **2017** | **2018** |
|---|---|---|---|
| NAMA Senior Debt Repaid | €5.5bn | €2.6bn | Nil<br>(Repaid in full by end 2017) |
| State Disposals | €1.6bn | €3.4bn | Nil |
| Monitor banks performance to ensure taxpayer investment protected (measured by CETI and profit). Core Tier 1 Ratio to at least meet minimum regulatory requirements on a bank-by-bank basis. | AIB 19%<br>BOI 14.2%<br>PTSB 17.2% | AIB 20.8%<br>BOI 15.8%<br>PTSB 17.1% | AIB 21.1%<br>BOI 15.0%<br>PTSB 17.0% |
| EIB** | €825m | €1.225bn | €677m |

## Section 4: Future Policy Challenges

**1. Brexit**

The role of the Department of Finance in the Brexit process is to protect the economic and financial interests of the state and to minimise disruption to trade to the greatest extent possible. The uncertainty surrounding the post-exit economic relationship between the UK and Ireland will be a key challenge for the Department in the coming years.

**2. Shareholding in Banks**

Government policy remains that it does not wish to hold its bank investments long term and subject to market conditions is committed to exit the investments in a manner that generates value for the taxpayer.

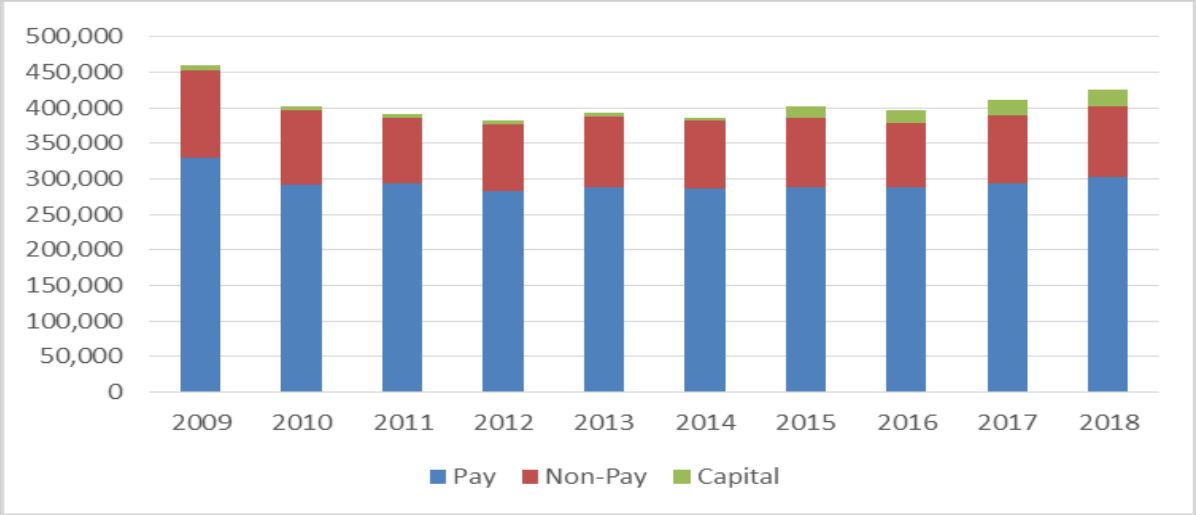
**3. Introduction of Financial Management Shared Service to the Department**

Managing the timing and introduction of the new system will be a challenge for the Department, particularly in its function as Pay Master General.

## Revenue Commissioners

### Section 1: Long-Term Trends

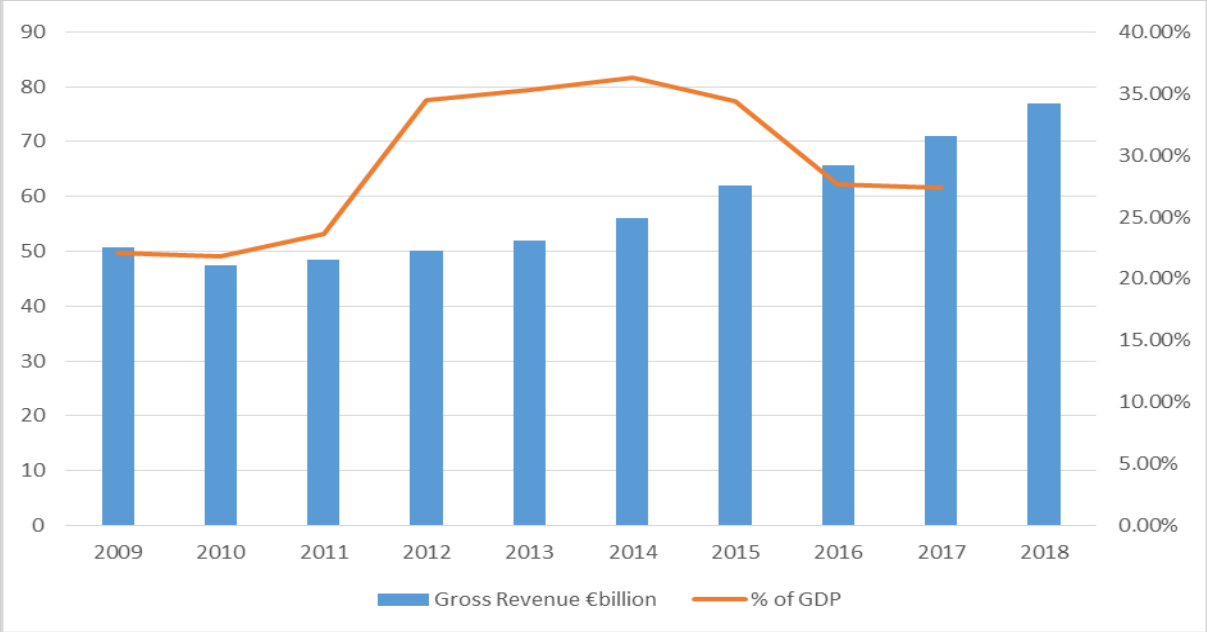
*Figure 3 – Expenditure on the Revenue Commissioners, 2009-2018*




Total Voted Expenditure on the Office of the Revenue Commissioners equalled €4,048m within the period 2009-2018. Pay accounts for over 70% of total expenditure as represented in the graph above.

In 2018, Revenue collected a record €54.6 billion for the Exchequer (as well as €12.5 billion in other receipts) and maintained high levels of compliance for the taxes and duties under its care and management. This was delivered through expenditure of €425m (equivalent to 0.77% of gross collection).

*Figure 4 – Gross Collection as a percentage of GDP, 2009-2018*



## Section 2: Expenditure Drivers

The main driver of Revenue's expenditure has been the increase in their customer base. In any given year, Revenue needs to implement urgent and new projects that ensure the complex tax systems can support budgetary and legislative changes as introduced by the Government or the EU.

Continued investment in information and communications technology, as well as providing better service for the taxpaying public, has been a major driver of productivity growth in Revenue.

*Table 2: Revenue Customers*

| Number of Taxpayers | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|---|
| PAYE Employments | 2.50m | 2.53m | 2.60m | 2.31m | 2.30m | 2.41m | 2.51m | 2.62m | 2.75m | 2.61m |
| Self-assessment Income Tax | 0.6m | 0.6m | 0.6m | 0.6m | 0.6m | 0.6m | 0.7m | 0.7m | 0.7m | 0.7m |
| Companies | 0.16m | 0.16m | 0.16m | 0.16m | 0.16m | 0.17m | 0.18m | 0.18m | 0.19m | .20m |

## Section 3: Outcomes and Performance Indicators

Revenue tracks and reports on a wide range of performance indicators, some of which are summarised in the tables and charts below.

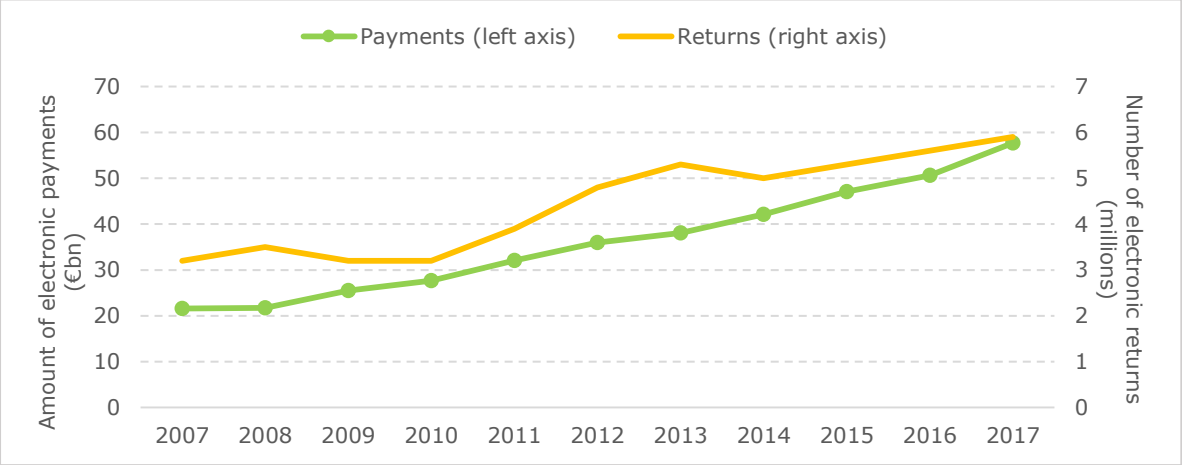
*Table 3: Selected Outputs and Outcomes*

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|---|
| Gross Revenue (€billion / % of GDP) | 50.7 | 47.5 | 48.4 | 50.2 | 51.9 | 56.1 | 61.9 | 65.6 | 71 | 77 |
| | 22.10% | 21.80% | 23.60% | 34.50% | 35.30% | 34.40% | 27.60% | 27.40% | 27.40% | |
| Net Revenue (€billion / % of GDP) | 33.3 | 31.9 | 34.2 | 36.7 | 37.9 | 41.4 | 45.8 | 47.9 | 50.8 | 55.3 |
| | 35% | 35.40% | 35.40% | 24.10% | 25.00% | 24.50% | 19.80% | 20.20% | 20.20% | |
| Administration cost (€m / % of gross collection) | 460.1 | 401.7 | 391.9 | 381.5 | 393.1 | 385.3 | 401.4 | 397 | 410.8 | 425 |
| | 1.09% | 0.98% | 0.92% | 0.85% | 0.83% | 0.78% | 79% | 76% | 77% | 0.77% |
| Debt for collection (€m / % gross receipts) | 1,443m | 1,389m | 1,317m | 1,180m | 1,009m | 907m | 823m | 755m | 958m | 1032m |
| | 2.80% | 2.90% | 2.70% | 2.35% | 1.95% | 1.60% | 1.30% | 1.15% | 1.35% | |
| Returns compliance (% returns filed) Large/Medium/Other | 96% | 97% | 98% | 98% | 98% | 99% | 98% | 99% | 99% | 99% |
| | 93% | 94% | 95% | 96% | 96% | 97% | 97% | 98% | 98% | 98% |
| | 81% | 81% | 81% | 82% | 83% | 84% | 85% | 87% | 89% | 88% |
| | 3.2m | 2.9m | 2.7m | 2.1m | 2.0m | 2.3m | *1.8m* | 1.6m | 1.5m | 1.5m |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Correspondence dealt with (volume / % Target processed within 20 days)** | 98% | 86% | 83% | 82% | 85% | 77% | 83% | 81% | 77% | 86% |
| **Call centre telephone calls answered (volume/ % answered)** | 2.0m | *1.7m* | 1.7m | 1.5m | 2.4m | 2.3m | 2.04m | 2.5m | 2.5m | 2.2m |
| | 88% | *90%* | *88%* | *80%* | *82%* | *83%* | *88%* | *88%* | *92%* | *88%* |
| **Interventions yield (€m / volume '000)** | 670m | 493m | 522m | 492m | 548m | 610m | 643m | 556m | 492m | 572m |
| | 374k | 466k | 558k | 538k | 627k | 437k | 462k | 537k | 656k | 581k |
| **% Audits yielding** | 70% | 72% | 72% | 69% | 69% | 67% | 67% | 65% | 65% | 64% |

High quality and secure digital and self-service channels are available. There has been a constant increase in the number of online transactions each year.

*Figure 5: Electronic Returns and Payments*




Customer surveys show a high level of satisfaction. Revenue's customer satisfaction levels consistently exceed 90% in recent surveys.

*Figure 6: Customer Satisfaction*

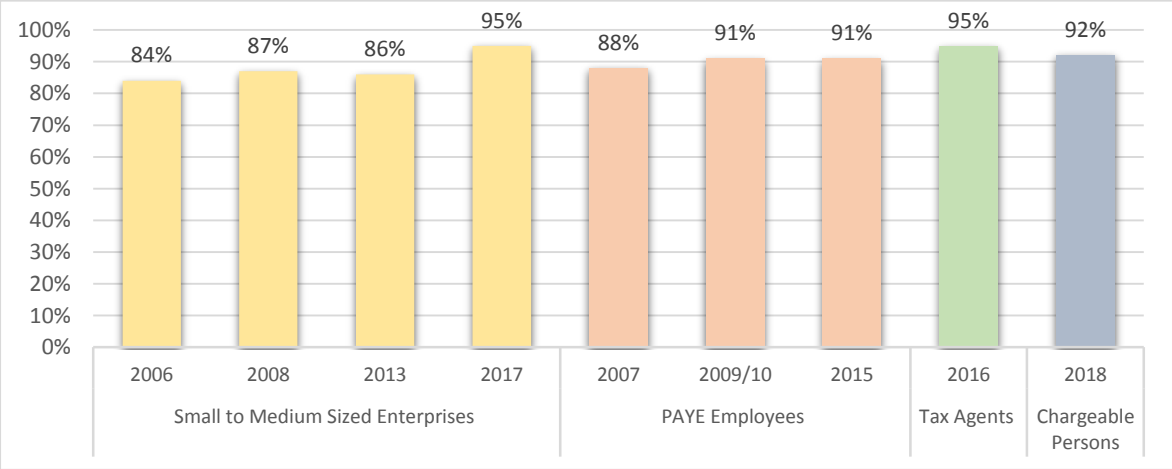


*Table 4: Irish Tax Administration by reference to International Bench-Marking*

| | Ease of Paying Taxes Ranking* | Burden of Customs Ranking** |
|---|---|---|
| 2012 | 6th world (1st EU) | n/a |
| 2013 | 6th World (1st EU) | 5th World (4th EU) |
| 2014 | 6th World (1st EU) | 8th World (3rd EU) |
| 2015 | 6th World (1st EU) | 6th World (2nd EU) |
| 2016 | 5th World (1st EU) | 6th World (2nd EU) |
| 2017 | 4th World (1st EU) | 6th World (2nd EU) |
| 2018 | 4th World (1st EU) | n/a |

*World Bank/PwC, Paying Taxes reports. **World Economic Forum, The Global Competitiveness Report

Ireland's ranking has set the benchmark for our EU counterparts when it comes to ease of meeting tax and customs obligations.

## Section 4: Future Policy Challenges

**1. Brexit**

Facilitating the efficient and timely movement of legitimate trade in compliance with customs controls post Brexit. The delivery of efficient implementation of tax and customs procedures in a post-Brexit environment. Work to support trade and businesses to maintain high levels of voluntary compliance.

In preparation for a 'no-deal' Brexit, recruitment and training schedules have been accelerated and expanded with over 400 additional staff in place at the end of March 2019 in addition to a dedicated Brexit Unit.

During 2018, Revenue processed 1.6 million import and export custom declarations through their electronic systems. Post Brexit import and export declarations could increase to as many as 20 million per annum. Revenue are undertaking significant work to increase their systems' capacity to cater for trade with the UK as a third country. Their systems will successfully handle the increased transaction levels arising because of Brexit.

**2. Domestic and International Policy Framework**

Revenue support the Department of Finance in the ongoing evaluation and development of the tax and duty policy framework, including changes to Local Property Tax and implementation of Ireland's Corporation Tax Roadmap, including BEPS implementation work.

Aimed at informing policy makers and other stakeholders, Revenue annually publishes circa 100 datasets of statistics relating to taxes and duties. In addition, they provide a Ready Reckoner document showing the impact of policy change which is the basis for Revenue's Budgetary estimates and costings.

Annually, Revenue works closely with the Department of Finance to ensure the Finance Bill and associated instruments are prepared and passed through the Oireachtas. Under International Agreements, Tax Treaties are negotiated and ratified. Most recently in 2018 a Tax Treaty with Ghana was signed, adding to the over 70 treaties in effect.

**3. PAYE Modernisation**

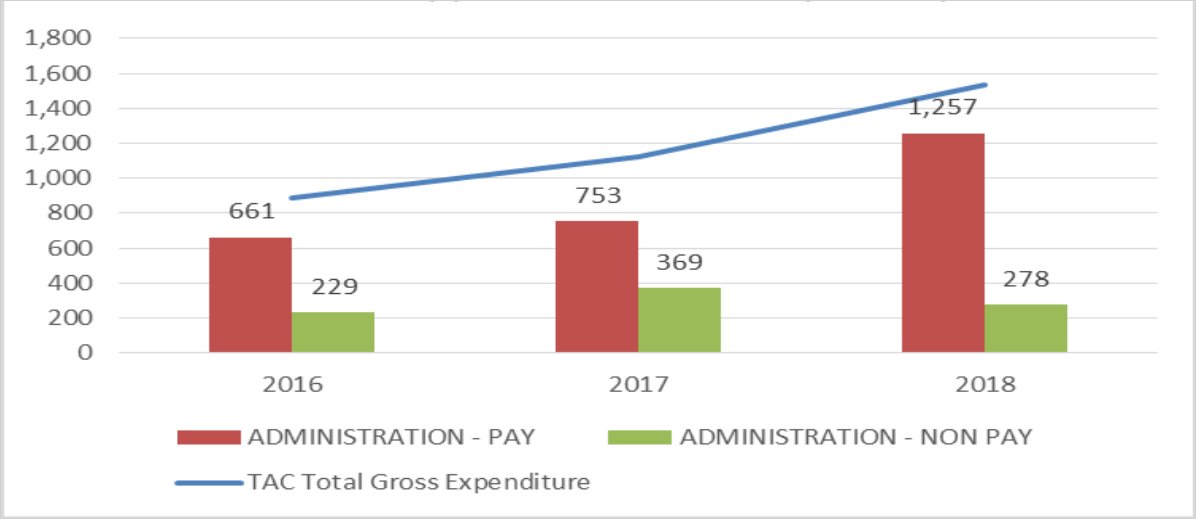
The new arrangements for PAYE reporting came into operation on 1 January 2019, representing the most significant reform of the administration of the PAYE system since its introduction in 1960. The transition to a real-time reporting system represents an important step in Revenue's commitment to continuously improve service, compliance and efficiency in the administration of the tax system. As of May 2019, Revenue had received over 2 million payroll submissions from 161,000 employers.

A new online service launched in May 2019 allows employees view their payroll information as submitted to Revenue by their employers. Increased customer contacts, which may be generated by availability of this real-time information, will be closely monitored and proactively managed.

## Tax Appeals Commission

### Section 1: Long-Term Trends

*Figure 7 – Expenditure on the Tax Appeals Commission, 2016-2018 (€m)*




Total Voted Expenditure on the Tax Appeals Commission equalled €3.547m within the period 2016-2018. TAC expenditure relates primarily to staff costs and the costs of facilitating the hearing of appeals as set out in the chart above. On establishment, TAC staff comprised of 2 Appeal Commissioners and 4 support staff, by end 2018 this increased to 3 Appeal Commissioners and 14.5 FTE support staff.

### Section 2: Expenditure Drivers

- The pay bill accounts for the majority of the vote - 81% in 2018 (provisional), 67% in 2017 and 74% in 2016.
- On establishment the TAC inherited 282 cases from the Office of the Appeal Commissioners, but during 2016 over 2,700 additional legacy appeals were transferred from Revenue to the TAC. Changes to the appeals process have also resulted in a significant increase in the number of new appeals arising, as all taxpayer appeals are now notified to the TAC in the first instance, rather than Revenue. As a result, a backlog of appeals developed, standing at approximately 3,453 at year end 2018.
- In 2018, the Minister for Finance sanctioned an independent review of the workload and operations of the Tax Appeals Commission. The review made a number of recommendations on governance, resources and process improvements within the Commission, resulting in a near-doubling of the TAC budget from 2018 to 2019.
- Additional recruitment at administrative and Commissioner level is expected throughout 2019, with the total number of staff expected to reach 32.5 FTE, including 6 Appeal Commissioners, as per the recommendations of the review.

- The vote estimate for Office Equipment & External IT Services also increased substantially between 2018 and 2019, to facilitate the procurement of a new Case Management System and sundry ICT equipment.

## Section 3: Outcomes and Performance Indicators

- The Tax Appeals Commission's main purpose is to hear evidence and make determinations on matters that are in dispute between taxpayers and Revenue.
- As of 20 May 2019 the Commission has 3,652 appeals on hand. This represents a quantum of approximately €3.7 billion. Of this amount, €2.5 billion is comprised in 10 appeals, five of which were received by the TAC in the last week of December 2018. Of the 10 highest-value appeals before the Commission, two appeals with a combined value of €1.67 billion are currently stayed by Court Order and cannot be progressed by the TAC until the stays are lifted.
- With the substantial increase in resources to the TAC in 2019, it is expected that the overall number of appeals on hand, and consequently the quantum of tax under appeal before the TAC will begin to decrease steadily over the coming year.

*Table 5: Number of appeals received and number of appeals closed from establishment (21 March 2016) to 31 December 2018*

| | 2016 | 2016 | 2017 | 2017 | 2018 | 2018 |
|---|---|---|---|---|---|---|
| **Month** | **Received** | **Closed** | **Received** | **Closed** | **Received** | **Closed** |
| January | | | 559 | 52 | 264 | 64 |
| February | | | **75** | **39** | 134 | 319 |
| March | 1,557 | 4 | 177 | 74 | 159 | 148 |
| April | 74 | 7 | 91 | 53 | 104 | 141 |
| May | 75 | 15 | 106 | 131 | 195 | 122 |
| June | 95 | 15 | 82 | 52 | 72 | 76 |
| July | 107 | 29 | 106 | 51 | 114 | 116 |
| August | 79 | 13 | 90 | 45 | 127 | 56 |
| September | 80 | 16 | 107 | 19 | 108 | 89 |
| October | 76 | 23 | 95 | 49 | 108 | 156 |
| November | 103 | 40 | 107 | 42 | 115 | 72 |
| December | 99 | 44 | 152 | 83 | 189 | 81 |
| **Total** | **2,345** | **206** | **1,747** | **690** | **1,689** | **1,440** |

## Section 4: Future Policy Challenges

1. **Addressing backlogs –** the TAC is taking action to address the backlog of appeals to date and will have the challenge of integrating additional Commissioners and staff to the existing cohort to achieve this goal.
2. **Legislation** – legislation is progressing to establish the role of Chairperson in the TAC. Subject to the passage of this legislation, the TAC will have the challenge of adapting to this new governance structure.
3. **Progression of ICT projects** – while ICT projects are not policy challenges per se, an effective Case Management System and appropriate ICT equipment is essential to the delivery of TAC services. The TAC plan to develop a new CMS with improved functionality to interface with appellants, agents and with Revenue's systems and to deliver improved reporting capability. There is a need to ensure that the final product is properly designed, tested, user friendly, value for money and supports the Civil Service-wide commitment to providing world-class service to citizens.

## Foreign Affairs & Trade

Victoria Cahill

Summary

The Foreign Affairs Group of Votes consists of:

- Vote 27 – International Co-operation
- Vote 28 – Foreign Affairs and Trade

Total voted expenditure for this Departmental Vote Group 2009 – 2018 is €7,196m. This review focusses mainly on the expenditure of the Department of Foreign Affairs and Trade with input on Outcomes and Performance Indicators for Vote 27.

The funding provided to the Department of Foreign Affairs and Trade supports the Department's efforts to serve the Irish people, promote their values and advance their prosperity abroad, and provides the Government with the capabilities, analysis and influence to ensure that Ireland derives the maximum benefit from all areas of its external engagement.

The current main expenditure drivers are the significant increased demand for passports and citizenship, Brexit, new missions and implementation of *"Global Ireland 2025"*, Ireland's increasing contributions to international organisations, ICT support costs, currency exchange exposures and general cost increases worldwide which are expanded on in Section 2.

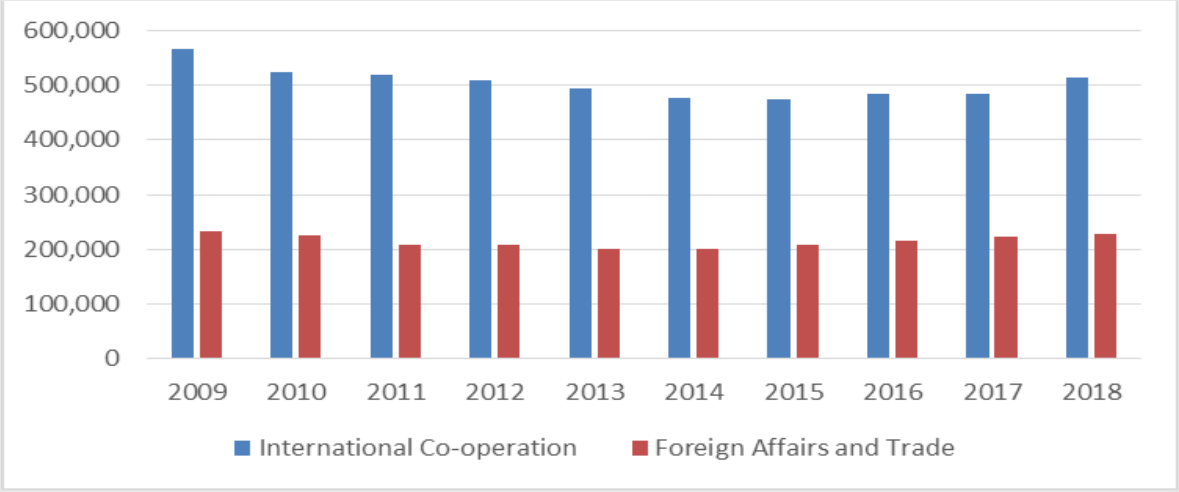
There are five expenditure programmes under Vote 28 corresponding with the Department's five high level goals: - Our People, Our Place in Europe, Our Values, Our Prosperity and Our Influence. The outcomes delivered under these programmes are outlined in Section 3.

The funding provided to International Co-Operation represents development cooperation funding, including bilateral country programmes, long term multilateral engagement and shorter term humanitarian responses. In 2019, Ireland published a new policy for international development, "A Better World" with its call to reach those Furthest Behind First.

The future policy challenges facing this Departmental Vote group are:

- Brexit;
- Passport Reform and increasing demand for passports;
- Ireland's commitment to International Development;
- Delivering on *"Global Ireland 2025",* and
- Ireland's SECCO Campaign.

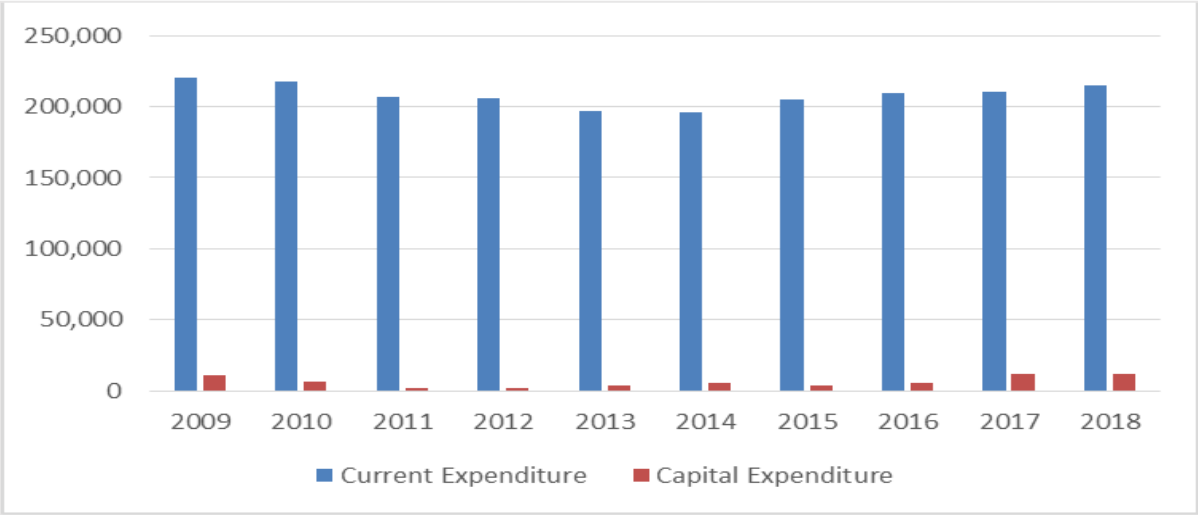
*Figure 1 – Total Voted Foreign Affairs Group Expenditure, 2009-2018*




## Department of Foreign Affairs and Trade

### Section 1: Long-Term Trends

*Figure 2 – Expenditure on the Department of Foreign Affairs and Trade, 2009-2018*




Total Voted Expenditure on the Department of Foreign Affairs and Trade equalled €2,149m within the period 2009-2018.

### Section 2: Expenditure Drivers

- **Increased demand for passports:** There has been a sustained increase in demand for passports, leading to an increase in operating costs, driven by a number of factors including a general increase in travel abroad, a growing population and a rise in applications from Northern Ireland and Great Britain following the UK referendum decision in June 2016 to leave the EU. In each of the first four months in 2019 passport

applications have exceeded 100,000 per month for the first time in the history of the Passport Service. In addition, there is also a significant increase in applications for Irish citizenship under the Foreign Births Registration arrangements.

- **Brexit:** A key focus for this Department is around safeguarding Ireland's interests in the broader context of Brexit negotiations and additional resources have been put in place at HQ and in key EU Missions to address the challenges. 30 additional posts dedicated to Brexit-related posts, at home and abroad, have been created so far.
- **Ireland's increasing contributions to international organisations:** The Department pays Ireland's contributions to a number of international organisations including the UN, OECD, OSCE and the Council of Europe. These assessed contributions for Ireland are based on formulae related to Ireland's Gross National Income (GNI). As Ireland's GNI has increased this has resulted in a corresponding increase in Ireland's assessed contributions to these international organisations. In addition changes to the UN Peacekeeping Budget will result in higher contributions by Ireland in 2019.
- **Global Ireland 2025 Implementation:** As part of the 2019 Budget, €13 million was allocated to the Department of Foreign Affairs and Trade to deliver on initial commitments under Global Ireland. In 2019, funding has been allocated to enable preparations for Ireland's involvement in Expo 2020 in Dubai, the construction of an Ireland House in Tokyo, the opening of new Embassies and Consulates and the strengthening of resources at Headquarters.
- **New Missions:** The 2019 Budget will deliver on initial commitments under Global Ireland, completing the first phase of openings of new Irish Embassies and Consulates. Embassies are now open in Wellington, Monrovia Bogotá, Santiago, and Amman, and Consulates General are open in Mumbai and Cardiff. Consulates General are scheduled to open in Frankfurt and Los Angeles before the end of the year.
- **ICT support costs**, including those associated with the supply of ICT services worldwide and an upgrade in technology facilities under the **Department's ICT Strategy 2018-2020** are driving expenditure in this area.
- **General cost increases worldwide,** currency exchange exposure, ICT Global Network and the Global State Property Portfolio are also driving expenditure within this Department.

## Section 3: Outcomes and Performance Indicators

There are five expenditure programmes under Vote 28 corresponding with the Department's five high level goals, viz. *Our People, Our Place in Europe, Our Values, Our Prosperity and Our Influence.*

***Programme A: Our People***

*To Serve Our People at Home and Abroad and to Promote Reconciliation and Cooperation*

| Context Indicators | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| Passport Revenue | €42.2m | €46.7m | €50.2m | €51.4m |
| Consular Services Revenue | €3.2m | €4.7m | €7.4m | €8.3m |
| Consular services documents processed including: Letters of freedom to marry abroad; Foreign Birth Registrations; documents authenticated | 63,683 | 71,521 | 81,839 | 89,319 |
| Total No. of citizens in distress who receive consular assistance | 2,614 | 2,762 | 2,597 | 2,343 |
| No. of passports issued | 669,806 | 733,060 | 781,375 | 862,415 |
| DFAT website visitors | 5.8m | 8.7m | 8.95m | 11.06m |

So far in 2019, the Department is focussing on:

- Following the successful introduction of the Online Passport Renewal Service in 2017 and the expansion of this service in 2018, the Passport Reform Programme will continue in 2019 to deliver a modern Passport Service with enhanced security and anti-fraud capabilities. In 2018, a total of 862,415 passport books and cards were issued to Irish citizens worldwide. This represents an increase of 10% over the previous year, which was itself a record breaking year. Application volumes are expected to increase for 2019.
- Providing Irish citizens abroad with appropriate assistance and deliver a responsive consular service. The Department's public offices in Dublin and Cork deal with the authentication of some 60,000 documents annually for use abroad by Irish companies and citizens. It is planned that cash transactions will be removed from both public offices.
- The number of applications for Irish citizenship through Foreign Birth Registration (FBR) has increased threefold since the British Vote in 2016 to leave the EU.
- Allocating grants from the Reconciliation Fund (in the region of €2.7 million) to support over 100 civil society and community organisations working to support peace and reconciliation on the island of Ireland and between Ireland and Britain;
- Supporting 200+ organisations under the Emigrant Support Programme and provide resources for diaspora engagement.
- New DFAT Consular Strategy 2019-2022, "TravelWise: Staying safe and informed while travelling abroad" launched in May 2019.

***Programme B: Our Values***

*To work for a Fairer, More Just, Secure and Sustainable World*

| **Context Indicators** | **2015** | **2016** | **2017** | **2018** |
|---|---|---|---|---|
| No. of Irish statements delivered at UN meetings on Human Rights | 122 | 87 | 60 | 72 |

The 2019 targets for this Programme which the Department is focussed on, which are integrated with those in Vote 27 (International Cooperation), are:

- to promote our human rights priorities and improve coherence of human rights promotion and protection in our foreign policy;

- to drive international efforts to protect women and girls in conflict zones and to ensure participation of women in peacebuilding and conflict resolution;
- to campaign for Ireland's election to the UN Security Council in 2020;
- to advocate for peace building through our membership of multilateral organisations;
- to lead international efforts on disarmament and non-proliferation, and
- to implement the rulings of international courts.

***Programme C: Our Prosperity***

*To Advance Ireland's Prosperity by Promoting our Economic Interests Internationally*

| **Context Indicators** | **2015** | **2016** | **2017** | **2018** |
|---|---|---|---|---|
| Total Cross Border Trade | €6.839bn | €6.29bn | €3.3bn* | €3.49bn* |
| No. of overseas visitors | 8.6m | 8.7m | 9.9m | 10.6m |
| No. of visas applications submitted to missions | 115,690 | 124,225 | 124,781 | 140,537 |
| No. of St Patrick's Day events held | N/A | 348 | 699 | 1,302 |
| **Goods only* | | | | |

The Department's work under this programme in 2019 is focussing on:

- leveraging our resources to drive job creation, exports including cultural exports, inward investment, and the tourism and education markets. There is a continued focus on assisting Irish business in the context of the UK's exit from the EU, drawing on the strategies outlined in "*Ireland Connected: Trading and Investing in a Dynamic World*".
- The deepening of Ireland's global footprint including a targeted response to both new and mature markets to mitigate the economic impact of Brexit.
- Preparation for Ireland's participation in EXPO 2020 begun in 2018 and will continue in 2019.

***Programme D: Our Place in Europe***

*To Protect and Advance Ireland's Values and Interests in Europe*

| **Context Indicators** | **2015** | **2016** | **2017** | **2018** |
|---|---|---|---|---|
| No. of EU meetings (working group & above) services by the Perm Rep. | N/A | 6,000 | 5,000 | 6,000 |

The focus of work under this Programme in 2019 is around:

- Safeguarding Ireland's interests in the broader context of Brexit negotiations – especially with regard to Irish issues, the new EU-UK relationship and the future direction and policies of the Union.
- Actions in 2019 include: Continuing to deliver clear Irish messages on key Brexit issues to our European partners, including the EU institutions, in Brussels and across the EU27;

effective engagement in preparedness and contingency planning, including cross-departmental coordination; proactive public engagement including communications and public events.

- It will be increasingly necessary to strengthen our alliances with other member states to seek to influence the EU Strategic Agenda 2019-2024, and the outcome of EU dossiers of particular significance to Ireland.
- Mission network providing support to all Government Departments, as required, and proactively reporting on key issues affecting Ireland; and active participation at the Foreign Affairs and the General Affairs Councils and input to the implementation of the EU's Global Strategy.

***Programme E: Our Influence***

*To strengthen our influence and our capacity to deliver our Goals*

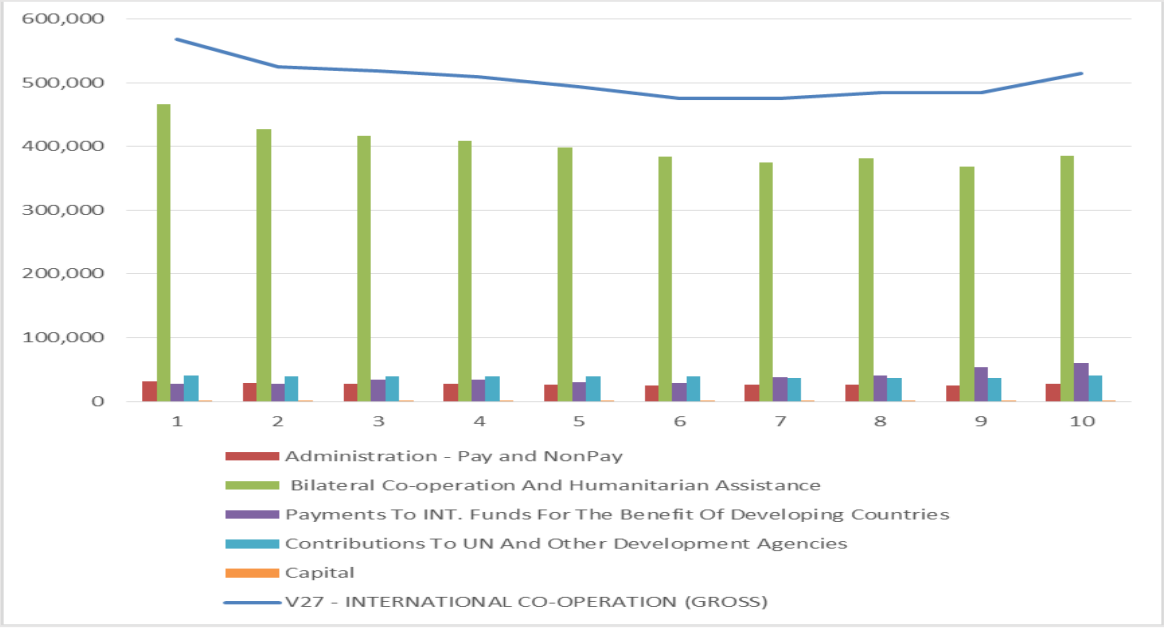
The Programme E focus in 2019 is on strengthening DFAT's corporate performance with a view to improved public service. This includes:

- Enhanced corporate governance and internal management systems;
- Increased public diplomacy;
- Services in Irish;
- Strong commitment to transparency, including proactive publication of material on DFAT websites and FOI publication;

## International Co-Operation

### Section 1: Long-Term Trends

*Figure 3– Expenditure on International Co-operation, 2009-2018*




Total Voted Expenditure on International Co-operation equalled €5,047m within the period 2009-2018.

Expenditure under Vote 27 represents development cooperation funding, including bilateral country programmes, long term multilateral engagement and shorter term humanitarian responses as set out in Figure 3 above.

## Section 2: Outcomes and Performance Indicators

| **Context Indicators** | **2015** | **2016** | **2017** | **2018** |
|---|---|---|---|---|
| ODA as a % of GNI | 0.39% | 0.32% | 0.32% | N/A |
| % ODA directed to humanitarian crises | 22% | 27% | 24% | N/A |
| No. of key partner countries integrating climate change into their country strategies | N/A | 3 | 7 | 7 |

The Vote considers that Vote 27 and 28 performance indicators have been developed to accurately reflect the work of the Foreign Affairs Group and to report on the real outcomes that are being delivered for the citizen, both at home and abroad.

## Section 3: Future Policy Challenges (Department of Foreign affairs and Trade & International Co-Operation)

- **Brexit**
  A key focus for this Department is around safeguarding Ireland's interests in the broader context of Brexit negotiations and additional resources have been put in place at HQ and in key EU Missions to address the challenges. 30 additional posts dedicated to Brexit-related posts, at home and abroad, have been created so far.

- **Passport Service Reform Programme and increasing demand for passports**
  The Passport Reform Programme was launched in 2016 and has an ambitious plan to transform the Passport Service by delivering 32 projects at a total cost of €21.3m over a five year period. The Programme has delivered major upgrades to Passport Service technology platforms and business processes as well as significant customer service improvements. The introduction of Online Adult Renewals in March 2017 and Online Child Renewals in November 2018 have been the most significant public innovations for the Passport Service since the introduction of APS, the current processing system, in the early 2000s. The result has been a significantly enhanced customer service due to ease of use and improved delivery times, with over 520,000 citizens using the online channel since its launch. Tangible benefits from the focus on increasing the protection of the integrity of the Irish passport have been realised through the enhanced Facial

Recognition System, the new Emergency Travel Certificate with enhanced security features, and new business processes which help mitigate against the threat of fraud. Before its conclusion, the Reform Programme will also deliver a new back-end Passport Issuance and Processing System (PIPS) and a second automated passport mailing machine, while also expanding the online channel to allow all Irish citizens to apply 24/7 from anywhere in the world.

- **Ireland's commitment to International Development**
  Ireland's new policy for international development "A Better World" commits the Government to increasing expenditure on a number of commitments addressing international climate action; humanitarian need; gender equality; and governance through its development cooperation programme. This new policy reconfirms Ireland's commitment to progressing towards the United Nations target of providing 0.7% of Gross National Income (GNI) in Official Development Assistance (ODA), where economic circumstances permit.

  In addition, because of a proposed increase in the volume and changes in the management of the EU's international development support under the next Multiannual Financial Framework, it is likely that the proportion of Ireland's Official Development Assistance (ODA) going through the EU institutions (presently 26%) will increase. Ireland's new Policy for International Development, "*A Better World*", and "*Global Ireland, Ireland's Global Footprint to 2025*" commit to the deepening of our relations within the EU on development issues and the strengthening of our presence in multilateral institutions.

- **Delivering on "*Global Ireland 2025*"**
  In June 2018 the Government launched Global Ireland, Ireland's Global Footprint to 2025, an ambitious plan which aims to double the scope and impact of Ireland's international presence by 2025.

- **Ireland's SECCO Campaign**
  On 2 July 2018 the Taoiseach and Tánaiste launched Ireland's election campaign for a non-permanent seat on the UN Security Council for the 2021-2022 term. Ireland has sought election to the Security Council at roughly 20-year intervals. The campaign will be an opportunity to showcase Ireland's foreign policy credentials and international standing at the UN, to highlight our contribution to the UN throughout six decades of membership in the fields of sustainable development, peacekeeping, disarmament and human rights and to build relationships with new partners for investment, trade and tourism.

## Health

Deirdre Collins, Seán Prior

Summary

**From 2009 to 2018, total Government expenditure on healthcare rose from €14.8bn to €16.2bn.**

- Health expenditure has fluctuated over the last decade. Expenditure increased considerably from 2009; initially falling to 2013 due to the economic downturn and then continually rising reaching a peak in 2018. In more recent years, total health spend has increased significantly reaching record levels in 2018 of €16.2bn.
- Healthcare has consistently accounted for approximately a quarter of Voted expenditure over the period.

**In terms of outcomes, from 1999 to 2016 life expectancy in Ireland rose from 76.2 to 81.8, equivalent to an average annual increase of four months.**

- Five year survival rates in Ireland for all cancers have improved, however they are still below the OECD average in terms of breast cancer five year net survival; 82% compared with 85%.

**Total health expenditure increased by 17% from 2014 to 2018, this growth is significant over such a short period of time.**

- Growth over this period was primarily driven by increased expenditure in the acute hospital setting through increased staff numbers and growth in pharmaceuticals.

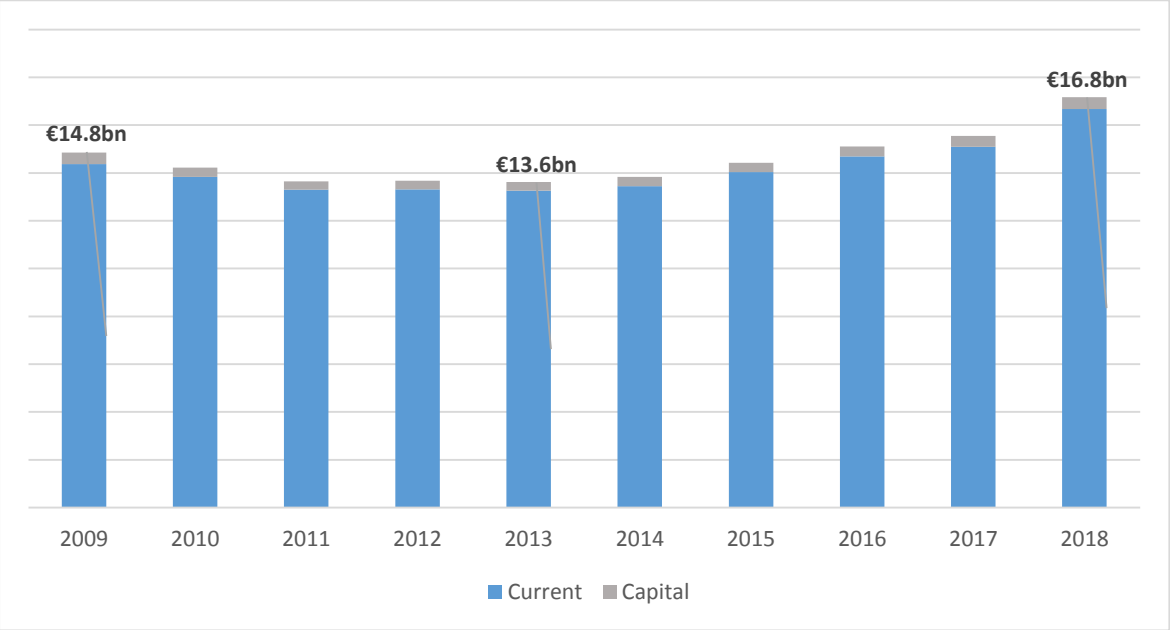
***There is an increasing need to ensure that all health resources are deployed as effectively as possible.*** To this end, Spending Review 2019 will take an in-depth look at the following topics:

- Emergency Departments
- The profiles of those engaging with the Nursing Home Support Scheme
- Mental Health expenditure; and
- Eligibility analysis using a costing framework for GP care expansion

## Section 1: Long-Term Trends

**Healthcare has traditionally been the second largest area of Government expenditure behind Social Protection, and the amount spent on it has consistently risen since 2013.** Figure 1 below illustrates this trend.

*Figure 1 - Total Expenditure on Health, 2009 to 2018*



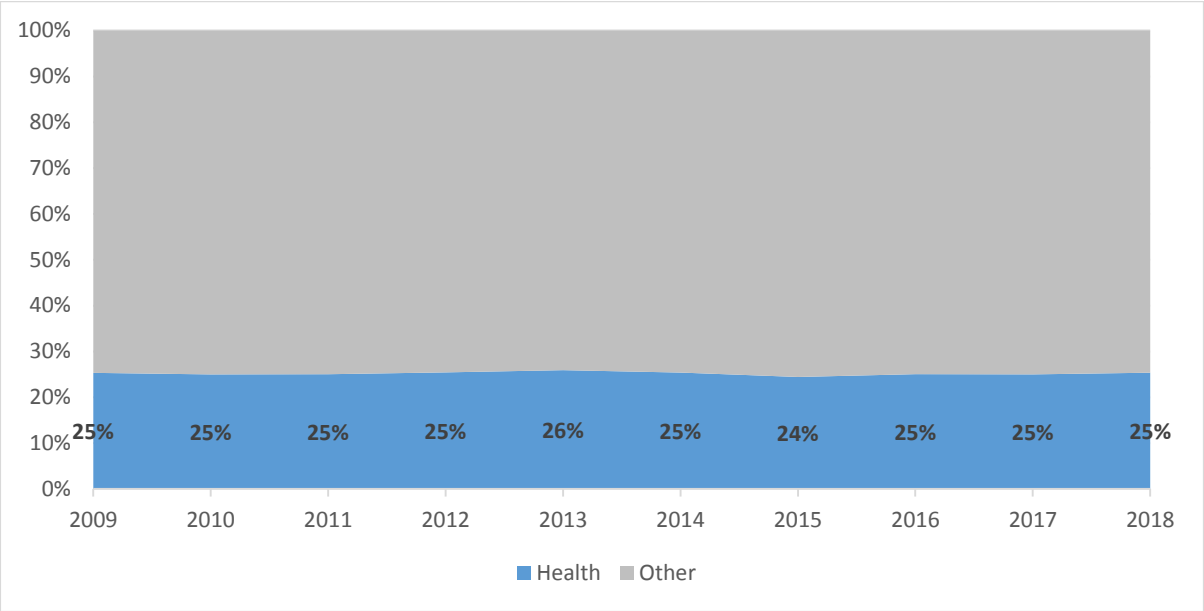

Sources: Department of Health; Department of Public Expenditure and Reform

It is difficult to compare health expenditure across this period on a like-for-like basis due to a number of significant changes that have taken place. These include the transfer of the Domiciliary Care Allowance to the Social Protection Vote in 2010, the transfer of Children and Families expenditure to the Children and Youth Affairs Vote in 2014 and the disestablishment of the HSE Vote in 2015. Figure 1 attempts to control for these changes as far as possible, and it is clear that the amount Government spend on health has increased substantially since 2009. **That year, the Government spent just over €14.8bn on health. By 2018 that figure had risen to €16.8bn.**

**Health expenditure has fluctuated over the last decade reflecting changes in the economic climate.**

In the period from 2009 to 2018 health spending increased by an average of €137m annually to a pre-crisis peak of €16.2bn. Spending had contracted during the recession years – largely the result of central pay agreements and the recruitment moratorium – but has grown again since 2013. Once off-Vote HSE income is taken into consideration the 2017 spend of approximately €16.2bn marked a record in the history of the State, and the 2019 allocation has continued this upward trend. From 2014 to 2018 spend increased dramatically as health spending increased by an average of €522m annually from the post-crisis trough.

*Figure 2 - Health expenditure as a percentage of total gross Voted expenditure, 2009 to 2018*



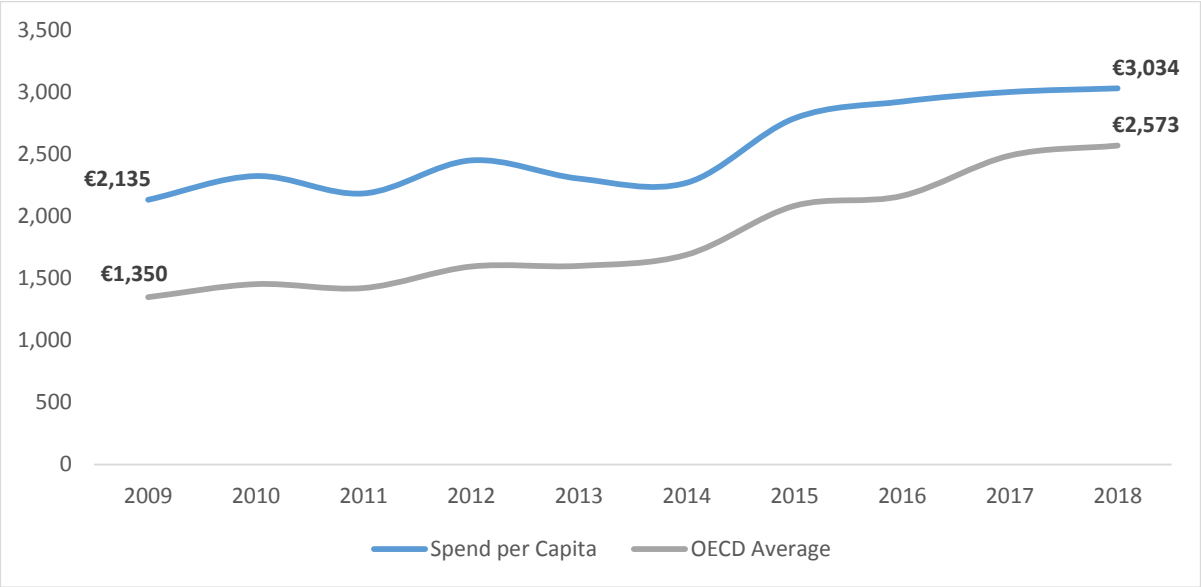

*Source: Department of Public Expenditure and Reform*

Figure 2 above shows that healthcare has consistently been a priority within overall Government spending over the decade. **Since the establishment of the HSE in 2005 health has on average accounted for 25% of Voted expenditure annually.** It maintained this share of Government spending even during the recession years when spending on other areas declined and has continued to do so since.

Ireland's age profile remains young. Ireland's elderly population (those over 65) is significantly lower than the EU average; 12.7% of the population in Ireland compared with the 17.5% EU average. Using the supposition that there is a positive relationship between age and the demand for health care services we would expect Government spending on health per capita be lower than the EU average.

While Government spending on health care would have had to increase over the past ten years simply to keep pace with a growing population, the rate of expenditure growth since 2008 has been far greater than demographic pressures.

*Figure 3 - Expenditure on health per capita, 2009 to 2018*




Source: *OECD Health Expenditure and Finance Data and Central Bank of Ireland Exchange Rates 2009 - 2018*

As shown in Figure 3, as with total expenditure, per capita Government spend on healthcare decreased in the period 2009-2013. In 2009, Government spending on health was €2,135 per capita. By 2018 this had risen to €3,034.

## Section 2: Expenditure Drivers

### Long-Term Overview

Taking expenditure developments as a whole, a range of factors have played a role in driving changes in the scale of expenditure witnessed over the past 10 years. Some examples are briefly outlined below.

**A significant increase in health spend was experienced over the decade 2009 to 2018, with expenditure increasing from €14.8bn to €16.2bn.**

- Firstly, demographic change led to an expansion in numbers of supported by the health sector. The overall population expanded by 0.323 million or 7% in the period 2009 to 2018. Over the decade 2009 to 2018, expenditure fluctuations were reflective of changes in the economic environment. However, since 2014 expenditure on health care has increased significantly from €13.8bn to €16.2bn in 2018.

- Health expenditure reached a peak in 2009 and from this point fell considerably until 2013 as a result of the economic downturn. The reductions in health expenditure were primarily delivered through changes in pay policy, these included reductions in numbers and the use of Financial Emergency Measures in the Public Interest (FEMPI). These measures resulted in the HSE pay bill falling by an estimated €763m or 11% over the period 2009-2013.

- Trends in total health expenditure from 2013 onwards, as illustrated in Figure 1, mirror movements in the HSE pay bill over the period. See Table 1 below for HSE pay bill and HSE WTEs.

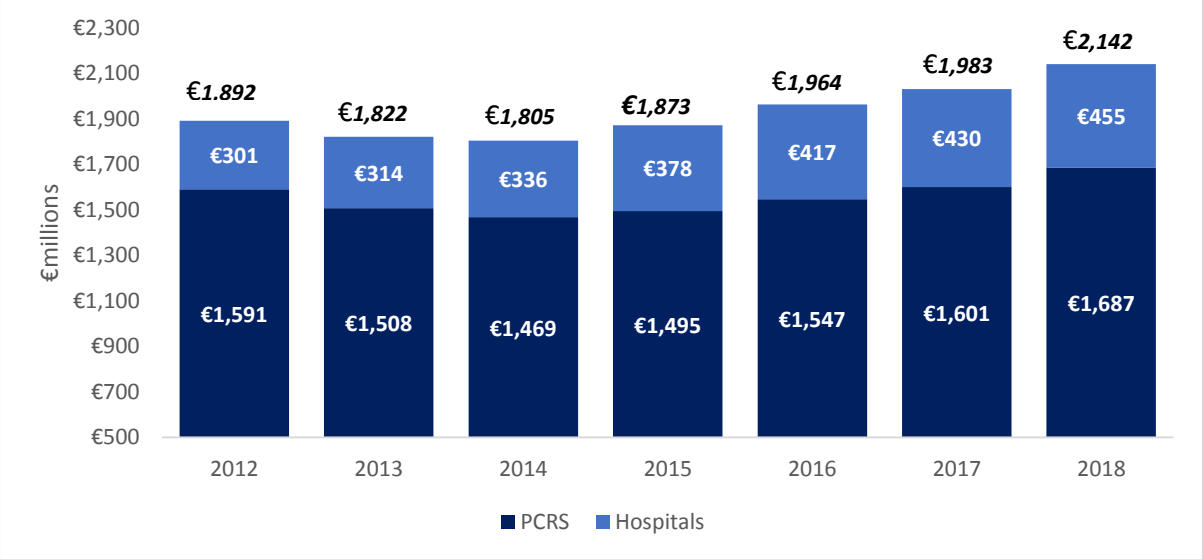
*Table 1 - HSE Pay Bill and HSE Staffing Levels from 2009 – 2018*

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|---|
| Pay Bill (€m) | 6,929 | 6,466 | 6,385 | 6,251 | 6,166 | 6,085 | 6,220 | 6,442 | 6,772 | 7,183 |
| Annual Change (€m) | 166 | -463 | -81 | -134 | -85 | -81 | 135 | 222 | 330 | 411 |
| Annual Change (%) | 2% | -7% | -1% | -2% | -1% | -1% | 2% | 3.5% | 5% | 6% |
| | | | | | | | | | | |
| WTE | 109,753 | 107,972 | 104,392 | 101,506 | 99,959 | 97,791 | 103,884 | 107,085 | 110,795 | 117,857 |
| Annual Change | | - 1,781 | -3,580 | -2,887 | -1,547 | -2,168 | 6,093 | 3,201 | 3,710 | 7,062 |
| Annual Change (%) | | -2% | -3% | -3% | -2% | -2% | 6% | 3% | 3% | 6% |

*Source:* HSE Employment Reports

- The largest element of growth in total non-pay related health expenditure is pharmaceuticals. Pharmaceutical expenditure has fluctuated over the period 2012 to 2018. Spend on some community schemes[23] decreased from 2012 to 2014 as a consequence of the introduction of a number of measures tightening eligibility and reducing supplier fees (FEMPI). However from 2014 to 2018 pharmaceutical expenditure was on an upward trajectory, this is similar to the trend in overall health expenditure as significant growth occurred from 2014 onwards.

*Figure 4 - Pharmaceutical Spend Across Hospitals and Community Schemes 2012 – 2018**




*Source:* PCRS Administrative Data, HSE Acute Hospital Dugs Cost Estimate, 2018

[23] General Medical Services (GMS), Drug Payment Schemes (DPS), Long Term Illness (LTI)

## Short Term Overview

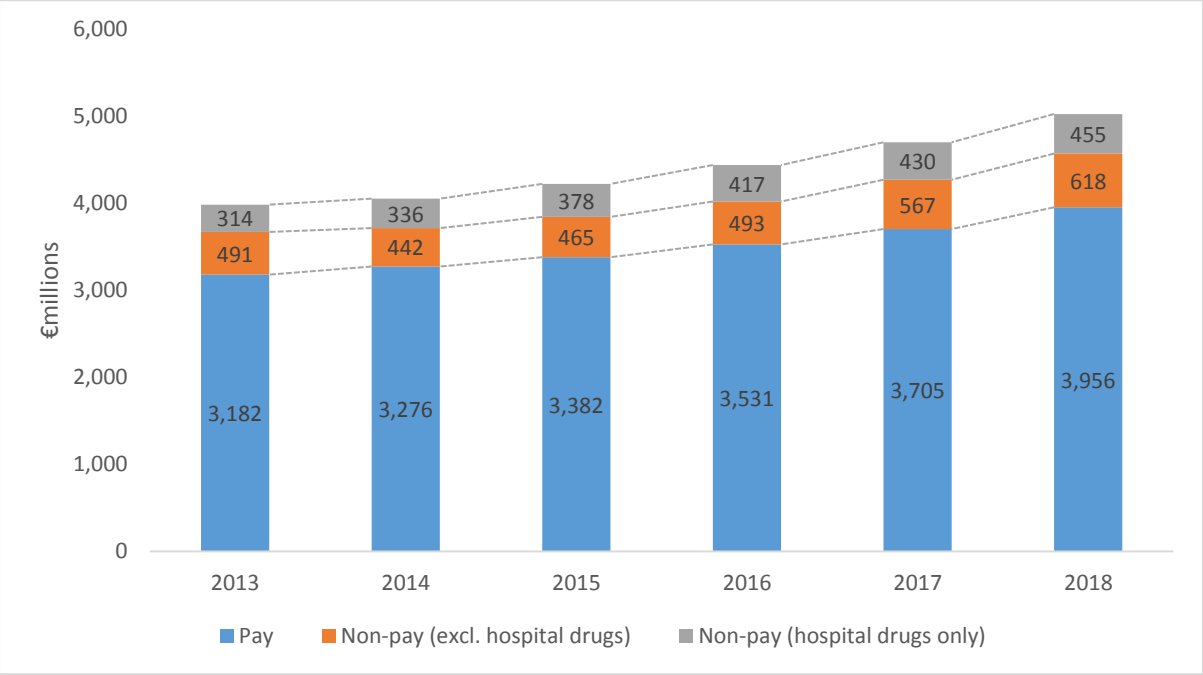
In 2018, hospitals accounted for the largest proportion of spend at around 33% of total HSE spend. In recent years, the hospital sector has received the greatest proportion of additional annual funding and as a result expenditure has increased considerably from 2014 to 2018. The second largest single component of HSE spend is Primary Care Reimbursement Services (PCRS) at 18% or €2.6bn of total spend. This section sets out key trends in hospital spend and medical card numbers from 2013 – 2018.

### Hospital Expenditure

Acute hospital gross expenditure remained relatively flat from 2013 to 2014 however since then expenditure has risen consistently. Mainstream hospital drugs account for 70% of total drugs spend. However the majority of the increase in hospital spend from 2013 to 2018 is explained by the considerable growth in pay expenditure over the period. Hospital expenditure increased by €1,042m or 26% over the period 2013 to 2018, this growth can be broken down as follows:

- €774m or 74 % is pay related expenditure
- €268m or 25% is non-pay related spend

*Figure 5 - Decomposing Gross Expenditure in Acute Hospitals by Pay and Non-Pay 2013 – 2018**




Source: HSE Administrative Data, HSE hospital data *non-pay excluding hospital drugs for 2018 is an estimate based on an increase of 9, the average of the previous three years increases. This data will not be available until later in the year.

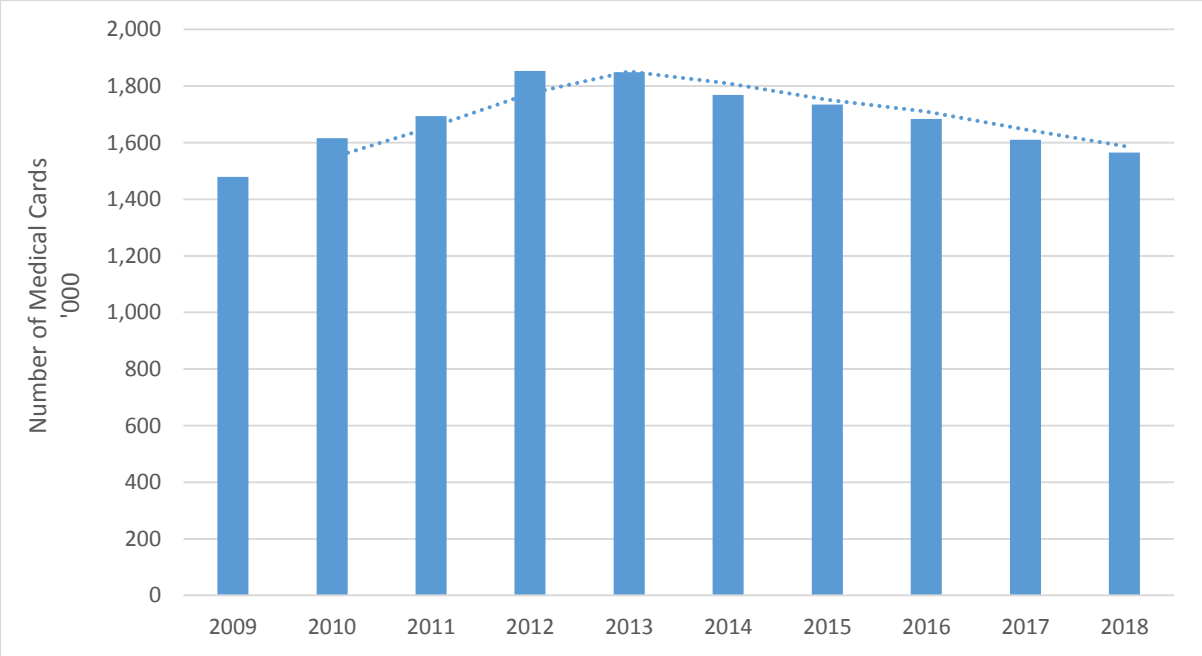
As illustrated in Figure 5, growth in non–pay expenditure in hospitals follows a similar trajectory to spend on hospital drugs. Hospital drug spend increased by 37% over the period 2013 to 2017, this explains the majority of the increase in non-pay spend in hospitals over the period. Using the 2018 estimate this will have risen to 49%. In 2016, growth in hospital drug spend began to stabilise as a result of the signing of a new agreement with pharmaceutical

industry. This agreement reduces the price the State pays for drugs in Ireland. Going forward, growth in hospital drug spend is expected to remain relatively flat due to these cost containment measures. The impact of this agreement was already evident from 2016 to 2017 as spend on hospital drugs increased by only 3%. From 2017 to 2018 hospital drugs spend increased by 5.8%. This annual growth is still minimal when compared with the growth rate between 2015 and 2016 of 10%.

PCRS - Medical Card Numbers

Figure 6 below shows that medical card numbers rose consistently from 2009 to 2012 however since 2012 the number of medical cards in the system has fallen every year.

*Figure 6 Number of Medical Card in the Health System 2009-2018*




*Source: PCRS Administrative Data*

**Medical card numbers peaked between 2012 and 2013 and following this they have been on a downward trajectory.** This downward trend has continued into 2018 with the number of medical cards falling by a total of 284,331 or 15% from end 2013 to end 2018. See Table 2 for annual medical card numbers from 2013– 2018.

*Table 2 - Number of Medical Cards in the Health System 2013 – 2018*

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Change 2013 – 2018 YTD |
|---|---|---|---|---|---|---|---|
| **Medical Cards** | 1,849,380 | 1,797,811 | 1,734,853 | 1,683,768 | 1,609,820 | 1,565,049 | |
| **Annual Change** | | *-51,569* | *-62,958* | *-51,085* | *-73,948* | *-44,771* | **-284,331** |
| **Annual Change (%)** | | *-3%* | *-4%* | *-3%* | *-4%* | *-3* | **-15%** |

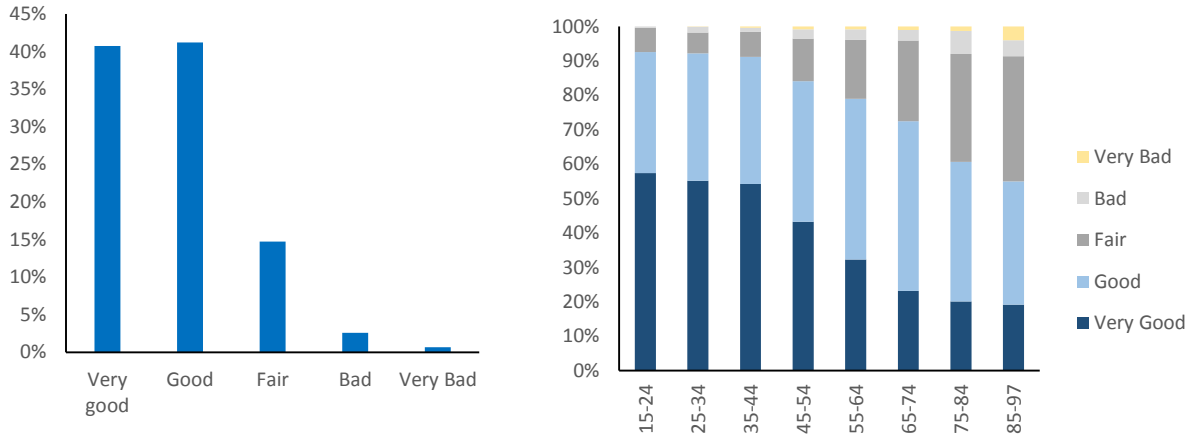
*Source:* PCRS Administrative Data

Over the period 2013 to 2018, medical card numbers have fallen by an annual of average 4% or around 60,000 cards each year. These reductions are expected to continue in 2019 as indicated by early figures which show that medical cards have reduced further by 588 (0.03%) to 1,564,461 since the beginning of 2019 to end April 2019.

## Section 3: Outcomes and Performance Indicators

Enabling individual health and well-being is a foremost function of a health system. While medicalised health-care has developed proficiency in reducing instances of morbidity and mortality through treatment, proactive measures have also encouraged healthy life-style decisions among the population, enhancing overall health. In general the vast majority of people in Ireland report their health status as either *Very Good* or *Good* (82%), with a further 15% rating their health as *Fair*. Only 3% of people report their health as *Bad*, with less than 1% responding *Very Bad*. Reports are significantly correlated with age, with reports of *Very Good* health status declining significantly with age, compensated mostly by an increase in the amount of people reporting *Fair*.

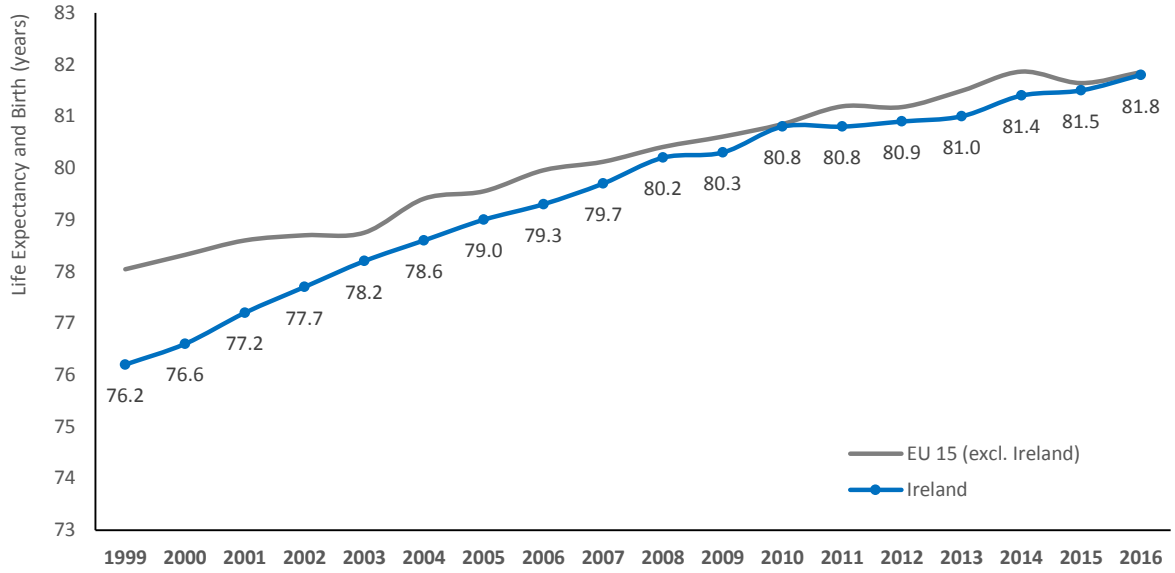
*Figure 7 – Self-Reported General Health Status in Ireland (2017)*




*Source: Healthy Ireland Survey - Wave 2 (Both)*

The increased investment in Health over the past decades has been associated with improving health outcomes in the population. The clearest and perhaps most objective measure of this success is perhaps the growth in life expectancy that has been witnessed since 1999, as shown in Figure 8 below. That year, Irish life expectancy at birth was 76.2 years, which was around a year and a half less than the average for the rest of the EU15 of 78 years. By 2010, however, Irish life expectancy at birth had grown by over four and a half years to 80.8, and this was virtually the same as the EU15 average of 80.85. During the economic downturn there was some divergence In 2016 Ireland's life expectancy at birth has converged to the EU15 average, at 81.8 years.

*Figure 8 - Life expectancy at birth for Ireland and the EU15, 1997 to 2016*




Source: Eurostat

**The most dramatic growth in Ireland's life expectancy at birth occurred during the period from 1999 to 2008. In those nine years Irish life expectancy rose from 76.2 to 80.2, roughly equivalent to an average annual increase of five months.** The growth in life expectancy in those years compares to expenditure growth from €4.8bn to €15.2bn across the same period, which is equivalent to an average annual increase of €1.1bn.

This growth in life expectancy suggests that investment into healthcare in recent decades has translated into tangible benefits for the population. The efficacy and efficiency of the investment however, may be subject to greater scrutiny; given the amount spent on healthcare each year and Ireland's relatively young population, it may be the case that our performance in terms of Health metrics is not as strong as it may appear on the surface.

*Figure 9 – Total Expenditure per Capita on Health (2016) (2010 prices)*

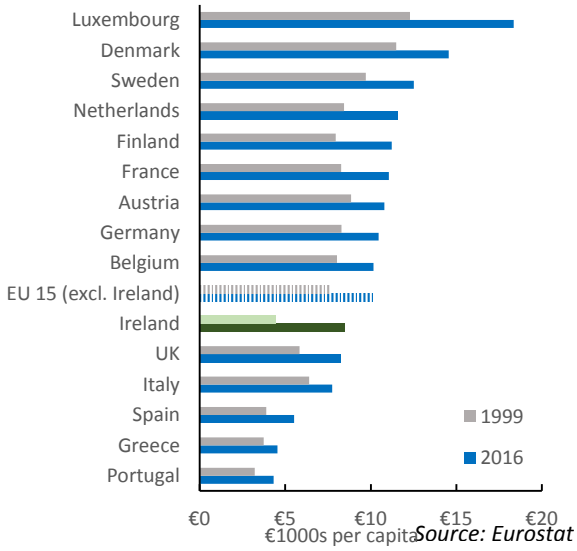
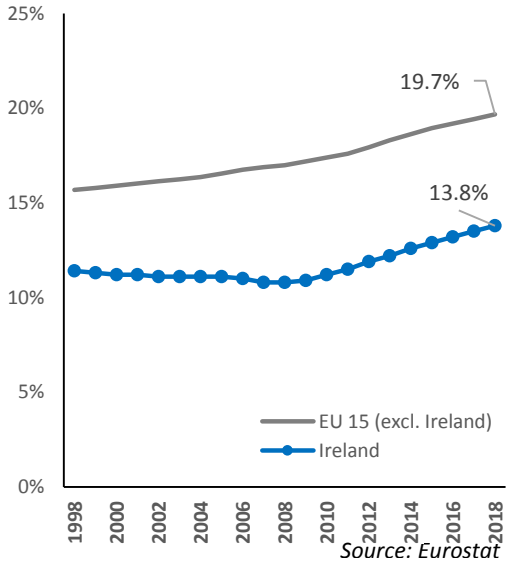
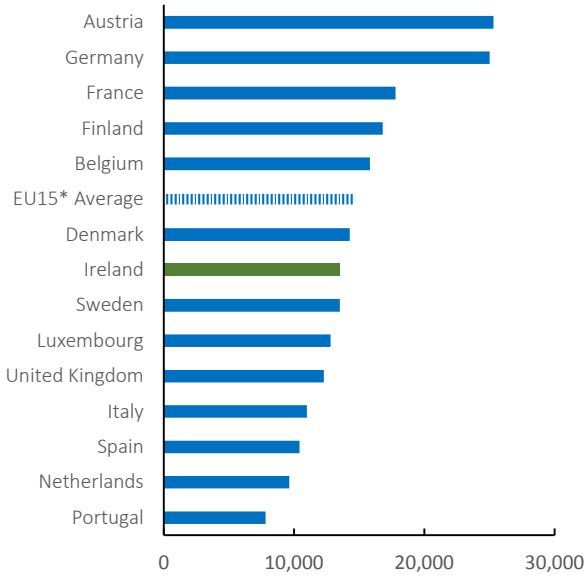



*Figure 10 – Percentage of Population Classified as Elderly (1998-2018)*



Of EU 15 countries Ireland ranked just below average in terms of total expenditure per capita on health, at just under €4.5k in 2016. Between 1999 and 2016 expenditure growth in Ireland far outpaced all other EU 15 countries in terms of expenditure growth, at a 90% increase, compared to the EU15 average of 33%. The age profile of a population and demographic trends influences a country's interaction with the health care system. The older cohort of a population generally utilises health care services to a greater extent, increasing the cost of running the overall system. **The latest comparison figures (2018) show that Ireland has the youngest population in the EU with an elderly population proportion of 13.8%, 6 points less than the EU average in 2013 of 19.7%.** Although the elderly population is increasing in numerical terms, remains small proportion of the overall population. The greatest proportion of the Irish population remains under 40.

*Figure 11 - Hospital Discharges per 100,000 of Population 2016* [2]




*Source: Eurostat*

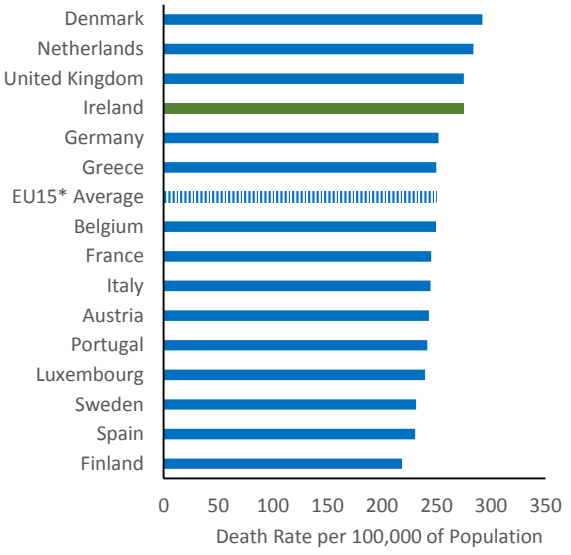
Hospital discharges quantifies the number of patients who leave a hospital having stayed at least one night. **Using hospital discharges as a measure of health care activity, Ireland[25] is below the EU 15 average, just above Sweden and Luxembourg based on this metric of hospital activity.** Discharge rates were lowest in Portugal implying less health care activity occurring in a hospital setting. While this metric does not capture the entirety of a health system, as care may be taking place in other settings, thus representing more of an output than an outcome, in health terms but nevertheless represents the levels of investment in health care services in comparison to other countries.

[24] Data exclude discharges of healthy babies born in hospital (between 3-10% of all discharges). Data include same-day discharges. Data for Canada include discharges for curative (acute) care only

[25] Data for Ireland includes public and private hospitals and excludes healthy babies born in a hospital

**Cancer is one of the main causes for hospitalisation in EU countries with breast cancer the highest prevalence and incidence in cancer types across the EU.** Many EU countries, including Ireland, have a variety of early detection measures in the form of cancer screening programmes. In 2015 the eligible uptake rate for the breast cancer screening programme in Ireland 'BreastCheck' was 74.7%, with similar rates across other services. These screening programmes aim to detect cancer while it is treatable and before it becomes life threatening.

*Figure 12 – Death Rate as a Result of Cancer per 100,000 of Population 2016*




*Source: Eurostat*

**Despite such high uptake in the screening programme, breast cancer mortality rates in Ireland are among the highest in the EU and are above the OECD35 average.** Although the five year survival rates in Ireland for all cancers is improving, we are still below the OECD31 average in terms of breast cancer five year net survival; 82% compared with 85%.

## Section 4: Future Policy Challenges

The demographic impact of population aging is expected to have a significant impact on health expenditure in the years ahead. Analysis carried out by the Department of Public Expenditure and Reform indicates that dealing with demographic pressures will cost €130m annually from 2017 to 2020[26]. The impact of new and more advanced treatment options in the form of high-tech drugs is both significant in enhancing the wellbeing of individuals with specific and uncommon illnesses, and a significant challenge in terms of their overall budget impact, due to their high costs. As economic growth continues along with costs of living, there is also likely to be upward pressure in the form of wage costs. On the other hand, there are also downward expenditure pressures such as declining medical card coverage as the labour market improves and pharmaceutical savings arising from the 2016 agreement with IPHA. Some of these pressures are summarised in Table 3.

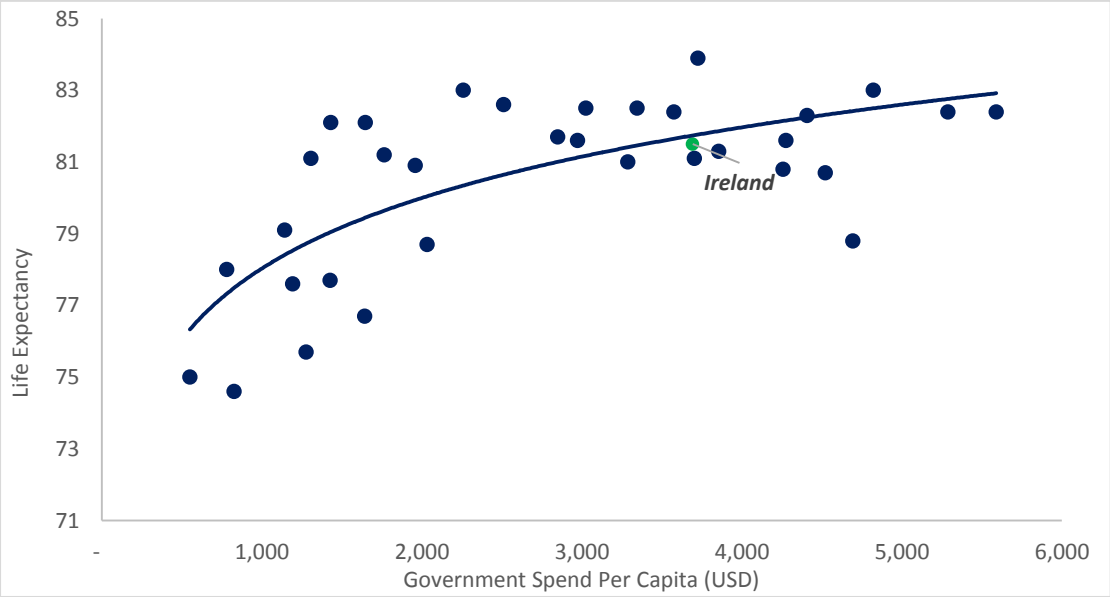
[26] Connors, J., Duffy, R. and Neman, F. 2016. *Budgetary Impact of Changing Demographics 2017-2027*. Dublin: Department of Public Expenditure and Reform.

*Table 3 - Upward and downward expenditure pressures, 2019 to 2022*

| | | | |
|---|---|---|---|
| **Upward Pressures** | Upward pressure on wage cost | Increasing availability and price of new high-tech drugs | Expanding HSE staff headcount |
| **Downward Pressures** | Declining number of medical cards | Drugs savings on existing medicines from IPHA agreement | |

Meeting these expenditure pressures may prove to be a challenge in the coming years. While increased spending appears to have brought about improvements to population health in the past twenty years, Ireland may now be at a point where increasing expenditure alone is unlikely to be a reliable means to further improve population health. Figure 13 below illustrates this point; Ireland now finds itself at the centre of a large group of countries that achieve roughly the same outcomes in terms of population life expectancy but on a per capita basis spend a wide range on healthcare. That said, given the relative youthfulness of the Irish population and our poor standing in most international quality of care comparisons, there is likely to be considerable scope to improve population health further within existing resources.

*Figure 13- Life expectancy and health spending per capita for OECD countries, 2015*




*Source:* OECD

In order to continue to improve population health outcomes and grow health expenditure in a sustainable manner consistent with EU fiscal obligations, it is important that existing resources are deployed as efficiently and effectively as possible.

## Housing, Planning & Local Government

Linda Smith

Summary

- The Department of Housing, Planning and Local Government (DHPLG) vote disburses central government allocations for housing programmes, water services, planning and local government and Met Éireann. Since 2018, the vote also includes funding for Irish Water domestic supply and associated capital projects.
- DHPLG gross exchequer expenditure has increased from €2.7bn in 2009 to a peak of just over €3.8bn in 2019. Following the economic crisis, it dropped below €1bn in 2014 but has since returned to pre-crash levels. This does not reflect transfer of functions over the period.
- Housing stock in the State has risen from approximately 1.16 million units in 1991 to just over 2 million units in 2016.
- The State currently has a shortage of housing to meet overall demand. Current estimates of overall housing need is 25,000 units per annum in the short term. The National Development Plan notes that from 2020 to 2027, in the region of 30,000 to 35,000 units will be required per annum to address pent up demand. CSO data for new completions in 2018 show that 18,072 additional housing units were built in that year[27].
- Under the Rebuilding Ireland Action Plan, the Government has committed to investing €6bn to advance a range of policy interventions to ensure a sustainable and sufficient supply of housing. 50,000 additional units of social housing stock have been targeted in the action plan by 2021, with a further 87,000 social housing solutions provided over the lifetime of the plan.
- Under the National Development Plan, from 2021, local authorities and approved housing bodies will be providing 12,000 social housing homes to those on social housing waiting lists annually. This level of provision will be maintained over the remainder of the period of the National Development Plan (2022 to 2027 at a cost of €7.5bn resulting in an additional 72,000 households having their housing needs met in a social housing home over the next decade).
- The Land Development Agency (LDA) is a new commercial body established to ensure the optimal use of State land, with the key strategic objective to coordinate appropriately those lands for regeneration and development by opening up key sites not being optimally used, especially for home delivery, while focusing on the overall public interest in determining land use. The LDA aims to deliver 150,000 homes over the next 20 years. Budget 2019 provided €20m in Voted funding for the LDA to facilitate its establishment. Once fully established under primary legislation,

[27] https://www.cso.ie/en/releasesandpublications/er/ndc/newdwellingcompletionsq42018/

the Agency will be capitalised through a combination of transfers from the Ireland Strategic Investment Fund (ISIF) and private finance.

- To address the issue of affordability, under the Serviced Sites Fund (SSF), €310m has been provided from 2019 to 2021 to enable affordable housing delivery, on local authority lands, through the funding of infrastructure. Under the SSF, approval has been given for €43m worth of projects, facilitating delivery of 1,400 homes from early 2020 onwards across nine local authorities.
- Since 2017, all State funding to Irish Water is being channelled through the HPLG's vote in the form of a payment for domestic water services as determined through the regulatory process and a capital contribution. Exchequer funding for Irish Water will total €1.2bn in 2019 (€563m current and €646m capital). The Irish Water Strategic Funding Plan 2019-2024 was approved in November 2018. It sets out Irish Water's multi-annual strategic funding requirement of €11bn to 2024 just over €8bn of which is to be funded through the Exchequer.
- It is very important to note that the composition of the DHPLG Vote has changed over recent years and therefore a year on year, like for like comparison is difficult from a Vote funding perspective. For example, Community functions transferred to the new Department of Community and Rural Development in 2017 and Environment programmes transferred to the Department of Communications, Climate Action and Environment in 2015.
- As provided for in the Water Services Act 2017, on foot of the Report of the Joint Oireachtas Committee on Future Funding of Domestic Water Services, technical adjustments to the Vote for funding Irish Water were made in the Further Revised Estimates 2017. Since 2018 all State funding to Irish Water is being channelled through the DHPLG Vote with the subvention accounting for approximately one third of the total Vote in 2019.

## Section 1: Long-Term Trends

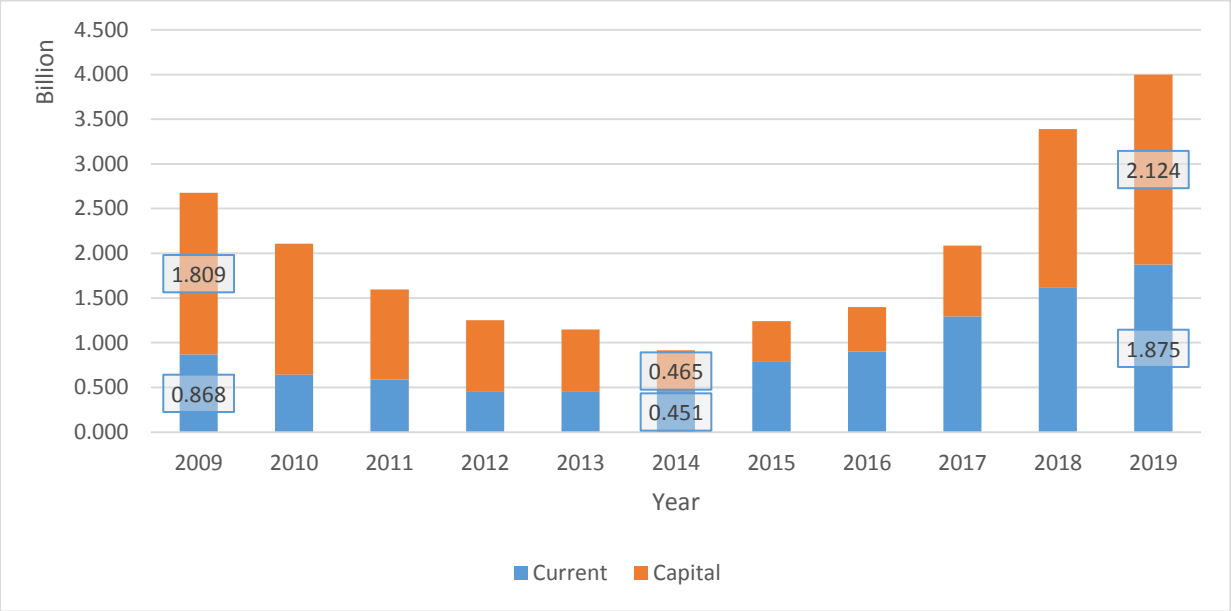
As illustrated in Figure 1, DHPLG expenditure declined between 2009 and 2014 but began to rise again in 2015 and increased significantly following the launch of Rebuilding Ireland in 2016.

The Housing Programme (both current and capital) has increased significantly to provide for increased delivery of housing programmes under Rebuilding Ireland targets. Over the period 2015 to 2017 a greater share of the budget (over 60%) was spent on current expenditure supports for social housing provision with both current and capital investment peaking in 2019 (now 47% and 53% respectively). This will see the housing needs of almost 27,400 households being met in 2019, an increase of 460 homes over the original 2019 target.

The revised funding model for Irish Water, introduced in mid-2017, has also had an impact on the overall size of the Vote. The Water Programme reduced during the period 2014 to 2016

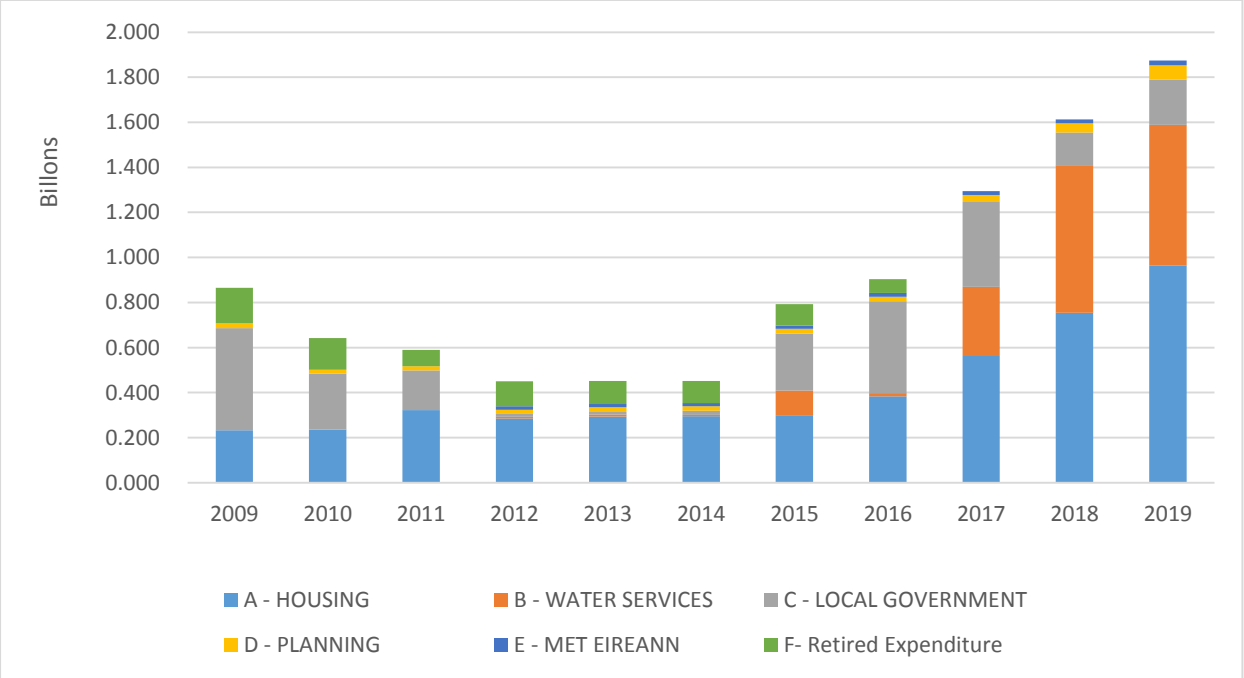
reflecting the funding mechanism in place during that period but increased from 2017 to 2019 indicating the new funding model for Irish Water which is now channelled through the Vote.

*Figure 1: Department of Housing, Planning and Local Government Expenditure (Gross) 2009 - 2019*



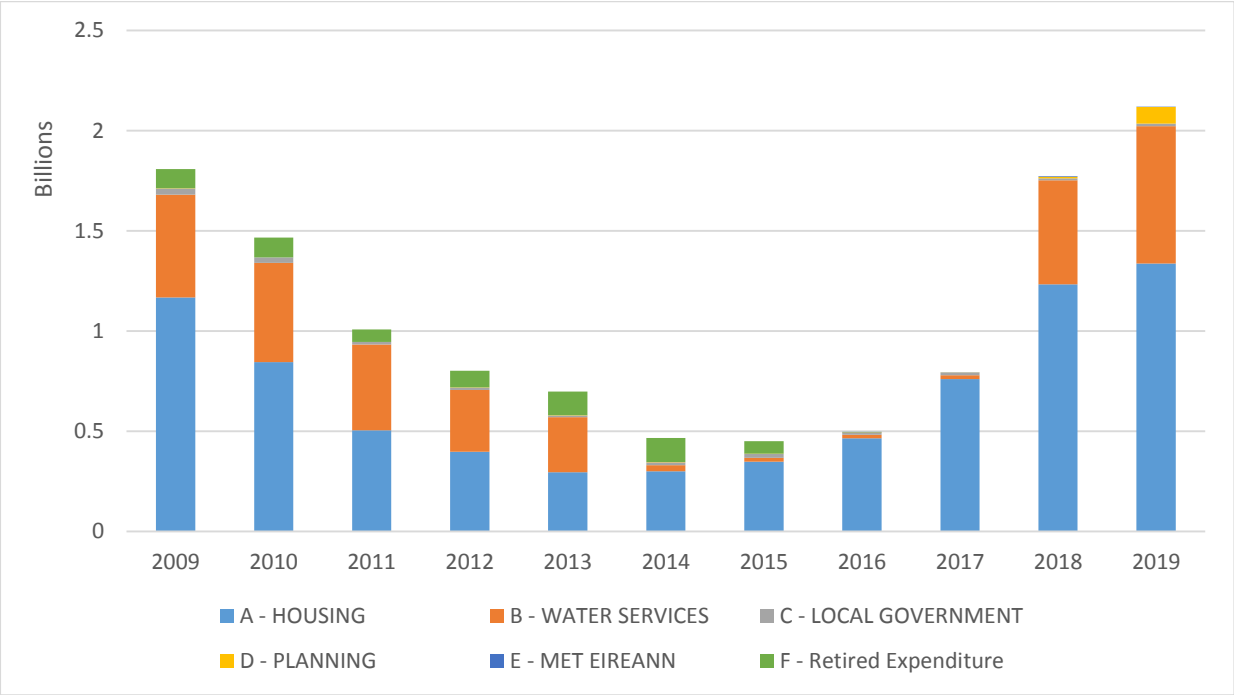

*Source*: DPER Databank

*Figure 2: Current Expenditure by Programme (Gross) 2009 - 2019*




*Source*: DPER Databank

*Figure 3: Capital Expenditure by Programme (Gross) 2009 - 2019*



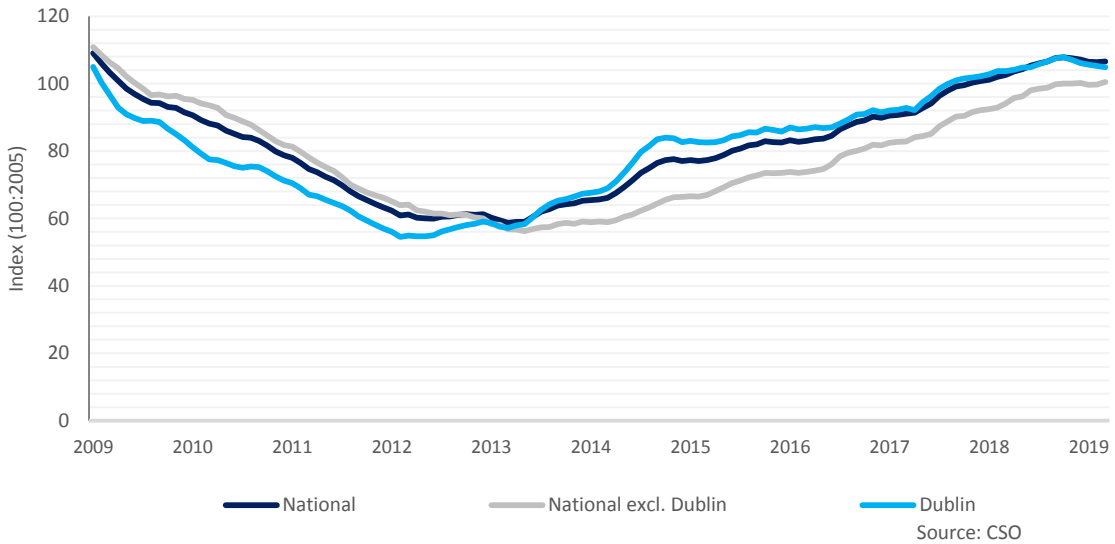

*Source*: DPER Databank

## Section 2: Expenditure Drivers

**Housing**

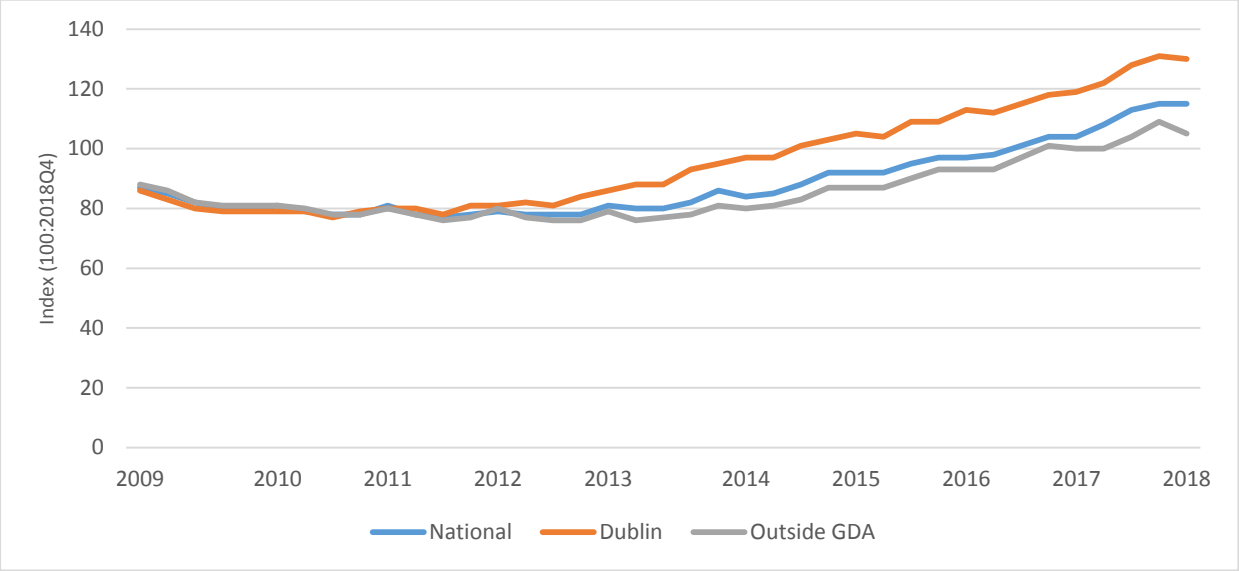
Developments in the overall housing market are strongly interlinked with the operation of social housing and housing support programmes. In particular, developments in property purchase and rent prices affect overall social housing demand. Property prices nationally have increased by 81.6% from their trough in early 2013. Dublin residential property prices have risen 92.5% from their February 2012 low, whilst residential property prices in the rest of Ireland are 78.8% higher than at the trough, which was in May 2013. Figure 4 below provides an overview of property price developments in recent years.

*Figure 4: Residential Property Price Index; Jan 2009 – March 2019*



Similarly the cost of renting a property has risen significantly over the last six years as demonstrated in Figure 5.

*Figure 5: Residential Tenancies Board Rent Index, 2009 Q1 – 2018 Q4*

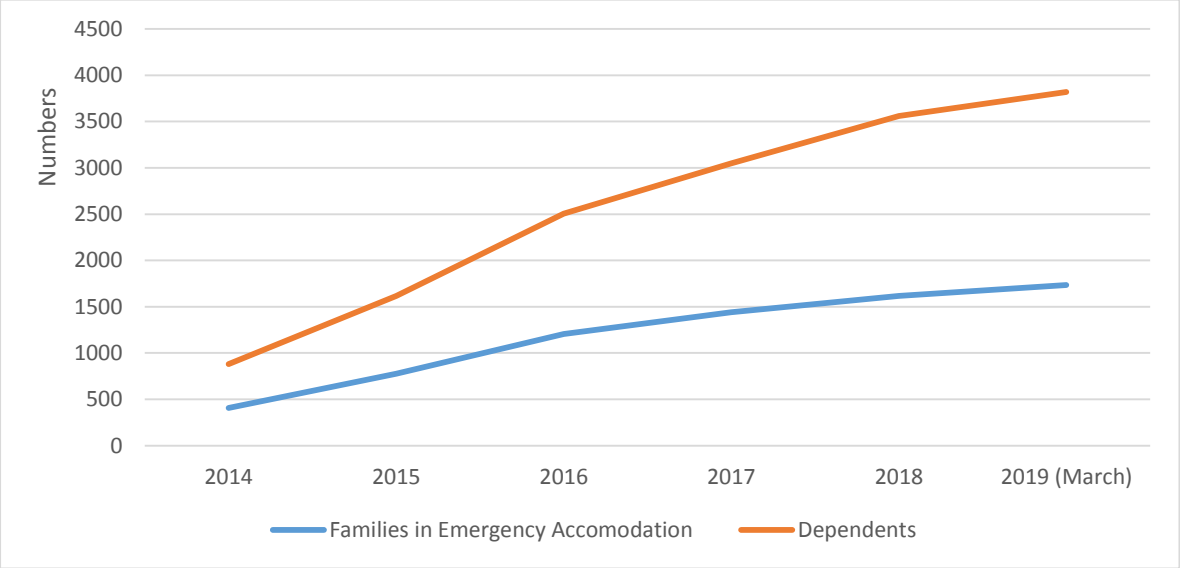



Source: RTB

Homeless expenditure is difficult to forecast, the large investment since 2014 distorts expected annual increases and there does not appear to be any monthly expenditure trends, apart from increases in December c. 200% above average. The allocation has increased by 200% since 2014. The 2019 Rev allocation is €146m a 26% increase on 2018 Allocation. At end of May 54% of total homeless budget had been spent.

2016 Rebuilding Ireland includes several measures to address housing issues including homelessness. At end March 2019 the number of families in emergency accommodation had increased by 1% and dependants by 5% over the same point in 2018.

*Figure 6: Homeless Families: 2014 – March 2019*




*Source: DHP&LG*

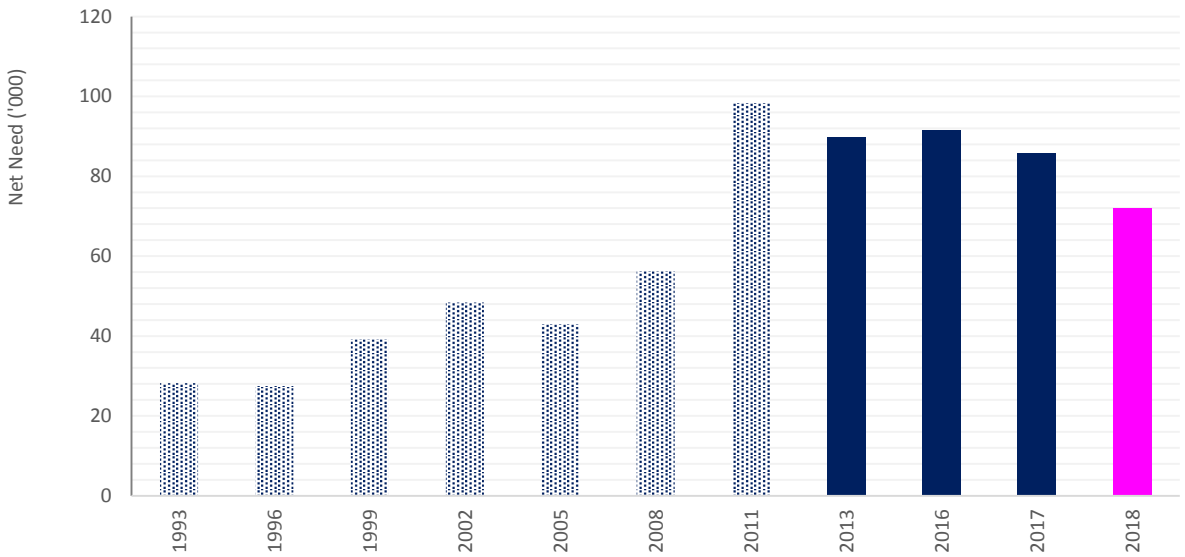
*Figure 7: Social housing rental solutions.*

| Category | Target 2016 | Output 2016 | Target 2017 | Output 2017 | Target 2018 | Output 2018 | Cumulative 2016 to end 2018 | Target 2019 | Target 2020 | Target 2021 | Overall Target 16- 21 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| RAS | 1,000 | 1,256 | 1,000 | 890 | 600 | 755 | 2,901 | 600 | 600 | 0 | 3,800 |
| HAP | 12,000 | 12,075 | 15,000 | 17,916 | 17,000 | 17,926 | 47,917 | 16,760 | 13,000 | 10,000 | 83,760 |
| **Subtotal** | **13,000** | **13,331** | **16,000** | **18,806** | **17,600** | **18,681** | **50,818** | **17,360** | **13,600** | **10,000** | **87,560** |

*Source DHP&LG*

The latest estimate of social housing demand puts the total net household need at 71,858 as of June 2018. 'Net Household Need' is defined as the total number of households qualifying for social housing support whose social housing need is not being met. Net household need increased between 2013 and 2016 by 1.9% or 1,728 households with a slight decline of almost 5,000 between 2016 and 2017. As of June 2018 the number of households on the waiting list decreased by 13,941 (-16.2%) compared to the previous assessment in June 2017, with 20 of the 31 local authorities reporting a decrease. With regard to 'Net Need' in Figure 6, it is important to note that it excludes those already receiving social housing support, for example, the Housing Assistance Payment. Data is not comparable pre-2013 as the collection methodology changed.

*Figure 8: Net Household Need 1993 2018*




*Source:* Housing Agency

**Water**

With regard to domestic water, according to its business plan, by 2021, Irish Water's intention is that the current risk of drinking water contamination affecting 940,000 people is eliminated, that all current boil water notices are lifted, that leakage in the water network is reduced, by over 10%, to less than 38%, as a first step towards reaching sustainable levels of leakage and that capacity is increased in both water and wastewater. Irish Water will also

implement a national lead remediation strategy benefiting at least 180,000 homes. By 2021, there will be no wastewater discharge without treatment.

The Irish Water Strategic Funding Plan 2019-2024, which will facilitate the investment outlined above, was approved in November 2018. It sets out Irish Water's multi-annual strategic funding requirement of €11bn to 2024, comprised of a €6.1bn investment in infrastructure and assets, and €4.9bn in operating costs. Just over €8bn of the total €11bn investment will be funded by the State.

Table 3: Irish Water Infrastructure Outputs 2018-2024

| Outputs | 2018-2024 |
|---|---|
| **Commissioning new/upgraded wastewater treatment plants (Number)** | 134 |
| **Commissioning new/upgraded water treatment plants (Number)** | 42 |
| **Provision of wastewater treatment at agglomerations previously discharging raw sewage (Number)** | 44 |
| **Delivery of new rehabilitated water mains (km)** | 600 |
| **Millions of litres of water saved per day** | 245 |

*Source:* Irish Water

**Planning**

The National Development Plan (NDP) sets out the significant level of investment, almost €116bn, which will underpin the National Planning Framework and drive its implementation from 2018 to 2027. As part of the NDP, the Government has committed €2bn to the Urban Regeneration and Development Fund (URDF) to be administered by DHPLG.

Budget 2019 provides capital funding of €93m for, inter alia, the URDF and the newly established Land Development Agency (LDA), a body under DHPLG. The LDA was established on an interim basis in September 2018 and is working to ensure the optimum management of State land with an immediate focus on providing new homes, including social and affordable housing. Budget 2019 provided €20m in Voted funding for the LDA to facilitate its establishment. Once fully established under primary legislation, the Agency will be capitalised through a combination of transfers from the Ireland Strategic Investment Fund (ISIF) and private finance.

## Section 3: Outcomes and Performance Indicators:

**Housing**

As the RBI delivery streams (Table 2) are not directly linked to Housing Programme Subheads in the Revised Estimates (Table 3) it is difficult to track spend against outputs (delivery). This

point has also been made by the Parliamentary Budget Office (PBO) in its February 2019 paper on the Revised Estimates[28].

The 2019 RBI output target for social housing delivery, as per Table 2, below is 10,000. This figure comprises Build (6,545), Acquisition (1,325) and Lease (2,130). This overall output target is not reflected in the REV Key High Level Metrics template (Table 3). For example, in Table 3 the 2019 output target of 7,870 to be secured through Social Housing Capital Programmes comprises Build and Acquisition. Likewise, the target figure of 19,490 to be secured through Current Funded Programmes also comprises lease (2,130) (which would include a small capital component), RAS (600) and HAP (16,760). Table 2 (RBI Delivery Targets) shows that at end 2018 the overall RBI target for Acquisitions has been reached, while leasing performance in the main has not been as strong. It would be useful to link REV Metrics to RBI targets e.g. the 7,870 in the REV metrics should be split out to show the number of Acquisitions relative to Build thus demonstrating the delivery mix over time.

A.3 capital (LA Housing) in 2019 accounts for 56% of overall capital housing expenditure and along with other funding streams such as the Capital Advanced Leasing Facility, Capital Assistance Scheme, Regeneration projects and voids is projected to provide 79% of additional units in 2019. Adjustments to REV structures to bring the subheads in line with the delivery streams would allow for better monitoring in this area assisting in scrutiny of the overall housing programme and if metrics could be disaggregated by scheme it may allow for a more detailed comparative analysis. Also, more appropriate context and impact indicators under the Housing Programme, for example, reduction in Social Housing Waiting List, Exits from Homelessness and number of evictions prevented through mortgage to rent would show the impact of the substantial level of funding directed to that programme.

*Table 2: Rebuilding Ireland Delivery Targets (2016 -2021) and Outputs*

| Category | Target 2016 | Output 2016 | Target 2017 | Output 2017 | Target 2018 | Output 2018 | Output 16-18 | Target 2019 | Target 2020 | Target 2021 | Overall Target 16- 21 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Build | 2,260 | 2,965 | 3,200 | 4,054 | 4,969 | 4,811 | 11,830 | 6,545 | 7,736 | 8,907 | 33,617 |
| Acquisition | 1,755 | 1,957 | 1,250 | 2,214 | 900 | 2,610 | 6,781 | 1,325 | 800 | 800 | 6,830 |
| Lease | 225 | 792 | 600 | 827 | 2,000 | 1,001 | 2,620 | 2,130 | 2,631 | 2,450 | 10,036 |
| **Subtotal** | **4,240** | **5,714** | **5,050** | **7,095** | **7,869** | **8,422** | **21,231** | **10,000** | **11,167** | **12,157** | **50,483** |
| RAS | 1,000 | 1,256 | 1,000 | 890 | 600 | 755 | 2,901 | 600 | 600 | 0 | 3,800 |
| HAP | 12,000 | 12,075 | 15,000 | 17,916 | 17,000 | 17,926 | 47,917 | 16,760 | 13,000 | 10,000 | 83,760 |
| **Subtotal** | **13,000** | **13,331** | **16,000** | **18,806** | **17,600** | **18,681** | **50,818** | **17,360** | **13,600** | **10,000** | **87,560** |
| **Overall Total** | **17,240** | **19,045** | **21,050** | **25,901** | **25,469** | **27,103** | **72,049** | **27,360** | **24,767** | **22,157** | **138,043** |

[28] https://data.oireachtas.ie/ie/oireachtas/parliamentaryBudgetOffice/2019/2019-02-26_revised-estimates-for-public-services-2019_en.pdf

*Table 3: REV Key High Level Metrics[29]:*

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|
| Total no. of social housing needs met | | | | | 21,050 | 25,000 | 27,360 |
| No. of Housing Units to secure through Social Housing Current Expenditure Programme (SHCEP) | | | | 3,000 | | | |
| Total no. of social housing units to secure through Current Funded Programmes | | | | | 16,600 | 19,600 | 19,490 |
| No. of housing units to secure through leasing arrangements | 1,350 | 1,200 | 3,000 | | | | |
| No. of housing units to deliver under Social Housing Stimulus Programme | | 500 | | | | | |
| No. of additional households to transfer from rent supplement to Rental Accommodation Scheme (RAS) | 4,000 | 4,000 | 2,000 | 1,000 | 1,000 | 600 | 600 |
| Total No. of units to deliver under Social Housing Investment Programme | | | 946 | 1,059 | | | |
| Total no. of social housing units to secure through Social Housing Capital Programmes | | | | | 4,450 | 5,869 | 7,870 |
| Total no. of social housing units to secure through all Build Programmes | | | | | 3,200 | 4,969 | 6,545 |
| Total no. of social housing units to secure through Local Authority Build Programmes | | | | | 2,350 | 3,209 | 4,197 |
| Total no. of social housing units to secure through Approved Housing Body Build Programmes | | | | | 850 | 1,760 | 2,348 |
| No. of Special Needs Units to deliver under Capital Assistance Scheme | | 175 | 440 | 449 | 375 | 400 | 425 |
| No. of units to deliver under the National Regeneration Programme | | | | | 150 | 150 | 200 |
| No. of Traveller Specific Units to deliver | 37 | 40 | 55 | 75 | 90 | 110 | 120 |
| No. of units to upgrade under retrofitting programme | 1,500 | 14,166 | 11,000 | 12,500 | 12,500 | 9,000 | 3,000 |
| No. of additional households to be supported by Housing Assistance Payments (HAP) | | | 8,400 | 10,000 | 15,000 | 17,000 | 16,760 |
| No. of Vacant social housing units to be refurbished and brought back to productive use | | | 1,000 | 1,500 | 766 | 560 | 303 |
| No. of properties repaired and brought into leasing under the Repair & Leasing Scheme | | | | | 150 | 800 | 950 |
| No. of grants to assist older people and people with disabilities to remain in their home for longer | | | 8,200 | 8,500 | 9,000 | 11,000 | 11,000 |
| No. of sustainable Exits from Homelessness | | | | | 3,000 | 3,000 | 5,000 |

[29] Figures for 2013 to 2017 represent outputs and those for 2018 and 2019 represent targets. As the key metrics and how the number of housing units are tracked in the period 2013 to 2016 has changed this makes analysis of social housing provision in the context of the REV more challenging.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Infrastructure works carried out to enable the delivery of affordable homes on local authority owned sites | | | | | | 400* | 2,000* |
| Total no. of housing units facilitated by the provision of new public infrastructure under the Local Infrastructure Housing Activation Fund | | | | - | | 600 | 1,200 |

**Water**

92% of the overall Water Programme in REV 2019 is attributed to Irish Water yet there are no key high level metrics apportioned to this programme which is problematic from the point of view of scrutiny. The Key High Level Metrics assigned to the Water Programme relate to Private and Public Group Water Schemes paid, the total number of Private Well Grants Paid and improvements of water services in rural areas. These metrics, 7% of the allocation to Programme B, are not reflective of the level of funding assigned to the Water Programme which comprises 33% of the overall vote programme composition.

Metrics that could be assigned to the Irish Water Programme are, *inter alia*, the number of current boiling water notices lifted; the number of leakages reduced in the water network and reductions in wastewater discharge without treatment.

**Planning**

When comparing 2019 with the previous year, Programme D 'Planning' allocation has grown by a greater proportion than any other Programme in the Vote (132%). Of this increase, 70% (€53 million) is attributable to one subhead 'D9 – Urban Renewal/Regeneration'. While there are existing metrics in place in relation to the Planning Programme these cover issuing of statutory guidance, foreshore consents and work conducted by An Bord Pleanala. Additional metrics to cover the Urban Renewal/Regeneration Programme and the new Planning Regulator should also now be included.

## Section 4: Future Policy Challenges

**Housing**

*Rebuilding Ireland* – An Action Plan for Housing and Homelessness - was launched in July 2016 – with the objective of ensuring that everyone can access a home either on their own or with appropriate State support. The plan sets out a range of detailed interventions under five pillars:

- Address Homelessness
- Accelerate Social Housing
- Build More Homes
- Improve the Rental Sector
- Utilise Existing Housing

Over the course of the 6-year Rebuilding Ireland Action Plan, the Government is committed to meeting the housing needs of over 138,000 households. This will be achieved through blended delivery, involving increasing the social housing stock by 50,000 homes, through build, acquisition and leasing programmes, and supporting some 88,000 further

households through the Housing Assistance Payment and the Rental Accommodation Scheme.

The implementation of the Government's Rebuilding Ireland Action Plan is well underway and making significant progress. This was evident in the Social Housing Output indicative figures published in February 2019, showing over 27,000 households (27,103) had their social housing need met in 2018.

The Government are on track to deliver on the Rebuilding Ireland Target and funding is in place to secure this delivery. Overall, the funding earmarked for the Rebuilding Ireland Action Plan is over €6bn.

The serious decline in development and budgetary consolidation since 2008 meant that local authorities did not have sufficient resources to fund the provision of the necessary local public infrastructure to enable housing development to take place on land with planning permission.

The Programme for Government committed to "re-prioritising the capital programme to put in place a new €100m Local Infrastructure Housing Fund, from which local authorities can deliver local projects needed to unblock land in high demand areas". The Government ultimately provided €200m under the Fund as part of the Rebuilding Ireland commitment (on a 75:25 basis of matched funding from Local Authorities).

The total Exchequer provision for LIHAF is €150 million for the 30 approved LIHAF infrastructure projects from 2017-2021 matched by a €50 million contribution from participating local authorities. An Exchequer allocation of €60 million was provided for LIHAF in 2018, with the remaining provision to be allocated over subsequent years up to 2021. While only approximately €8.5m has been drawn down to date by local authorities, it is the nature of these projects that the significant portion of expenditure only arises once a project commences construction.

A total amount of €310m is available for the Serviced Site Fund (SSF) out to 2021, to fund key facilitating infrastructure, on public lands, to support the provision of affordable homes to purchase or rent. At a maximum grant of €50,000 per affordable home, at least 6,200 affordable homes are being targeted under the Fund.

Under-provision of housing, whether by insufficient construction of new housing or existing housing not being used to its full potential, is one of the last significant legacies of the economic downturn to be tackled. This challenge will be addressed in the years ahead through a combination of new builds, the utilisation of existing vacant stock and supports such as the Housing Assistance Payment which enables households in need of housing to secure accommodation in the private rented market.

**Water**

It will also be important to ensure that sufficient funding is available to meet the ambitious programmes being delivered by Irish Water. €8.5bn will be invested by Irish Water over the period of the National Development Plan. Some of the water and waste water projects to be progressed across the country include:

- Eastern and Midlands Water Supply Project - Shannon/Parteen Basin
- Ringsend Wastewater Treatment Plant (WTP) project
- Vartry Water Supply Scheme
- National Programme of Investment to tackle leakage through find and fix (active leakage control) and water mains rehabilitation.

The total exchequer funding requirement for Irish Water, as per its Strategic Funding Plan 2019 – 2024 (SFP), is outlined in the table below.

*Table 4: Irish Water Exchequer Funding Requirement 2019 - 2024:*

| | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2019-2024** |
|---|---|---|---|---|---|---|---|
| | **€m** | **€m** | **€m** | **€m** | **€m** | **€m** | **€m** |
| **Subvention - Current** | 562 | 606 | 626 | 630 | 637 | 636 | 3,697 |
| **Subvention - Non Current/ Capital Contribution** | 646 | 656 | 633 | 720 | 898 | 1014 | 4,567 |
| **Total Exchequer Funding Requirement** | **1,208** | **1,262** | **1,259** | **1,350** | **1,535** | **1,650** | **8,264** |

*Source:* Irish Water Strategic Funding Plan 2019-2024

The SFP is designed to ensure a shared understanding between Government and Irish Water of the broad financial parameters and investment priorities. It will be the basis for Irish Water's submission to the Commission for Regulation of Utilities (CRU) for its proposed third regulatory cycle 2020-2024. While Irish Water will receive annual budgets, they will be framed against the backdrop of the SFP and the allowed revenue determination by the CRU (i.e. the actual allowed operational expenditure and capital investment which is decided on by the economic regulator).
In July 2018, Government decided Irish Water will become a standalone publicly owned, commercial, regulated utility separated from the Ervia Group by 2023. The separation will allow for separate commercial regulated companies with dedicated single-focused boards to take responsibility for Irish Water and GNI respectively, with heightened levels of accountability and transparency applying to Irish Water commensurate with the level of Exchequer funding of the company.

**Local Government**

A review of the Local Property Tax (LPT) was undertaken by an interdepartmental review group led by Department of Finance during 2018 and the report of the Review Group was published in March 2019. One of the recommendations of the LPT Review Group was to move to 100% retention by local authorities of their LPT yield. Local Authorities (LAs) currently retain 80% of the LPT yield in their area with the remaining 20% contributing to equalisation funding to bring those LAs with lower LPT yields up to a baseline funding position. The 20% contribution from LAs is insufficient to cover the full cost of the equalisation funding and therefore the Exchequer provides the balance through the Local

Government Fund (approx. €40m in 2019). A move to 100% retention may require additional funding from the Exchequer to the Local Government Sector. Should Government decide to implement the recommendations of the Review Group, including the recommendation in relation to 100% retention, the Department of Public Expenditure and Reform and the Department of Housing, Planning and Local Government will work bilaterally on options to mitigate the impact on the Exchequer of the proposed 100% retention in the context of the annual Estimates process.

## Justice & Equality

Eoin Dormer and Mark Shannon

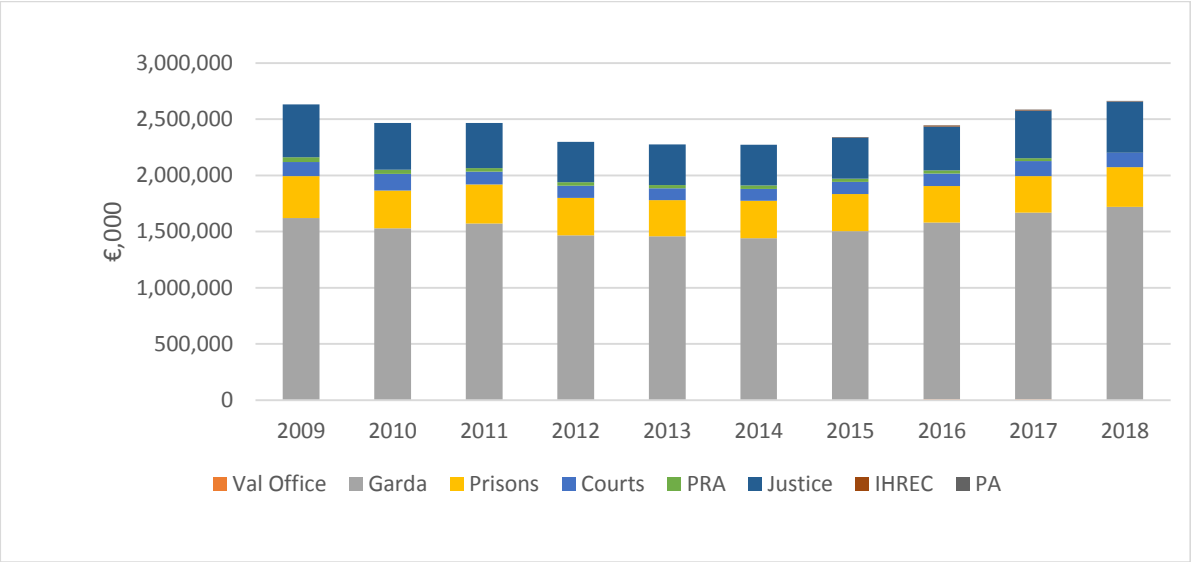
Summary

- From 2009 to 2018, expenditure on the Justice Group of votes increased from €2.63 billion to €2.66 billion.
- Pay is the key driver of expenditure in the Justice sector. When combined with pensions, it accounts for approximately 72% of vote expenditure.
- International protection applications, one of the drivers of expenditure on direct provision accommodation, have continued to rise.
- As a result, the numbers in direct provision accommodation centres have increased to essentially full occupancy (in terms of capacity) by end 2018.
- Given the breadth of the Justice sector and the wider criminal justice system, there is a large volume of performance indicators available for review. Focusing on policing, there is a timely opportunity in 2019 to review the coverage, quality and use of performance indicators.
- Reform has accelerated across the Justice sector with the implementation of the transformation agenda in the Justice vote, a new impetus for reform in the Courts Service following on from the DPER Organisation Capability Review as well as the launch earlier this year of A Policing Service for the Future – the implementation plan for policing reform.

### Section 1: Long-Term Expenditure Trends

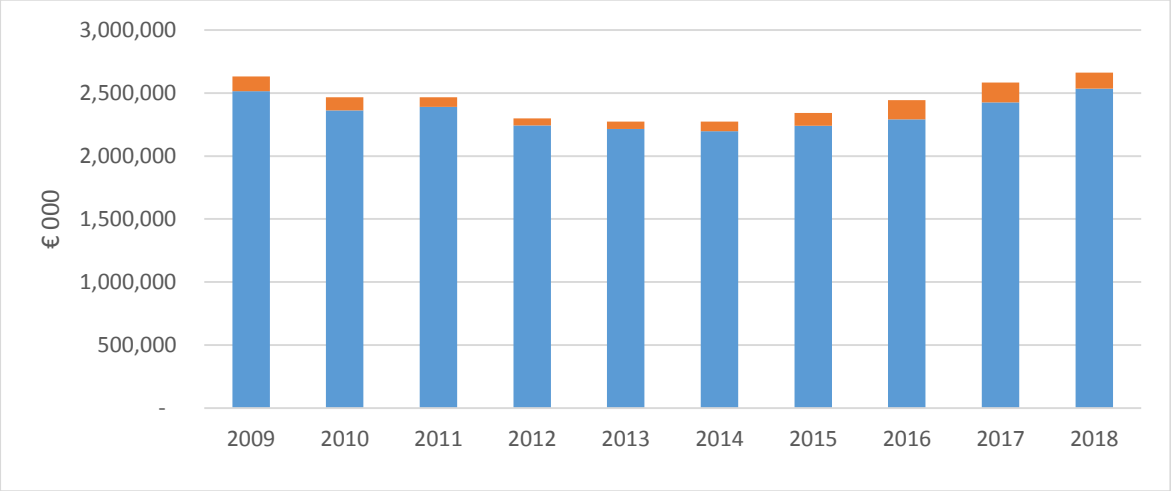
Between 2009 and 2018 Justice Group expenditure increased by €0.03 billion, from €2.63 billion to €2.66 billion, representing an increase of 1.18%. This masks significant changes in the level of expenditure in the interim. In addition, the Group of Votes has changed in composition over this period with the introduction of new votes such as the Irish Human Rights and Equality Commission (2015) and the Policing Authority (2016). The Group changed again in 2018 as Government decided to transfer the functions of the Valuation Office and the Property Registration Authority to the Department of Housing, Planning and Local Government. Figure 2 shows the breakdown as between current and capital.

*Figure 1 - Breakdown of Justice Group Gross Expenditure by Vote 2009-2018*




*Source*: DPER INFOR system and Databank
*Note*: Expenditure related to IHREC was managed within the Human Rights Commission and Equality Authority subheads in the Justice vote for the period 2011 to 2014.

*Figure 2 - Breakdown of Justice Group Current and Capital Expenditure 2009-2018*



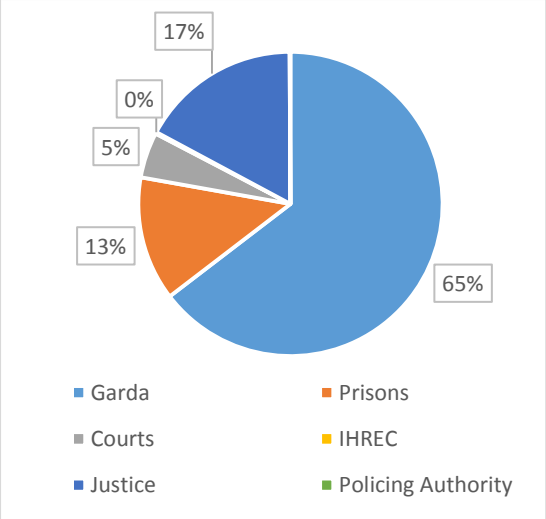

*Source*: DPER INFOR system and Databank

Peak expenditure occurred in 2018, when it reached a level of €2.66 billion. In the 10 years between 2009 and 2018 inclusive, Justice Group expenditure increased annually by an average of 0.22%. However, during the downturn Justice Group expenditure declined to a low of €2.3 billion in 2014, falling by €0.36 billion or 14% compared with the 2009 high. Since then, it has increased by €0.39 billion or 17% to €2.66 billion (i.e. up until 2018).

Figure 1 also shows that over the two decades, the big three contributors to expenditure on the Justice Group have been the Garda Vote, the Prisons Vote and the Justice Vote. Figure 3 shows the proportional breakdown of expenditure for 2018 compared to 2009. There has some variation over that period – for example, Garda spending as a share of total justice sector spending was approximately 62% in 2009 but has increased to 65% in 2018. Justice vote spending accounted for a marginally larger share of spending in 2009 (18%) compared

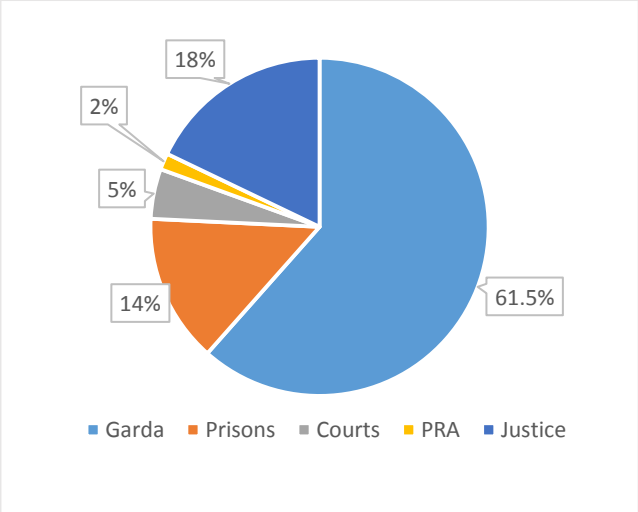
to 2018 (17%). Conversely, the relative share of Prisons Vote spending has decreased slightly from 14% to 13%.

*Figure 3(a) - Justice Group Gross Expenditure, 2018*




*Source*: DPER INFOR system and Databank

*Figure 3(b) - Justice Group Gross Expenditure, 2009*




*Source*: DPER INFOR system and Databank

## Section 2: Expenditure Drivers

***Pay and Numbers***

Staff is the most important influence on expenditure for the Justice Group of votes. Changes in the number of Gardaí, prison officers as well as the quantum of staff across the Justice and Courts votes have a large impact on the sustainability of expenditure. Table 1 shows that, taken together, pay and pensions accounted for 72% of total gross public expenditure on the Justice Group of votes in 2018. This is broadly the same as the equivalent share in 2009.

*Table 1 Justice Group Gross Expenditure by composition: 2009 - 2018*

| | 2009 | 2013 | 2018 |
|---|---|---|---|
| Pay and Pensions | 72.8% | 74.5% | 72.0% |
| Non Pay | 22.7% | 22.8% | 23.2% |
| Capital | 4.5% | 2.6% | 4.8% |
| **Totals** | **100%** | **100%** | **100%** |

Source: DPER INFOR system and Databank

The number of Garda members remains the most significant staffing cohort across the Justice sector. The sectoral policy drivers for staffing numbers across the Justice sector include, among others:

- Previous Government policy to increase numbers e.g. in policing to 21,000 (reservists, Garda members, staff)

- Pressures on large operational areas e.g. the Irish Naturalisation and Immigration Service
- Regulatory demands – e.g. data protection
- Government decisions on new bodies

***Non Pay***

On the non-pay side, the key drivers of expenditure continue to encompass:

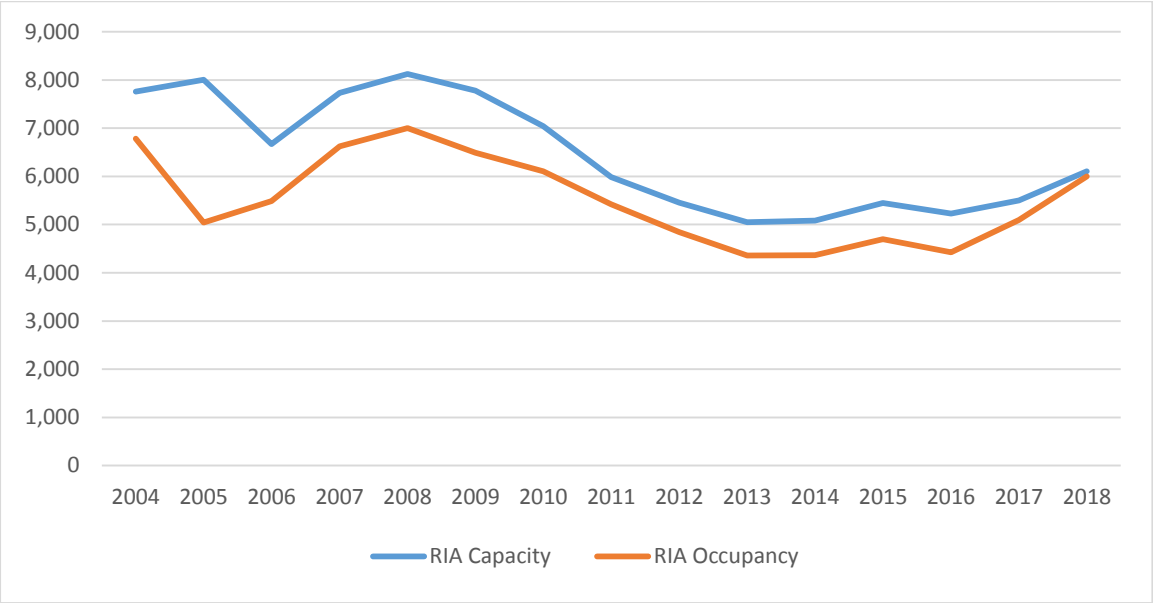
- Criminal and civil legal aid
- Accommodation for international protection applicants
- Service contracts such as GoSafe (speed cameras)
- Non pay spending to support frontline staff in the Criminal Justice system (e.g. prison officers and Gardaí) – transport and T&S, equipment etc.
- Grant programmes

Figure 4 compares occupancy and capacity in accommodation centres for international protection applicants. It shows that numbers of international protection applicants in direct provision centres has increased to at least full occupancy in terms of capacity, an increase on the 2017 figure of 92.6%. This is in turn is a reflection of the recent increase in applications since 2016 and an increase in applications of 25% from 2017 to 2018. The number of applications in 2018 stood at 3,673 and was the first time since 2008 that numbers exceeded 3,500 in applying for asylum in the State – a very substantial increase. The volume of new applications can escalate/reduce rapidly.

There is a separate paper which was commenced as part of the 2019 Spending Review on the Direct Provision system by the IGEES unit in the Department of Justice and Equality which looks at the factors influencing expenditure in this area in more detail. Key challenges include:

- applicants can remain in the system for some time;
- it is challenging for people to leave accommodation centres even when a final decision on an application has been made due to the current housing crisis;
- the ongoing unit cost of an accommodation place is increasing due to the quality of life improvements arising from implementation of the McMahon report; and
- due to capacity constraints, there has been recourse to more expensive emergency accommodation.

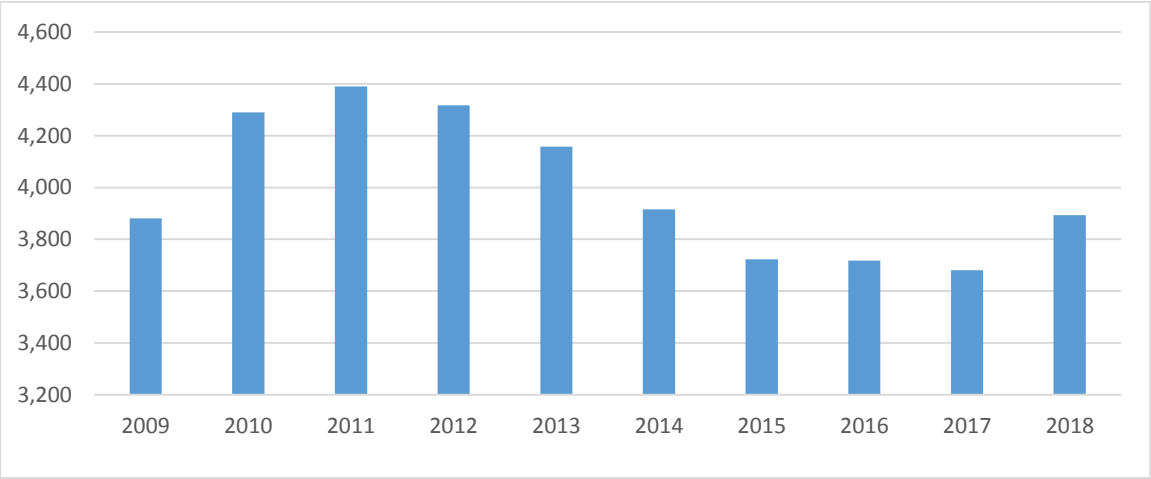
*Figure 4 - RIA Occupancy and Capacity, 2004 to 2018*




*Source*: Reception and Integration Agency (year-end figures)

Prisoner population is an example of a driver which influences both pay and non-pay and merits a brief discussion. The average daily number of prisoners in custody in 2018 was 3,893 compared to 3,680 in 2017, an increase of almost 6%, as shown in figure 5. The Annual Report of the Prison Service for 2018 notes that the numbers in custody from 1 January 2018 to end December increased by 7.7% - a significant increase over a short term. This likely reflects increased Garda activity (e.g. more detections) among other pressures. Continuation of this trend will place pressures on the prisons system (both pay and non-pay) to manage this additional demand given that the annual cost of an available staffed prison space is almost €74,000.

*Figure 5- Average Prisoner Population, 2009 to 2018*



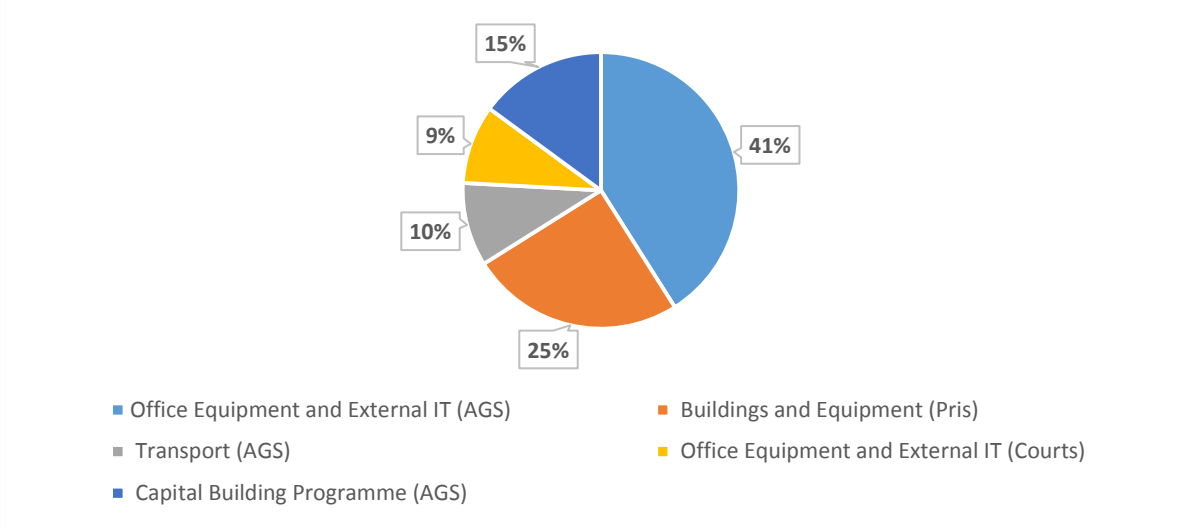

*Source:* Annual Report Prison Service

***Capital***

Figure 6 below shows the main core components of the capital budget for the Justice Vote Group and the proportion of capital spend that each component comprises from 2013 to 2018 inclusive. The core components are as follows:

- Buildings (accommodation for Prisons, Gardaí and courts)
- Office equipment
- ICT – case management, processing systems, new Garda systems e.g. investigations
- Transport – Garda vehicles
- Capital Building Programme (An Garda Síochána)

*Figure 6 - Justice Vote Group Selected Capital Expenditure Drivers 2013-2018*




*Source*: DPER INFOR system

The area of ICT in An Garda Síochána is a key enabling support for policing reform. A new digital strategy is being developed which sets the direction for ICT with a particular focus on delivering on the recommendations of the *Commission on the Future of Policing in Ireland* and ensuring that frontline members have the ICT supports they need to carry out their duties.

## Section 3: Outcomes

The Justice Vote Group covers a significant number of functions, programmes, subheads and agencies. Accordingly, it is not possible to fully analyse the entire range of outputs and outcomes of spending on the justice system within the scope of this chapter. Consistent with the selective approach taken to Justice chapters of the trends papers in recent years[30], this section focuses specifically on policing given the scale of reform efforts currently underway in the sector and the size of the vote. The first section reviews the current set of indicators

[30] In 2017 and 2018 previous analysis covered satisfaction with An Garda Síochána, awareness of Local Patrols, occupancy and capacity in RIA as well as outputs for regulatory bodies such as the Data Protection Commission and the Garda Síochána Ombudsman Commission.

presented in the Garda vote as part of the 2019 Revised Estimates and suggests some initial scope for improvements. The second section considers crime trends as published by the CSO.

***Performance Indicators Garda Vote***

Table 2 shows the performance indicators (output) from the 2019 Revised Estimates Volume.

*Table 2 – List of Garda Indicators presented in the Revised Estimates 2019 (output)*

| Indicator | 2019 Target |
|---|---|
| ***National and International Security*** | |
| Number of Regional Cyber Forensic Examination Units Established | 2 |
| Reduction in the average time required to complete 90% of forensic computer examinations | -5% |
| Numbers of countries involved in digital exchange of forensic data under PRUM | 3 |
| Schengen Information System IT Platform built to test phase | 1 |
| ***Confronting Crime*** | |
| Improving public opinion regarding the ability of An Garda Síochána to tackle crime[31] | 60% |
| Protective Service Units established to support victims of sexual crime & domestic violence | 21 |
| No. of Personnel trained to prevent / combat human trafficking | 120 |
| Increase victim of crime satisfaction rates with the service provided | 65% |
| Decrease incidents of assault | -5% |
| ***Roads Policing*** | |
| Increase detections of key lifesaver offences | +3% |
| ***Community Engagement & Public Safety*** | |
| Increasing public perception that An Garda Síochána is community focused | 67% |
| Increasing levels of satisfaction with the service provided to local communities | 75% |
| Public Attitudes Survey - Increase Garda visibility | 40% |
| Reduce those who see crime as a very serious or serious problem locally | 20% |
| ***Organisational Development & Capacity Improvement*** | |
| Public Attitudes Survey: 5% increase in respondents who think An Garda Síochána is well managed | 43% |
| Percentage of answered GISC calls presented within 20 seconds | 80% |
| Number of regional control rooms established | 2 |
| Number of divisions where the new Roster and Duty Management system is deployed | 4 |
| Number of Gardaí using the PALF system | 70% |
| Number of divisions where Enterprise Content Management system is deployed | 4 |

As well as these high level metrics, there are also context and impact indicators in the Revised Estimates in terms of reported crime incidents for certain offence categories as published by the CSO. In addition to these indicators, the annual Public Service Performance Report published by the Department of Public Expenditure and Reform included additional output indicators for the Garda vote in 2018 such as (among others):

- Hours of enforcement of Go Safe traffic cameras;
- Detection rate for burglaries;
- Missing persons cases investigated; and
- Other results from the Garda Attitudes Survey

It should be noted that the indicators for the 2019 Revised Estimates Volume were finalised before the publication of *A Policing Service for the Future (APSFF)* - the 4 year implementation

plan arising from the recommendations contained in the report of the Commission on the Future of Policing. This made it challenging to devise new indicators. However there is now a natural opportunity to actively review performance measurement and the coverage, quality and use of performance indicators in An Garda Síochána now that the APSFF is in its first year of operation. Important action items such as a fully costed policing plan and improvements to budgeting will by necessity require further improvements in policing performance indicators as will the necessary accountability to communities about the benefits of policing as investment continues to increase.

Performance measurement for policing is a difficult area. There are risks of perverse incentives and important aspects of policing are difficult to measure e.g. prevention and multi-agency co-operation. There are also challenges to be addressed in improving the quality of data on crime incidence, detection and the ICT systems available to manage this data. As an initial guide to possible improvements, table 3 below highlights some issues to address from a public expenditure perspective. This is not an exhaustive list but rather reflects avenues for investigation by An Garda Síochána. The following initial remarks can also be made:

1. It is important to avoid the use of input indicators such as recruitment, vehicles and equipment to measure outputs or services.
2. There are useful efficiency dimensions which can capture improvements for communities e.g. timeliness of response to users of policing services, pace of investigations etc.
3. International practice from the use of policing performance indicators in other jurisdictions represents a useful source to draw on.

Ultimately, the common aim should be to define what success looks like and to use performance indicators as a means to inform a discussion on this.

*Table 3 - Indicative set of possible improvements to policing output indicators*

| Broad Theme | Examples of New Indicator |
|---|---|
| *Visibility (outputs)* | % Garda operational hours on patrol |
| | % of Gardai in frontline operational roles |
| | Number of domestic abuse call backs |
| | |
| *Specialist operations (outputs)* | Number of operations carried out |
| | Cyber-crime investigations completed |
| | Number of interceptions |
| | |
| *Efficiency* | Quantum of Garda overtime hours |
| | Average overtime hours per Garda |
| | Utilisation of reserve for policing support (hours) |
| | |
| *Wider organisation incl. HR* | % increase in representation from minority groups among members |
| | % improvement in female representation for new trainees |
| | Number of police recruits through lateral entry routes |
| | |

Source: DPER analysis

***Recorded Crime***

Recorded crime is a measure of incidents reported to the Gardaí where it is determined that a criminal offence has taken place, as defined by the law. It is influenced by many factors, one of which can be policing activity. Other factors include economic growth, demographics, social conditions (e.g. depravation and poor childhood outcomes), among many others.

Table 4 shows the trend in recorded crime for the period 2014 to 2018, as categorised by offence group. This table should be read in conjunction with the caveats regarding crime statistics as set out by the CSO in the Review on the Quality of Crime Statistics 2018. In September 2017, the CSO took the decision to further defer the publication of Recorded Crime statistics. This arose because work on issues raised by the CSO in May 2017 had not been fully completed and An Garda Síochána had also decided to extend the period of their review of homicide incidents. Accordingly, crime statistics are categorised as Under Reservation. This mean that the quality of these statistics do not meet the standards required of official statistics published by CSO.

The Under Reservation categorisation will remain in place until the CSO is satisfied that the level of accuracy and completeness of the underlying data is of sufficient quality. The CSO is engaging with An Garda Síochána to set out the criteria for the lifting of the reservation. These criteria cover quality concerns across a broader range of issues such as data governance, training, crime data recording procedures and the auditing and monitoring of data quality.

*Table 4 – Recorded crime incidents classified by offence group & annualised to end Q4, 2014 to 2018*

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|
| | | | | | |
| Homicide Offences | 105 | 83 | 91 | 83 | 74 |
| Sexual Offences | 1,970 | 2,288 | 2,525 | 2,884 | 3,182 |
| Attempts/threats to murder, assaults, harassment & related offences | 15,159 | 16,896 | 16,691 | 18,925 | 19,955 |
| Dangerous or negligent acts[1] | 7,233 | 7,117 | 7,689 | 8,374 | 8,553 |
| Kidnapping and related offences | 124 | 153 | 124 | 129 | 128 |
| Robbery, extortion and hijacking offences | 2,650 | 2,575 | 2,102 | 2,186 | 2,432 |
| Burglary and related offences | 27,690 | 26,306 | 18,551 | 19,182 | 16,969 |
| Theft and related offences | 77,619 | 75,729 | 64,510 | 69,283 | 67,127 |
| Fraud, deception and related offences | 5,164 | 5,782 | 4,937 | 5,436 | 6,434 |
| Controlled drug offences | 15,862 | 15,049 | 16,029 | 16,792 | 18,390 |
| Weapons and explosives offences | 2,472 | 2,374 | 2,137 | 2,377 | 2,434 |
| Damage to property and to the environment | 27,329 | 25,943 | 22,192 | 23,209 | 21,533 |
| Public order and other social code offences | 32,620 | 33,268 | 29,224 | 31,199 | 31,990 |
| Offences against government, justice procedures and organisation of crime | 9,762 | 11,440 | 12,308 | 13,740 | 15,173 |

*Source*: CSO (Recorded Crime Q4 2018)
*Note*: Figures may be revised by the CSO after publication and the annualised figure for a given quarter is the total number of crimes recorded in the 12 months prior to the end of that quarter

The overall number of recorded offences declined between the end of 2014 and the end of 2016. However, the equivalent number rose between 2016 and 2017 with increases in nearly

all categories. The overall number of recorded crimes was broadly the same for 2018. On the issue of changes in the incidence of crime by offence category, the following broad trends can be observed over the period 2016 to 2018:

- The number of homicide offences has declined
- Sexual offences have risen significantly
- Burglaries rose in 2017 before falling again in 2018 to below 2016 levels
- Robberies and related offences have increased

This commentary does not take into account the issue of underreporting of crime.

There is no further updated published data which sets out all the detection rates for each of these crime categories. Detection rates are important because they indicate the rate of success in solving crimes. Of course detection rates measure one aspect of dealing with the incidence of crime - crime prevention is a separate but very important part of policing work.

## Section 4: Future Policy Challenges

**1. Policing Services in the Future.**

The report of the Commission on the Future of Policing in Ireland (CoFPI) was published in September last year. It aimed to provide a fresh start for policing through a comprehensive examination of all aspects of policing in Ireland

Following on from the CoFPI report, the APSFF was published. This sets out a four year plan for the implementation of the CoFPI recommendations and there is a comprehensive process to oversee the delivery of this plan which is led by the Department of the Taoiseach. This encompasses following up on important priorities such as civilianisation including redeployment and workforce planning.

In addition to the recommendations to improve the effectiveness of policing, the CoFPI report clearly identifies the levers available to deliver better Value for Money including reforms to learning and development, multi-annual budgeting, redesign of business processes, streamlining of allowances and divestment of non-core functions, among others. This reinforces the message that the challenges to improve policing are not solely about increased investment.

Another central theme of the CoFPI report is the need for better data so that policing becomes information-led. Currently there is a challenge in obtaining good published data and related analysis on either the costs of police activity or the results in terms of crimes detected, resolved or the important crime prevention work carried out by An Garda Síochána. A better understanding of demand is also a crucial input into improved workforce planning.

As has been highlighted by the Policing Authority on many occasions, the enablers of policing reform require significant improvement i.e. ICT, HR, Finance etc. Work is ongoing on a number of fronts to address these issues.

**2. Justice Vote Transformation**

The Department of Justice and Equality is currently implementing a major Transformation Programme due for completion by October 2019. This will deliver on the previous recommendations of the Expert Group on Effectiveness and Renewal. This involves a structural re-organisation of the Department into two pillars – (i) criminal justice and (ii) civil justice and equality. As part of a new operating model, the Department is moving from a traditional subject-based organisation to a structure based on specific functions e.g. governance, transparency, policy and legislation.

Evaluating the success of this transformation programme will be an important priority to ensure that the necessary reform outcomes are being delivered. The re-structuring of the Department also offers the opportunity to review the use of performance information and the quality of published performance indicators in the Department with a view to embedding a more evidence informed approach to policy making.

**3. International Protection/Direct Provision**

The pressures on the direct provision system have increased significantly driven by rising numbers of international protection applicants and higher costs of securing accommodation for applicants including the costs of emergency accommodation. A further challenge involves meeting EU requirements (Reception Conditions Directive) and improving the quality of accommodation and services (independent living) for international protection applicants against this background of rising demand.

The Department of Justice and Equality are working to manage the pressures on the International Protection system by reducing period required to generate first time decisions. The Department of Justice and Equality is also developing projects to rehouse people with status in direct provision accommodation into the community.

However, the long term challenge is to look at changing the overall approach to accommodating applicants for international protection taking into account the expenditure sustainability and quality of life challenges.

**4. Courts and Prisons Reform**

*Courts*

The Department of Public Expenditure and Reform completed an Organisational Capability Review (OCR) of the Courts Service last year focusing on the capacity of that organisation

to achieve its objectives. Since then the Courts Service has devised published an action plan to address the findings of the review.

The OCR identified challenges to be addressed in the areas of leadership, ICT, strategy and better service delivery for the user. One of the key issues highlighted was the need to improve the eCourt environment for management of cases in the courts.

As the Courts Service begins to implement the new vision for change, it will be important to ensure that this is underpinned by clarity regarding the specific measures which can deliver a more efficient and effective service for users. Measuring the impacts of reforms on waiting times for cases, the extent of adjournments and the use of online channels for access to justice should be an important part of demonstrating the dividend of reform for users. Given the role of the Courts Services as part of the wider Criminal Justice system, the importance of consultation and better co-operation with stakeholders such as the Department of Justice and Equality, the Prisons Service and An Garda Síochána is also important.

Finally, the ambitious nature of the reform programme means that significant planning, appraisal and evidence gathering work is needed to ensure that any overall implementation plan is realistic, properly costed and includes an analysis of the monetary and non-monetary benefits. The potential for this plan to generate efficiencies and productivity needs to be clearly analysed in advance of implementing change programme activities.

*Prisons*

In the Irish Prisons Service, rising levels of committals will pose a challenge in the coming years. It will be necessary to manage the rise in demand through a combination of increased efficiencies and strategic reforms. There are enablers available to leverage these efficiencies. These include:

- progress made in improving the estate of the Prison Service (e.g. new Prisons in Cork and Limerick);
- streamlining operational services e.g. implementation of the recommendations of the Value for Money Review of Prisoner Escort Services (fleet management); and
- international benchmarking with prisons administrations in countries which have higher ratios of prisoners to prison officers.

Over the medium term penal policy reform has the potential to lead to better outcomes for the prisoners and to reduce the risk of re-offending through improvement in sentence management and enhanced co-operation with key stakeholders such as the Probation Service and An Garda Síochána, among others.

**5. Brexit**

As with all other areas of Government, the effects of the UK exiting the EU will pose challenges in the Justice Sector. The Department of Justice and Equality has worked closely with stakeholders to plan for a scenario in which there is a transitional period following the implementation of the withdrawal agreement as well as for a situation in which the U.K. leaves the EU without a negotiated agreement.

**6. Spending Review 2019**

Building on some of the themes established in the 2017 and 2018 Spending Reviews, this year the focus is again on policing with a paper on multi annual budgeting.

## Public Expenditure & Reform

Cillian McBride, Patricia Ballantine, Paul Keenan and Kevin O'Brien

Summary

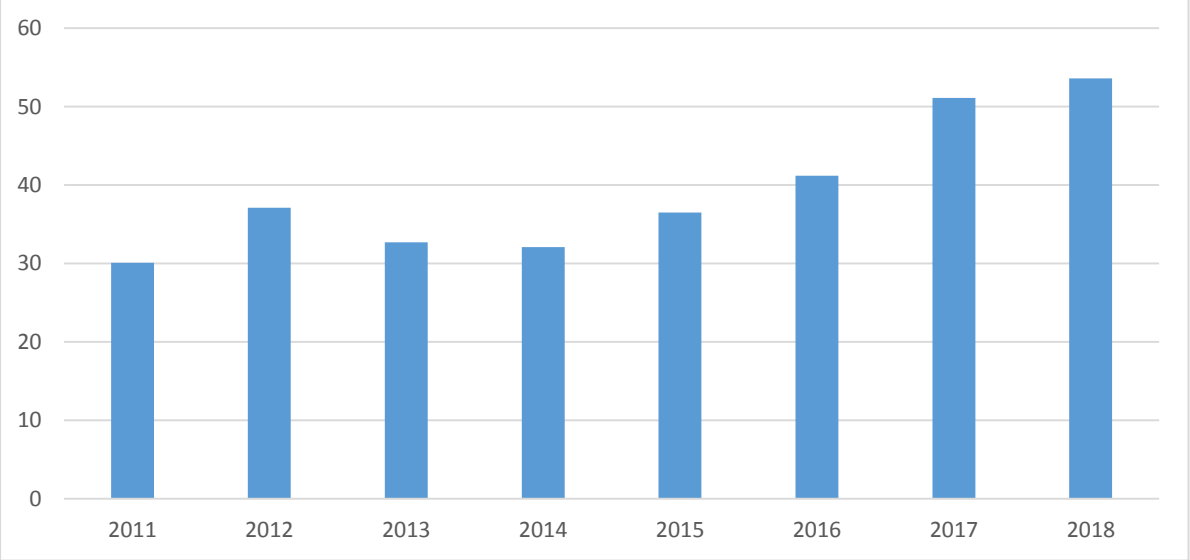
The Public Expenditure and Reform Group consists of 9 Votes in total:

1. Public Expenditure and Reform
2. Superannuation and Retired Allowances
3. Office of Public Works
4. State Laboratory
5. Secret Service
6. Public Appointments Service
7. National Shared Service Office
8. Office of the Ombudsman
9. Office of Government Procurement

For the purpose of the this review, it is intended to focus on the two larger spending bodies within this group, namely the Superannuation and Retired Allowances Vote and the Office of Public Works (OPW). Overview material is provided in respect of the other Votes within the Group.

## Vote 11 – Department of Public Expenditure and Reform

*Figure 1: Department of Public Expenditure and Reform Gross Voted Expenditure 2008-2018 (€million)*



The Department of Public Expenditure and Reform's expenditure has grown from €30.1m in its first year to €53.6m in 2018 and continues to have a wide range of objectives across two strategic programmes – (A) Public Expenditure and Sectoral Policy and (B) Public Service Management and Reform.

As set out in the Department's Statement of Strategy 2016-19, these objectives support the two strategic goals of the Department:

1. to manage public expenditure at sustainable levels in a planned, rational and balanced manner in support of Ireland's economic development and social progress; and
2. to have public management and governance structures that are effective and responsive to the citizen, transparent and accountable, and which thereby improve the effectiveness of public expenditure.

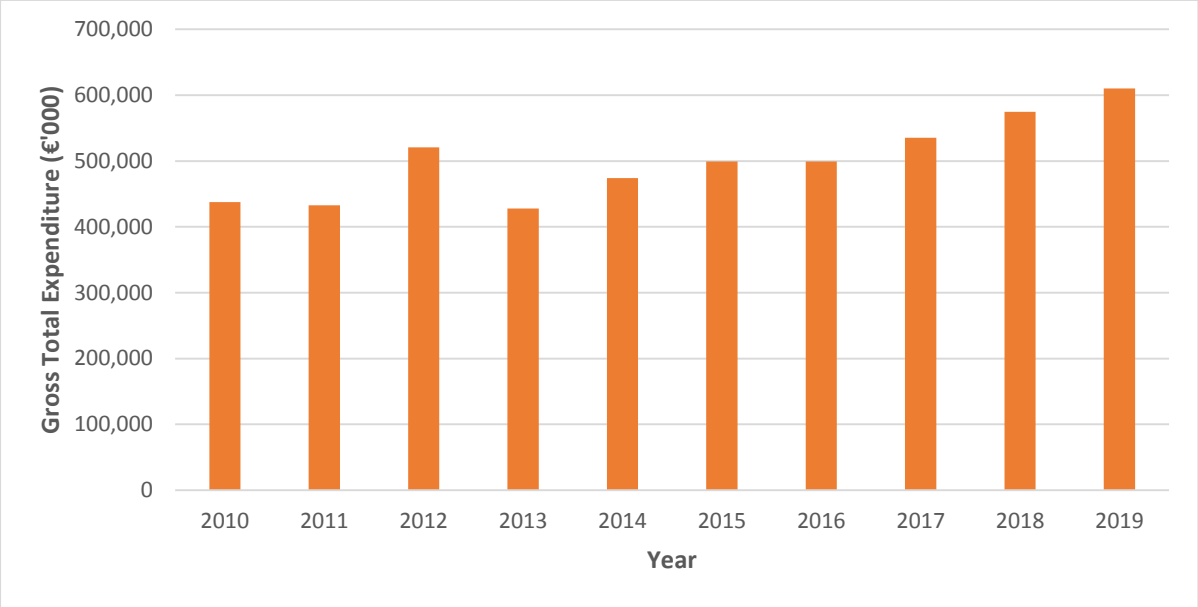
In the period from the Department's establishment in 2011, expenditure has been driven, in the main, by the Department's cross Government reforms such as the development of the productivity enhancing Build to Share Applications by the Office of the Government Chief Information Officer and the development of the single Civil Service Learning and Development System and OneLearning centre.

## Vote 12 – Superannuation and Retired Allowances

### Section 1: Long-Term Trends

Gross Expenditure Trends

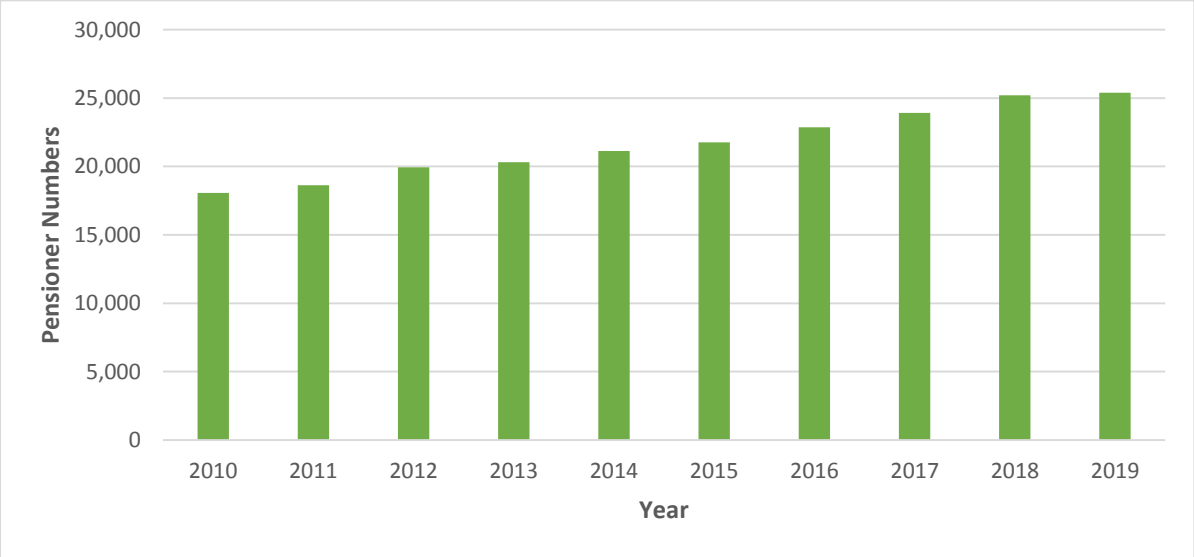
*Figure 1: Vote 12 - Superannuation and Retired Allowances Total Gross Expenditure Trend 2010 - 2019*




Total Gross Voted expenditure for Superannuation and Retired Allowances amounted to €5,011m from 2010 to 2019. Gross expenditure has increased steadily (for the most part) year on year to the 2019 allocation of €609.9m in line with the increase in pensioner numbers (overleaf). The Superannuation and Retired Allowances vote represents less than 1% of total Voted expenditure cumulatively since 2010.

Pension Numbers Trend

*Figure 2: Number of Pensioners Paid form Vote 12 from 2010 - 2019*



Pensioner numbers have increased steadily from approximately 18,000 in 2010 to the forecast of approximately 26,400 by the end of 2019. This represents an increase of 46% overall.

## Section 2: Expenditure Drivers

The key drivers of total gross expenditure in any one year are subhead A1 (pension payroll for established scheme) and subhead A4 (lump sums paid under established scheme). Expenditure here is led by the number of established pensioners who join (and leave) the scheme each year. For 2019, the basis of the estimate for subhead A.4 was 1,700 retirements under the established scheme offset by deaths of 420.

Other drivers of expenditure are:

- the number of pay periods in the year - 26 in most years (some years have 27).
- changes to the pension rate of pay (for example changes to the Public Service Pension Reduction (PSPR) under FEMPI legislation) and pension increases.
- the number of established civil servants who will choose to retire having reached minimum voluntary retirement age (age 60 generally, or age 50 in the case of Prison Officers).
- the number of deaths (including the number of existing retirees whose deaths may result in a spouses' pension becoming payable)
- the average lump sum/pension payable to each new cohort of retirees (determined by the grading, years of reckonable service and date of entry to the public service of such retirees)

While there is payroll cost in subhead A2, the cost remains reasonably stable from year to year. Subhead A2 is pensions to widows and children, and becomes payable on the death of the established pensioner. Entrants and exits to the scheme each year tend to cancel out.
Subhead A5 is pensions and lump sums to unestablished officers. These pensions are integrated with the State pension, and therefore generally of a lower value. In addition, the total number of unestablished civil servants is low. However the total lump sum amount varies from year to year.

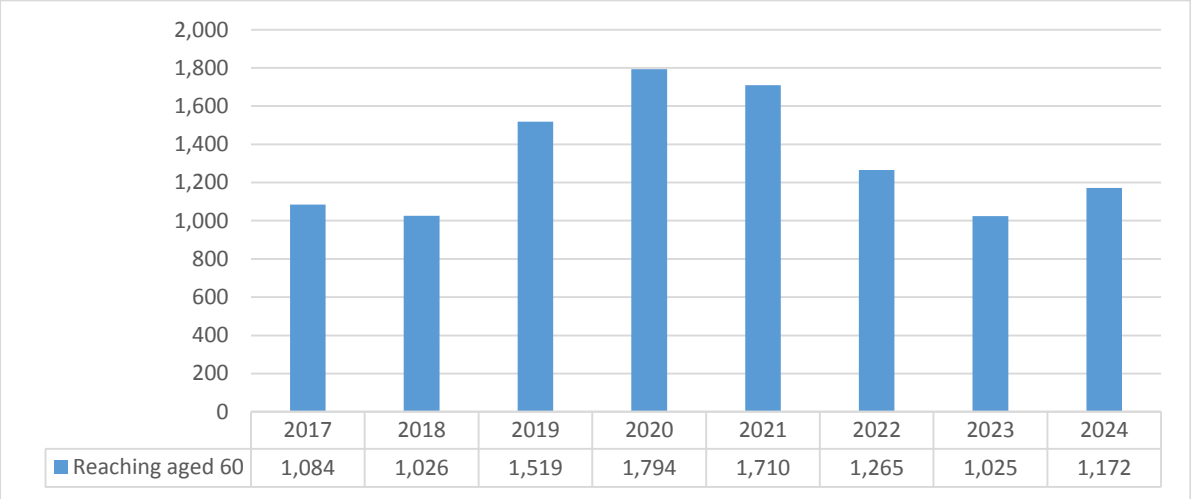
A variation in the numbers opting to retire and/or in the remuneration levels of the persons retiring can cause expenditure from the Vote to fluctuate significantly from one year to the next. The pensions of unestablished staff, and of established staff who entered the civil service after 6 April, 1995, are integrated with the State pension.

Under current arrangements, it is projected that the gross rate of increase in Vote 12 will be of the order of approx. 6% per annum, with a net decrease of 5% per annum. If single scheme receipts are excluded, the expenditure on the vote is expected to show a net rate of increase of 6%. In the short to medium term, it is projected that the gross cost of civil service pensions will continue to increase because of the numbers of those recruited in the 1970s who are reaching retirement age. However, this phenomenon will tail off over the medium to long

term. Also, the integration of pensions with the State pension, which was introduced in 1995, is already starting to have a dampening effect on the cost to Vote 12 of the average pension.

It is difficult to predict the level of retirements in any one year. Established staff who joined the civil service before 2004 can choose to retire having reached minimum voluntary retirement age (age 60 generally, or age 50 in the case of Prison Officers). A forecast of numbers of staff reaching the minimum retirement age (60) in each year for a 10 year period shows that the demographics are such that the numbers eligible to retire will rise until at least 2021.

*Figure 3: Civil Service Demographics Projection – Reaching Age 60 (Minimum Retirement Age for pre-2004 Joiners)*




## Section 3: Outcomes

The Vote for Superannuation and Retired Allowances covers pensions, superannuation, occupational injuries, and additional and other allowances and gratuities under the Superannuation Acts 1834 to 2004 and sundry other statutes; extra-statutory pensions, etc.

| | 2015 | 2016 | 2017 | 2018 | 2019 (Estimated) |
|---|---|---|---|---|---|
| **Number of pension cases processed in year** | 2,438 | 2,508 | 2,656 | 2,783 | 2,120 |
| **Pensions in payment** | 21,794 | 22,856 | 23,915 | 25,190 | - |

## Section 4: Future Policy Challenges

- <u>Pension Funding</u>

Civil service pensions are funded on a pay as you go basis which means that the costs are met out of the current tax receipts. The possibility of creating a fund for this purpose arises from time to time. Part of the rationale for the National Pension Reserve Fund was to have a fund available to meet the future cost of public service pensions. Considerations to be

borne in mind include that a diversion of Appropriations in Aid in order to create a fund to meet the future cost of civil service pensions would mean that those Appropriations in Aid would no longer be available to defray current costs. Moreover, consideration would need to be given as to whether an Employer contribution would also be directed to such a fund.

While there is a risk distribution argument in favour of creating a fund to meet or partially meet the cost of public service pensions in the future, a proposal to create a fund to cover the entire cost of public service pensions would require careful consideration.

- Single Scheme receipts and expenditure

The unit has prepared a vote management report in which it has outlined a number of options for the accounting of receipts and expenditure relating to the Single Scheme. At present, all receipts for the Single Scheme are lodged to Vote 12 as an Appropriation in Aid.

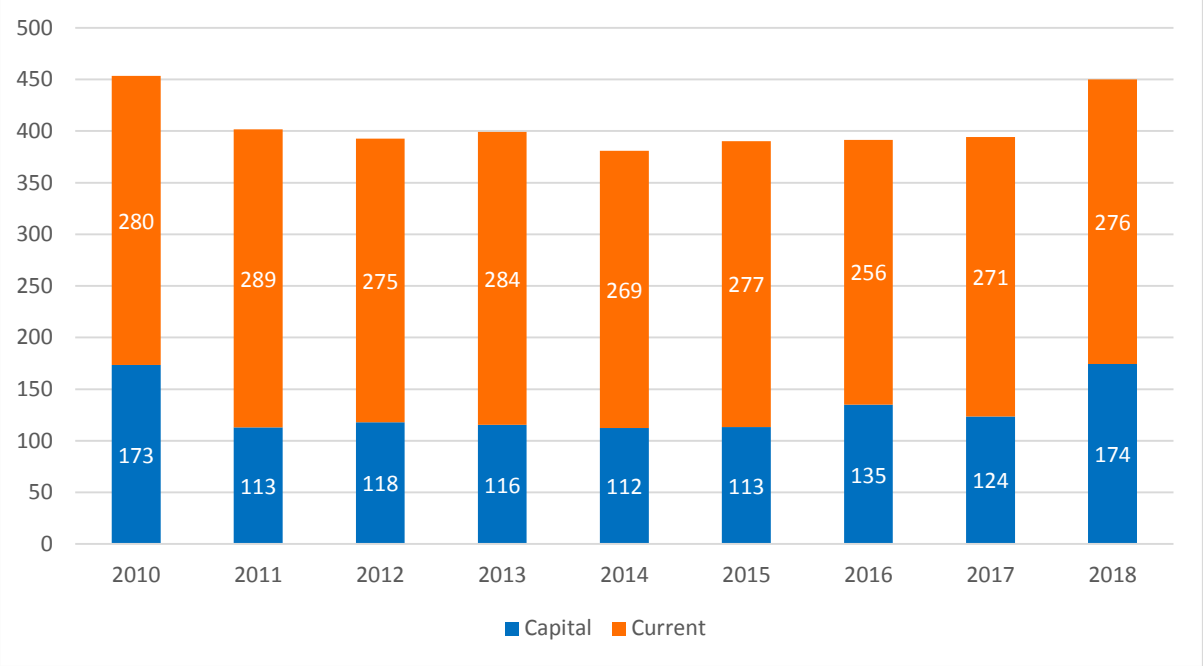
## Office of Public Works

Summary

- Total Voted expenditure on the Office of Public Works (OPW) equalled €3,655m[32] from 2010 to 2018. In 2018 Total Voted Expenditure was €450m.
- Flood Risk Management totalled €679m from 2010-2018.
- Total Estate Management totalled €2,959m from 2010-2018.
- The OPW has represented 0.71 % of total Voted expenditure from 2010-2018.

### Section 1: Long-Term Trends

*Figure 1: Office of Public Works Long Term Expenditure Trends (2010-2018) (€m)*

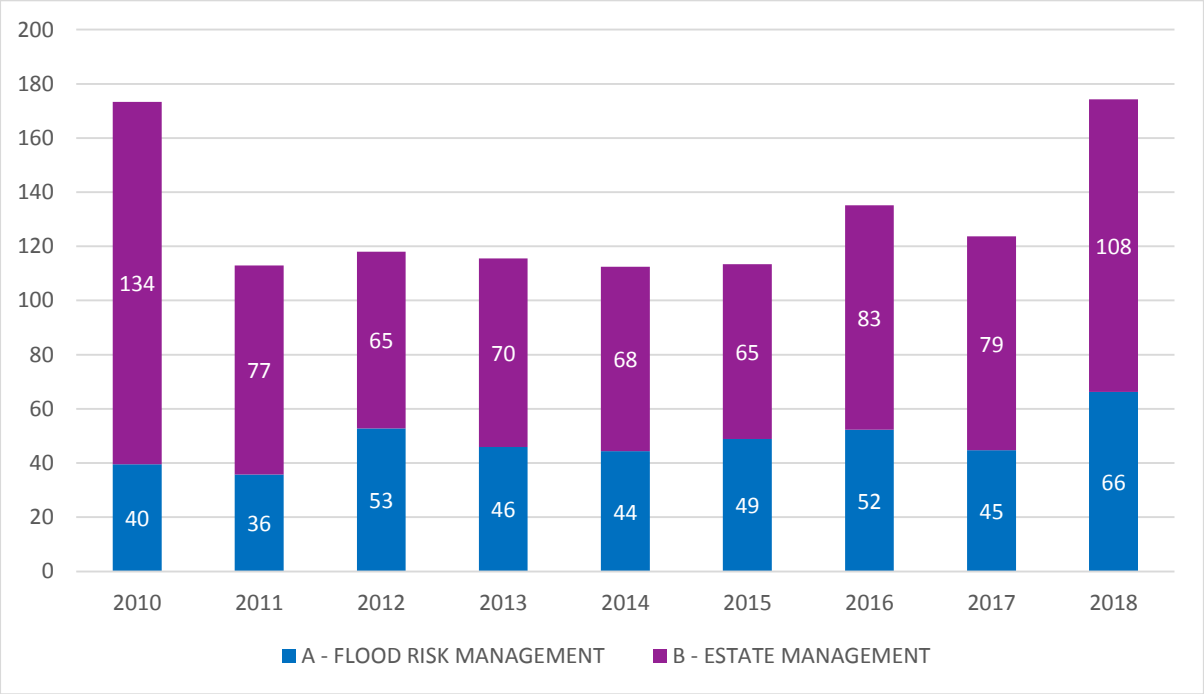



- Total Voted expenditure on the Office of Public Works equalled €3,655m from 2010 to 2018.
- Vote 13 is comprised of two programme areas; Flood Risk Management and Total Estate Management.

[32] Total Vote Expenditure includes €17m retired expenditure from the National Procurement Services (2010-2014).

*Figure 2: Vote 13 Current Expenditure by Function (2010-2018) (€m)*


*Figure 3: Vote 13 Capital Expenditure by Function (2010-2018) (€m)*




- Programme A: Flood Risk Management is a significant expenditure on the Vote. The current expenditure on this programme totalled €248m and capital expenditure €431m from 2010-2018. A total programme spend of €679m from 2010-2018.
- Programme expenditure includes spending on flood risk management principally through a planned programme of flood relief schemes, drainage maintenance, purchase of plant and machinery and hydrometric and hydrological operations and investments.

- Programme B: Estate Management is the largest expenditure on the Vote. The current expenditure on this programme totalled €2,210m and capital expenditure €749m from 2010-2018. A total programme spend of €2,959m from 2010-2018.
- Programme expenditure includes rents, new works, alterations and additions, property maintenance and supplies, unitary payments (National Convention Centre), heritage services, service charges and utilities and purchase of sites and buildings.

## Section 2: Expenditure Drivers

**1. Flooding**

In 2011, under a preliminary assessment, the Government identified 300 areas at potentially significant risk from flooding. Together these areas account for 80% of Ireland's potential flood risk from rivers and seas, the primary source of flooding in Ireland. As part of the Catchment Flood Risk Assessment and Management (CFRAM) programme, the OPW has delivered 29 Flood Risk Management Plans and flood maps for the flood risk in each of the areas that will support planning and emergency response management. The plans include 118 proposed new flood relief schemes in addition to the 35 schemes already being developed under the existing flood relief capital programme.

The Government has committed €940m to flood defences in the period from 2018 to 2027 as part of the National Development Plan. Along with the 35 schemes being progressed under the existing capital programme, 57 new schemes are to be progressed as an initial tranche of the 118 additional schemes included in the 29 Plans. As well as the National Flood Plan, the Programme for Government made commitments regarding national flood forecasting, flood response, and other non-structural responses such as individual property protection and voluntary property relocation.

*Figure 4: Vote 13 Flood Risk Management Programme Spend per year (2010-2018) (€000)*

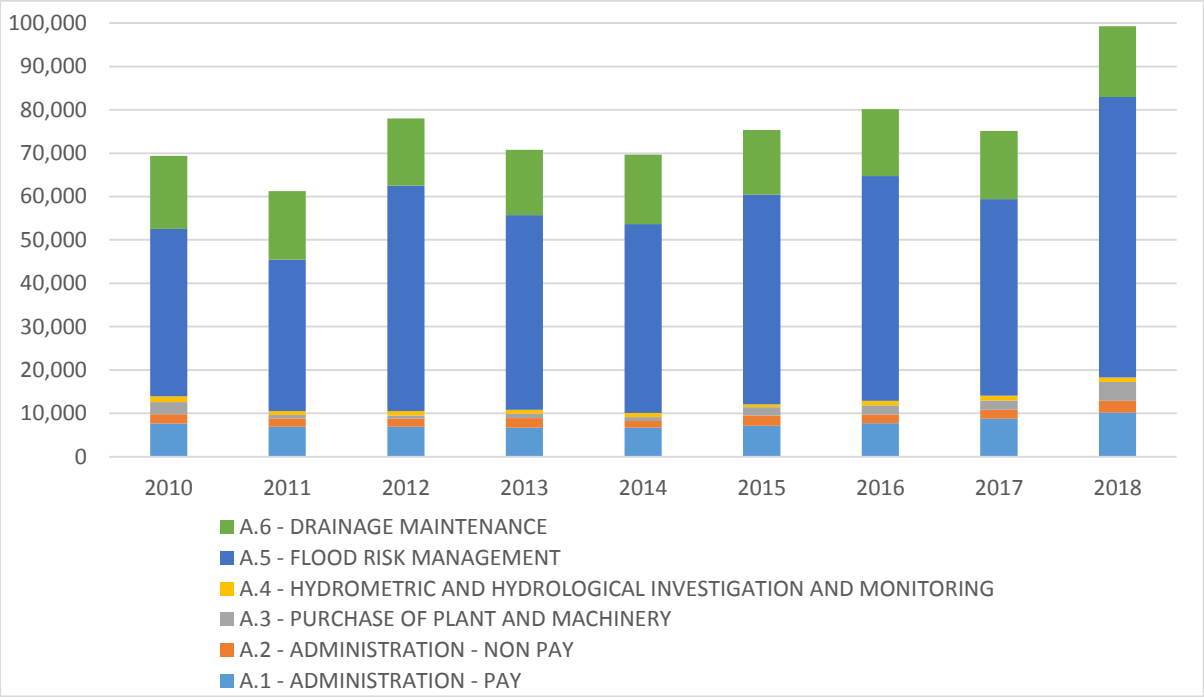
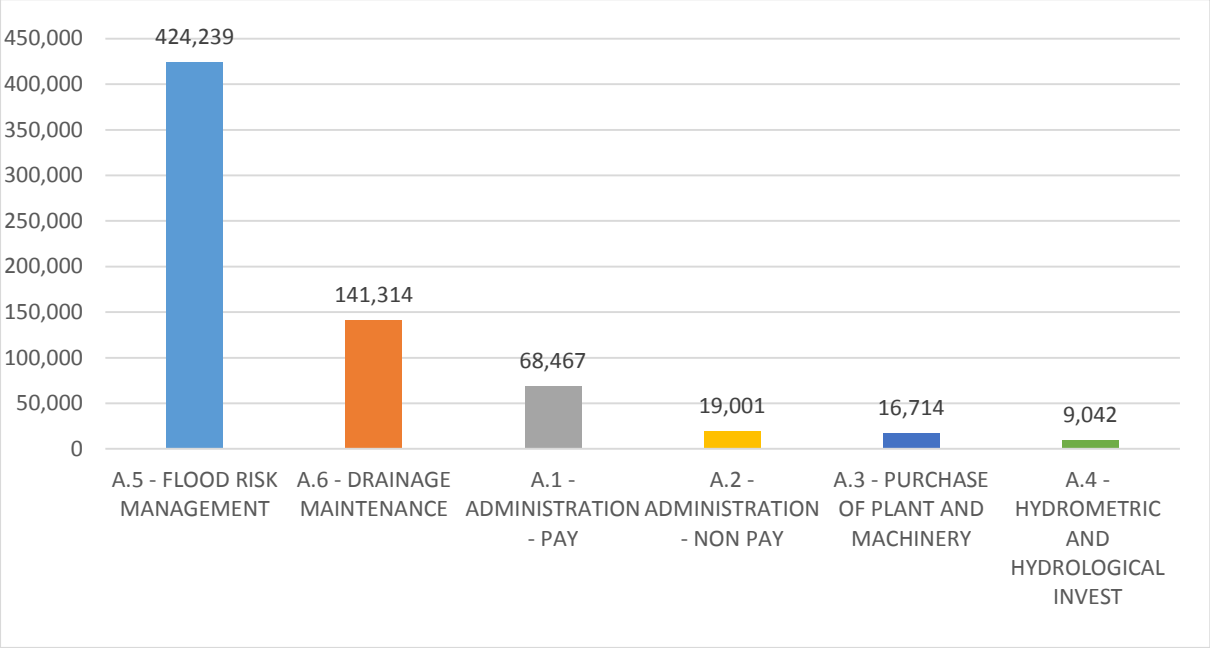


*Figure 5: Vote 13 Total Flood Risk Management Programme Expenditure (2010-2018) (€000)*




- Flood risk management is the largest expenditure on the programme, with €424m expended from 2010 to 2018.
- Drainage maintenance is the second largest expenditure on the programme, with €141m expended from 2010 to 2018.

**2. Estate Portfolio Management**

Expenditure on office accommodation (both owned and leased) is driven by growing demands for public sector accommodation following the move from the Employment Control Framework to Delegated Sanction Arrangement in 2015, as well as energy efficiency commitments. There are also ongoing supply-side pressures due to the lack of available office accommodation in urban centres, particularly the Central Business District in Dublin which has impacted on costs.

The OPW is also responsible for the conservation, maintenance and upkeep of some 800 national monuments and other heritage properties in State care. Guided visitor services are provided at up to 70 OPW managed heritage sites on either a fulltime (26) or seasonal (44) basis. The management role also includes curation and presentation of 30 major historical properties, gardens and arboreta and significant collections of art, historical objects, plants and trees. The Tourism Capital Development Investment Programme 2016 - 2021, jointly managed by the OPW, Fáilte Ireland, and DCHG, aims to develop visitor-facing infrastructure at heritage sites in State care and to improve certain facilities where they already exist. Investment by Fáilte Ireland is restricted to a maximum of 75% per project, with the balance paid currently by the OPW.

*Figure 6: Vote 1 Total Estate Management Spend per year (2010-2018) (€000)*

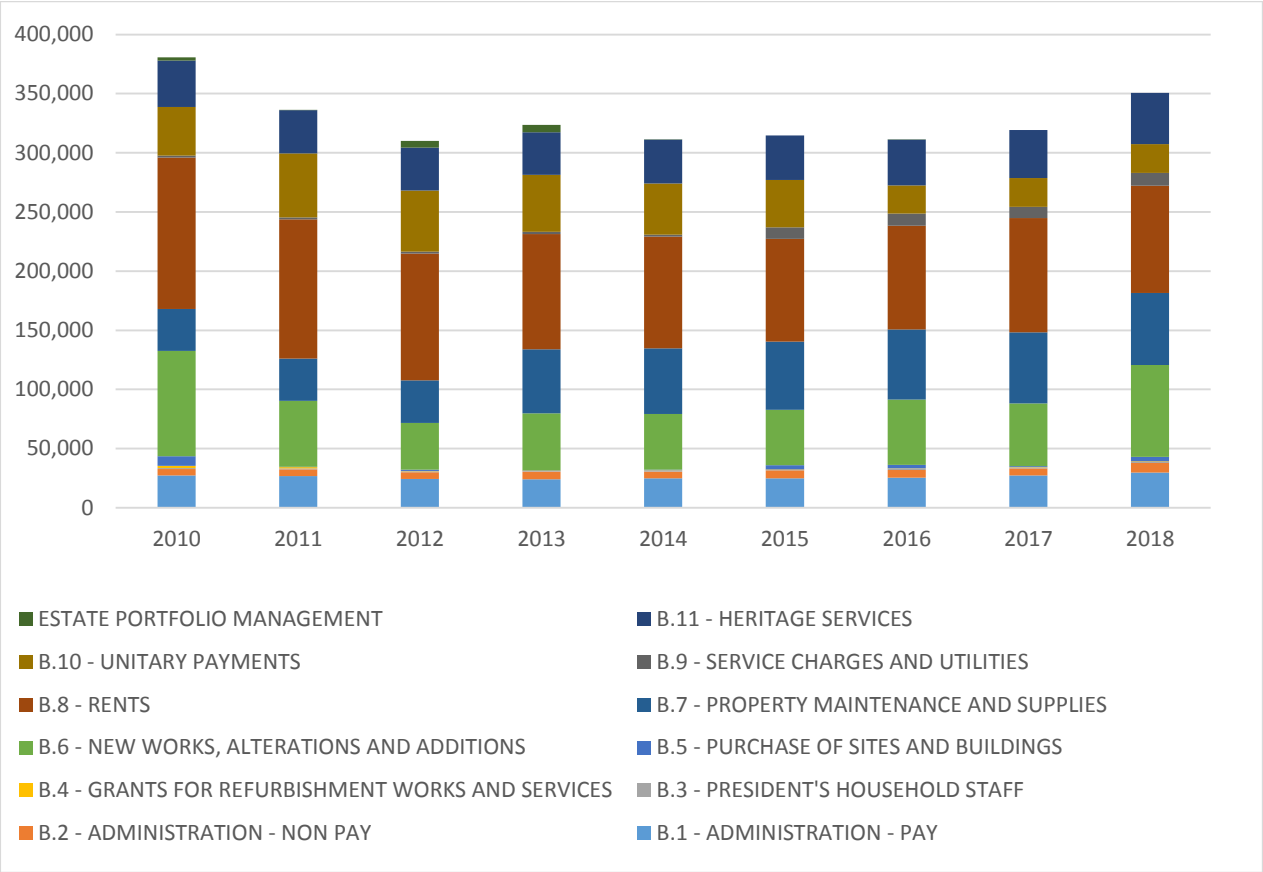
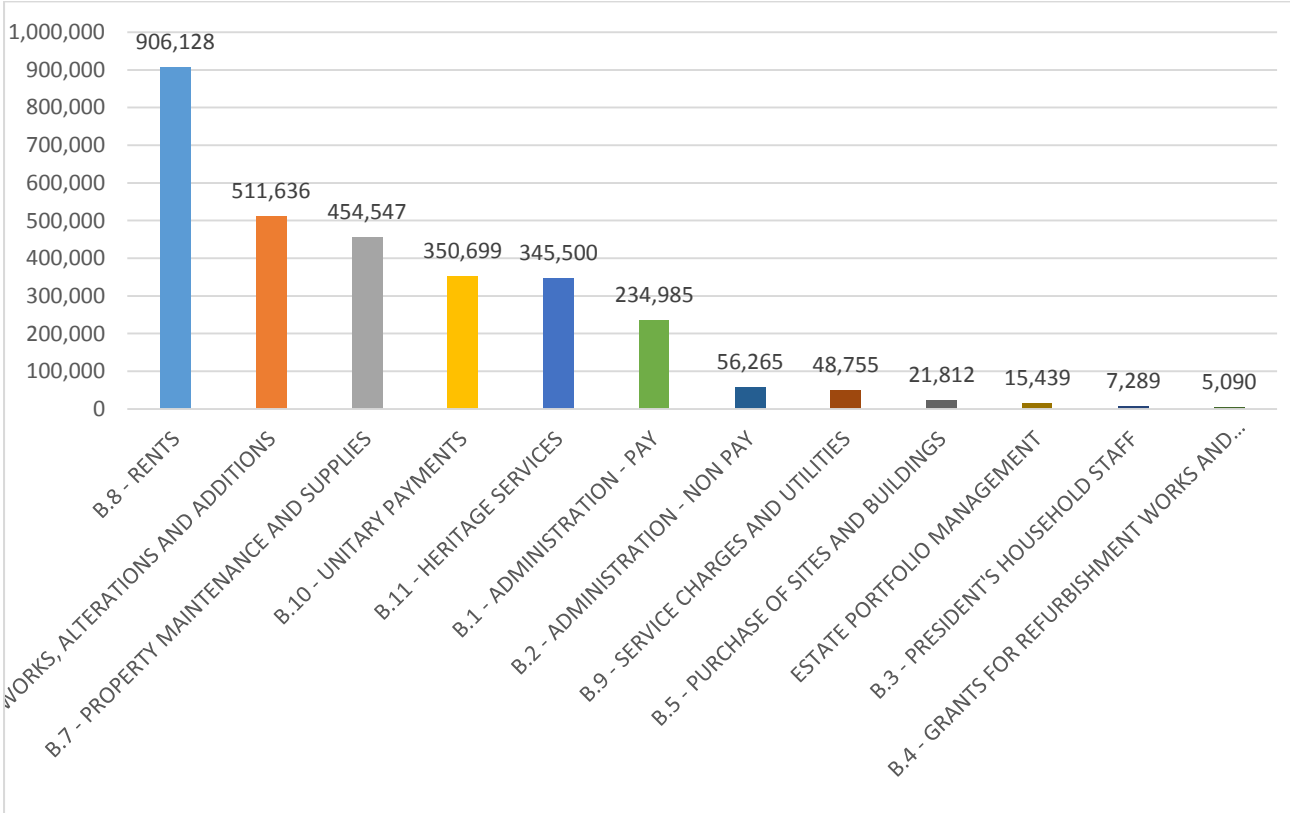



*Figure 7: Vote 13 Estate Management Expenditure (2010-2018) (€000)*



- Rents is the largest expenditure on the programme, with €906m expended from 2010 to 2018.
- New works, alterations and additions is the second largest expenditure on the programme, with €512m expended from 2010 to 2018.

## Section 3: Outcomes and Performance Indicators

The OPW encompasses a wide range of responsibilities under its two programmes and it is not possible to fully cover the entire range of outputs and outcomes of their spending. The figures below are reflective of the overall output in recent years for OPW.

***Figure 6: Vote 13 Key Outputs and Public Service Activities (2011-2019)***

| | 2011 Output Outturn | 2012 Output Outturn | 2013 Output Outturn | 2014 Output Outturn | 2015 Output Outturn | 2016 Output Outturn | 2017 Output Outturn | 2018 Output Outturn |
|---|---|---|---|---|---|---|---|---|
| Number of major flood relief schemes substantially complete | 4 | 5 | 4 | 1 | 1 | 1 | 4 | 1 |
| Number of major flood relief schemes to commence | 1 | 5 | 3 | 1 | 0 | 6 | 2 | 2 |
| Benefit of completed Flood Relief Schemes: Number of Properties | Not Available | Not Available | 1,089 | 173 | 536 | 41,7 | 1,579 | 35 |
| Benefit of completed Flood Relief Schemes: Damage/Loss avoided (€) | Not Available | Not Available | €147m | €7m | €77m | €317m | €184m | €2m |
| Number of Local Authority projects funded (minor) | 72 | Not Available | 58 | 27 | 55 | 60 | 59 | 44 |
| Building projects in planning or under construction – Major >€0.5m | 19 | 11 | 13 | 17 | 15 | 41 | 38 | 73 |
| Building projects in planning or under construction – Minor <€0.5m | 565 | 583 | 509 | 491 | 500 | 539 | 563 | 522 |
| Number of buildings maintained on a planned basis | Not Available | Not Available | Not Available | Not Available | Not Available | Not Available | 1,523 | 1,395 |
| % of buildings maintained on a planned basis | Not Available | Not Available | Not Available | Not Available | Not Available | Not Available | 67% | 65% |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Number of visitors at staffed Heritage Service sites | 3,446,718 | 3,821,399 | 4,180,720 | 4,437,466 | 4,921,965 | 6,523,194* | 7,946,966 | 8,570,138 |
| Income generated at staffed Heritage Service sites | €7.174m | €6.936m | €7.263m | €8.867m | €9.942m | €11.741m | €15.488m | €16.944m |
| Annual Rental Outturn | €118m | €107m | €97m | €94m | €87m | €87m | €96m | €91m |
| Number of leases held by the OPW | 473 | 435 | 394 | 390 | 368 | 351 | 344 | 330 |
| Office accommodation owned and leased by the OPW - sqm | 886,952 | 879,742 | 865,190 | 878,918 | 877,935 | 855,665 | 871,772 | 877,847 |
| Number of buildings managed by the OPW in terms of maintenance, minor works, universal access and mechanical and electrical works. | Not Available | Not Available | Not Available | 2,270 | 2,270 | 2,270 | 2,270 | 2,270 |

*Additional recorded admissions were included from 2016 onward to a number of sites not previously counted.

- 21 major flood relief schemes have been substantially completed. Between 2011 and 2018.
- Income generated at staffed Heritage Service Sites has increased from €7m in 2011 to €17m in 2018.
- Spending on State Rents has decreased from €118m in 2011 to €91m in 2018.
- The number of leases held by the OPW has decreased from 473 in 2011 to 330 in 2018 as a result of OPW's Office Accommodation Rationalisation Programme.

## Section 4: Future Policy Challenges

**Delivery on the Flood Response Programme**

The scale of the Flood Risk Management programme is unprecedented in the history of the State and its implementation within the 10 year timescale of the NDP presents considerable challenges. In addition to the 43 flood relief schemes already completed, there are 35 major schemes in the existing Capital Programme at various stages of delivery throughout the country, 11 are at construction and a further 24 are at design and planning stage.

In 2018, 29 Flood Risk Management Plans (FRMPs) were published, which arose from the National Catchment-based Flood Risk Assessment and Management (CFRAM) studies, which identified 118 new projects for implementation. As part of the first phase, 57 projects are currently being advanced in association with the Local Authorities

**State Rents**

State Rents is the largest item of expenditure by the OPW, representing 20% (€90m) in

2018. Current pressures (including increases in market rents, the lifting on the moratorium on public sector recruitment and lack of supply in office accommodation) make it unlikely that the upward trajectory of rent expenditure will abate in the short- to medium-term. OPW are undertaking an analysis on state property expenditure (leasing/buying/building) as part of the 2019 Spending Review. The finding and recommendations arising from this report should inform and develop policy in this expenditure area going forward.

**Heritage**

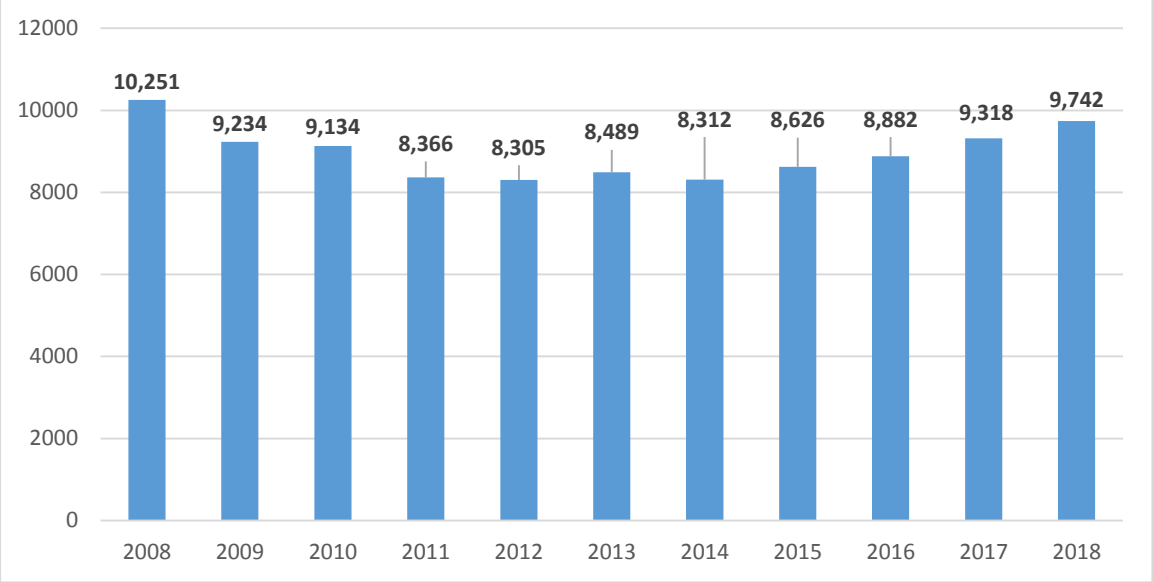
The scale and consistency of the increase in visitor numbers to OPW-managed sites over the reference period is considerable. Admissions to the more prominent Guided sites in particular have increased sharply in recent years and total recorded admissions to managed sites have effectively more than doubled in the last 5 years.

The need to proactively manage the estate in a way which facilitates sustainable tourism while also balancing essential conservation and preservation, needs, as set out in the emerging Heritage Ireland 2030 strategy to be published shortly and recognises the need for the State to meet targets in respect of Climate Change under the National Adaption Strategy will pose a challenge in the next 3 – 5 years in particular.

## Vote 14 – State Laboratory

### Long-Term Trends

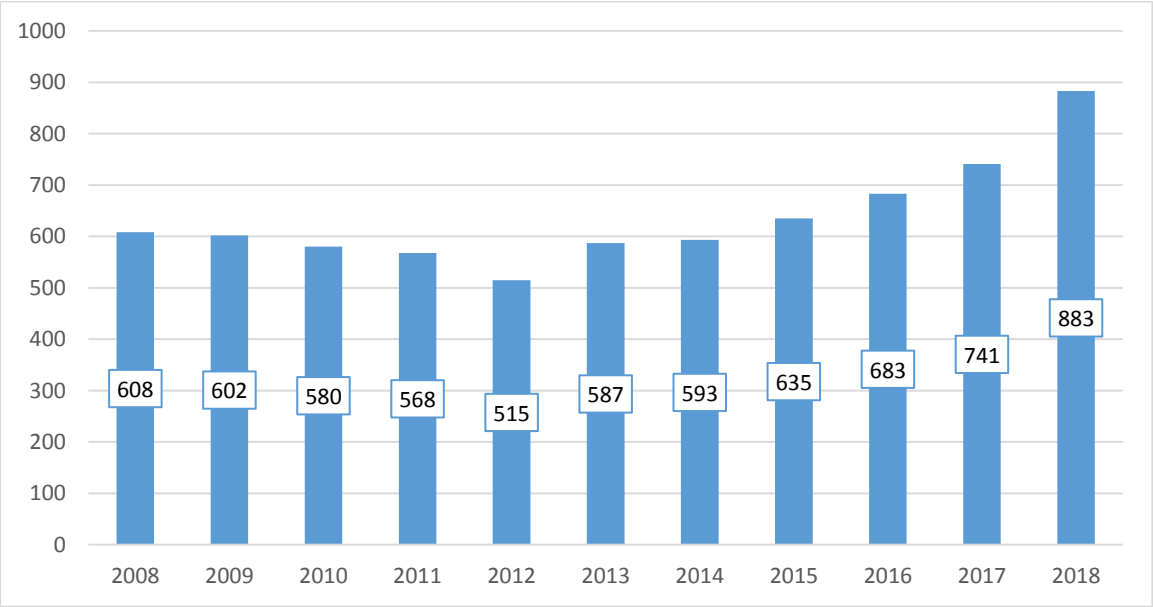
*Figure 1: State Laboratory Gross Voted Expenditure 2008-2018 (€000)*




- The State Laboratory has Gross Voted Expenditure of €9,742m in 2018, which is 4.97% lower than the 2008 allocation

## Vote 15 – Secret Service

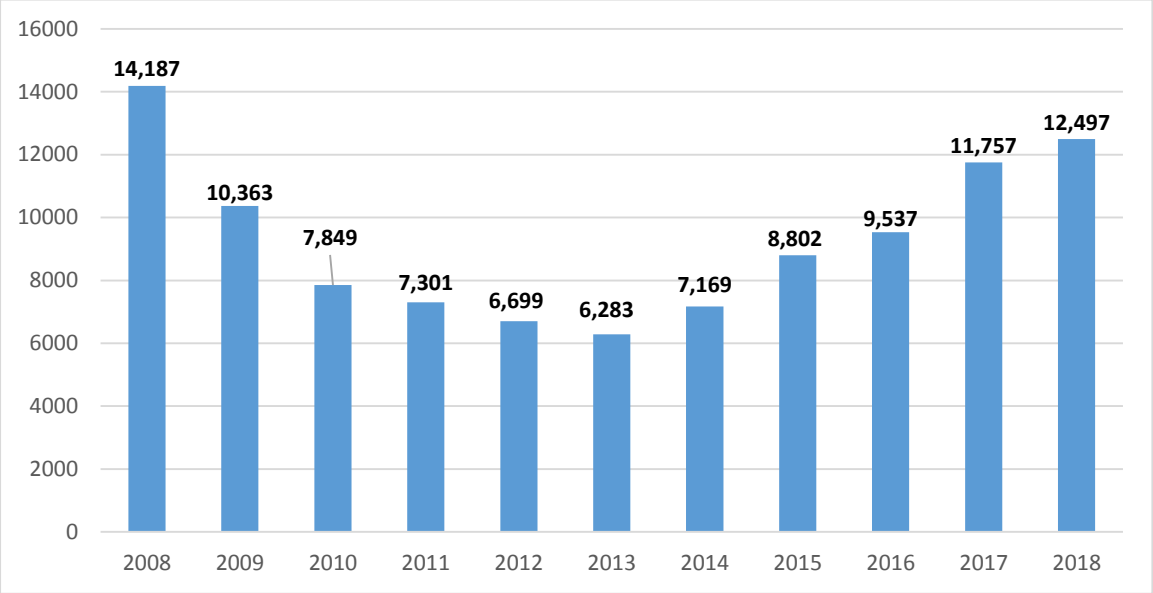
*Figure 1: Secret Service Gross Voted Expenditure 2008-2018 (€000)*




- Expenditure in 2018 of €0,883m was 32% higher than 2008 gross expenditure

## Vote 17 – Public Appointments Service

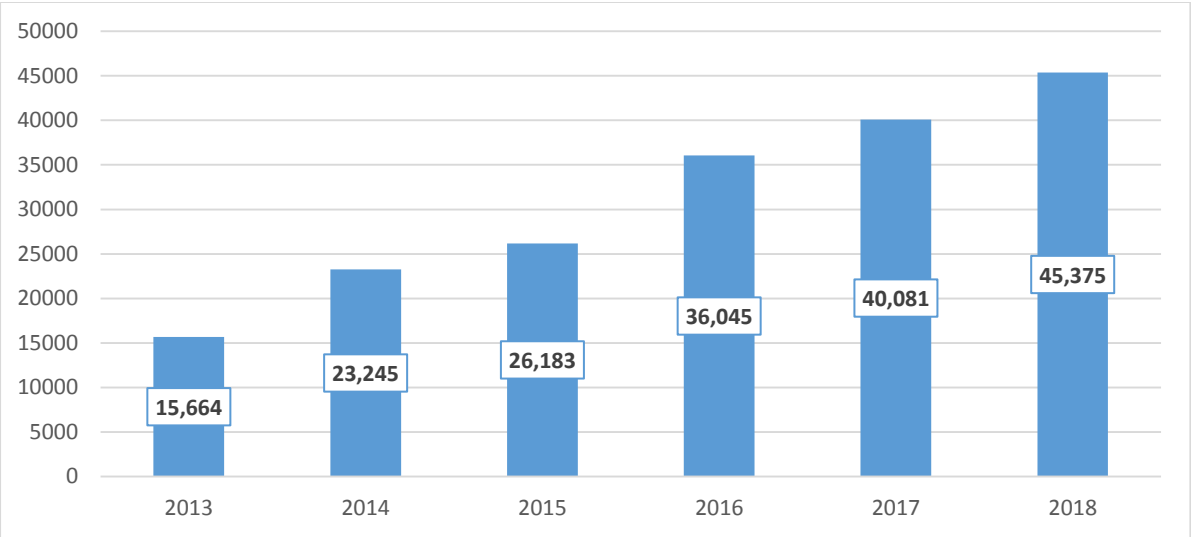
*Figure 1: Public Appointments Service Gross Voted Expenditure 2008-2018 (€000)*




- The Public Appointments Service Gross Voted Expenditure of €12,497m in 2018 was 11.91% lower than 2008 levels.

## Vote 18 – National Shared Services Office

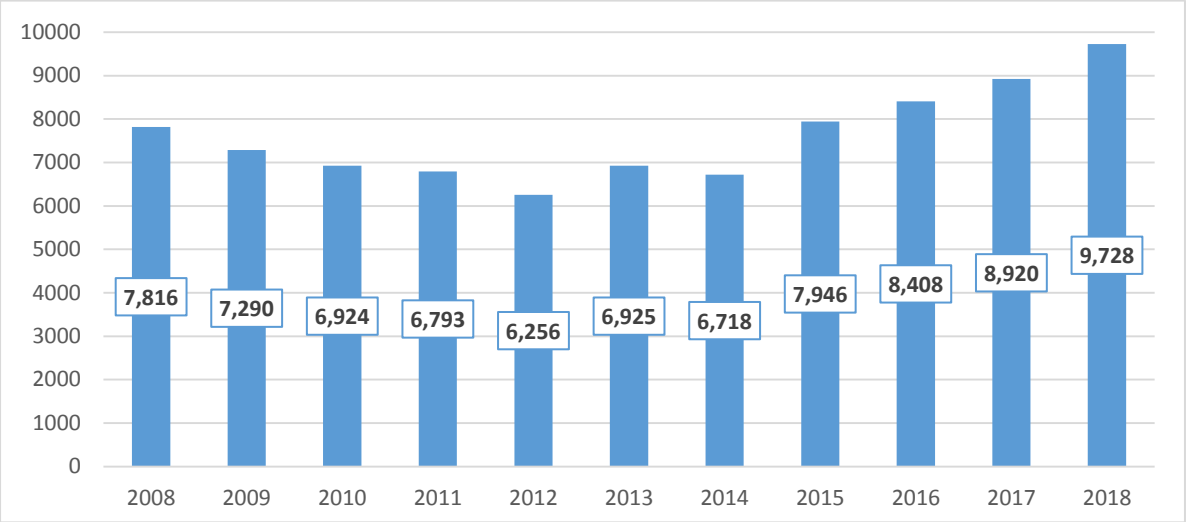
*Figure 1: National Shared Services Office Gross Voted Expenditure 2013-2018 (€000)*




- The National Shared Service Office (NSSO) became an independent established office in 2018.
- Gross Voted Expenditure of €45,375m in 2018 was 189.68% higher than 2013 levels, which reflects the expansion of NSSO's business as the HR Shared Service and the Payroll Shared Service became operational.
- The Financial Management Shared Services Project is also in process and when operational will reflect the next phase of growth in the NSSO business model

## Vote 19 – Office of the Ombudsman

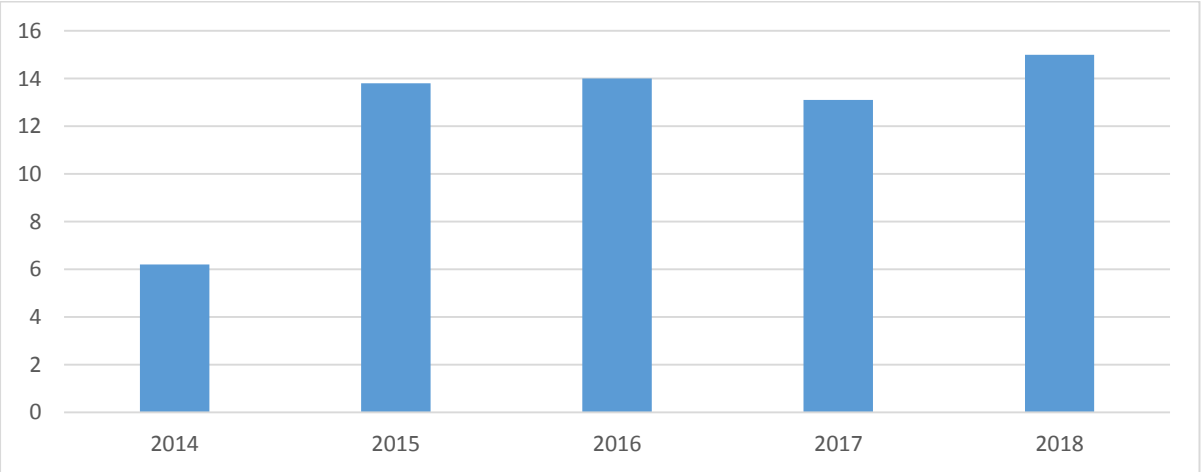
*Figure 1: Office of the Ombudsman Gross Voted Expenditure 2008-2018 (€000)*




- The Office of the Ombudsman Vote incorporates the Office of the Ombudsman but also incorporates the Office of the Information Commissioner, the Standards in Public Office Commission, the Commission for Public Service Appointments and the Commissioner for Environmental Information
- Gross Voted Expenditure of €9,728m in 2018 is 24.46% higher than 2008 levels

## Vote 39 – Office of Government Procurement

*Figure 1: Office of Government Procurement Gross Voted Expenditure 2008-2018 (€m)*




- The OGP's expenditure has grown by 9% from its first full year in 2015 to the end of 2018.
- In that period, it developed as a separate office that has been integrating State procurement policy, strategy and operations into one office, strengthening spending analytics and securing sustainable procurement savings to ensure that costs are reduced so that scarce financial resources can deliver a greater amount of public good to the citizen.

## Rural & Community Development

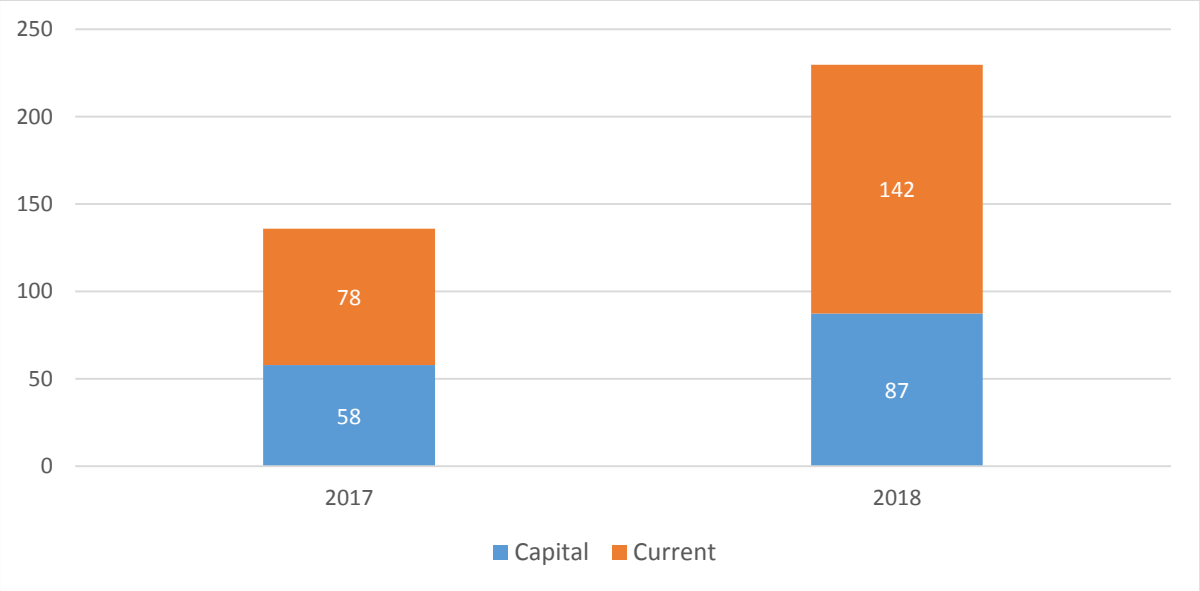
Patricia Ballantine and Tina Hayes

Summary

- The Department of Rural and Community Development was established with effect from 26 July 2017.
- Total Voted expenditure within the Department of Rural and Community Development equalled €366m from 2017 to 2018. In 2018 Total Voted Expenditure was €230m.
- The Rural and Community Development group represented 0.37% of total Voted expenditure in 2018.

### Section 1: Short-Term Trends

*Figure 1: Vote 42 Short Term Trends in Current and Capital Expenditure (€m) (2017-2018)* [33]




- Total Voted expenditure on Rural and Community Development equalled €366m from 2017 to 2018.
- A large proportion of the expenditure on rural and community development is in the form of grants, in many cases administered by Pobal on behalf of the Department.

[33] The Community Services Programme transferred from Vote 37 (D/Employment Affairs and Social Protection) to Vote 42 (D/Rural and Community Development) with effect from 01/01/2018. The programme amount of €46.19m, with respect to 2018, is reflected in figure 1.

*Figure 2: Vote 42 Current Expenditure by Function (2017-2018) (€000s)*

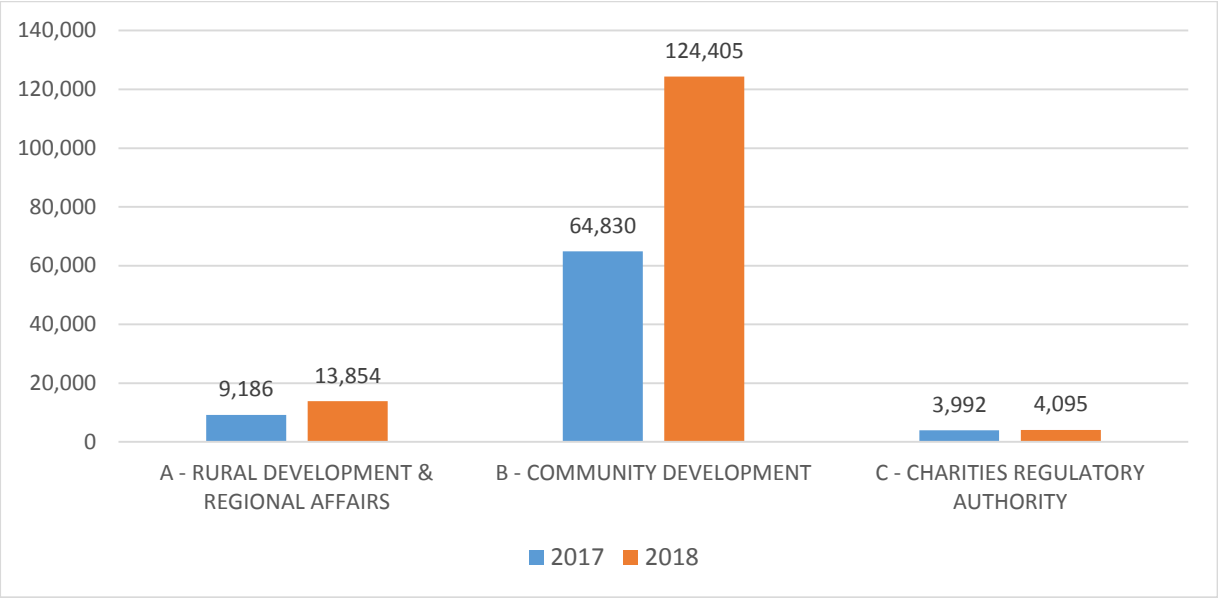
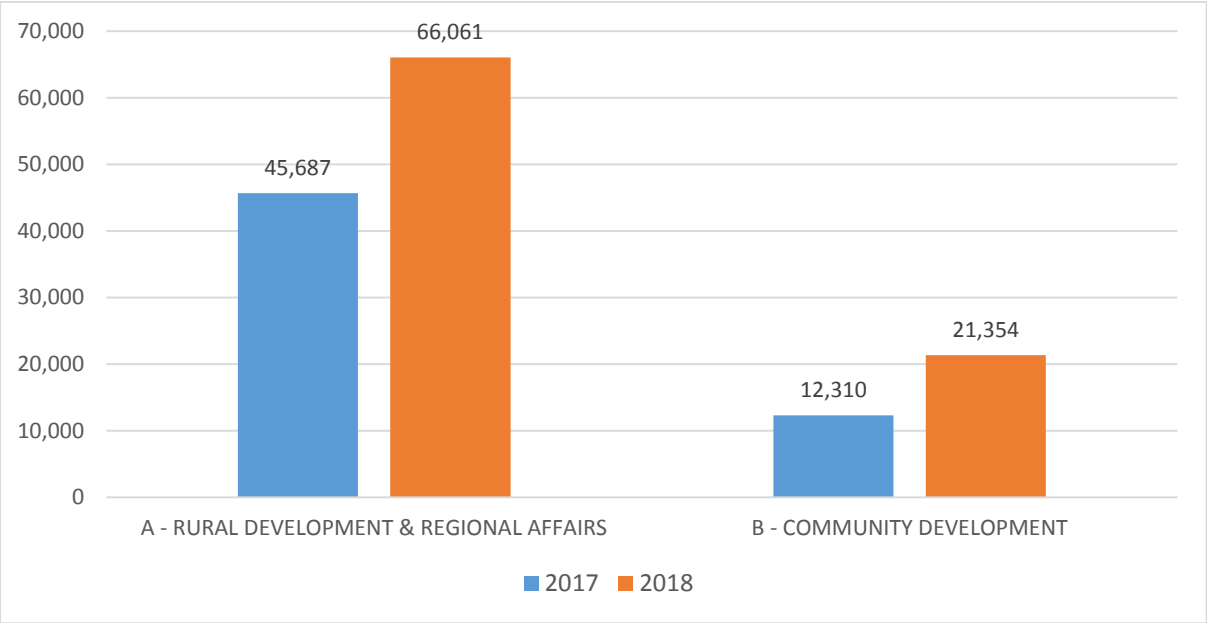



*Figure 3: Vote 42 Capital Expenditure by Function (2017-2018) (€000s)*




- Programme A: Rural Development and Regional Affairs is the second largest expenditure on the Vote. The programme spend is majority capital expenditure with a lesser amount of current expenditure. Total Spend on the programme equalled €135m from 2017 to 2018, with €112m of that allocation on the capital side of the programme budget and €23m current expenditure.

- Programme B: Community Development is the largest expenditure on the Vote. A total programme spend of €222m occurred from 2017-2018. The current expenditure on this programme totalled €189m and capital expenditure €33m from 2017-2018.

- Programme C: The Charities Regulatory Authority is the smallest expenditure on the Vote totalling €8m between 2017 and 2018. This programme expenditure all falls under current expenditure.

## Section 2: Expenditure Drivers

Unlike other areas of expenditure, changes in allocation or actual spend in this area are not primarily driven by demographics or service demand. The key expenditure drivers are Government policy which include; Programme for a Partnership Government, National Development Plan and EU programmes.

*Figure 4: Vote 42 Current Expenditure by Function A – Rural Development & Regional Affairs (2017-2018) (€000s)*

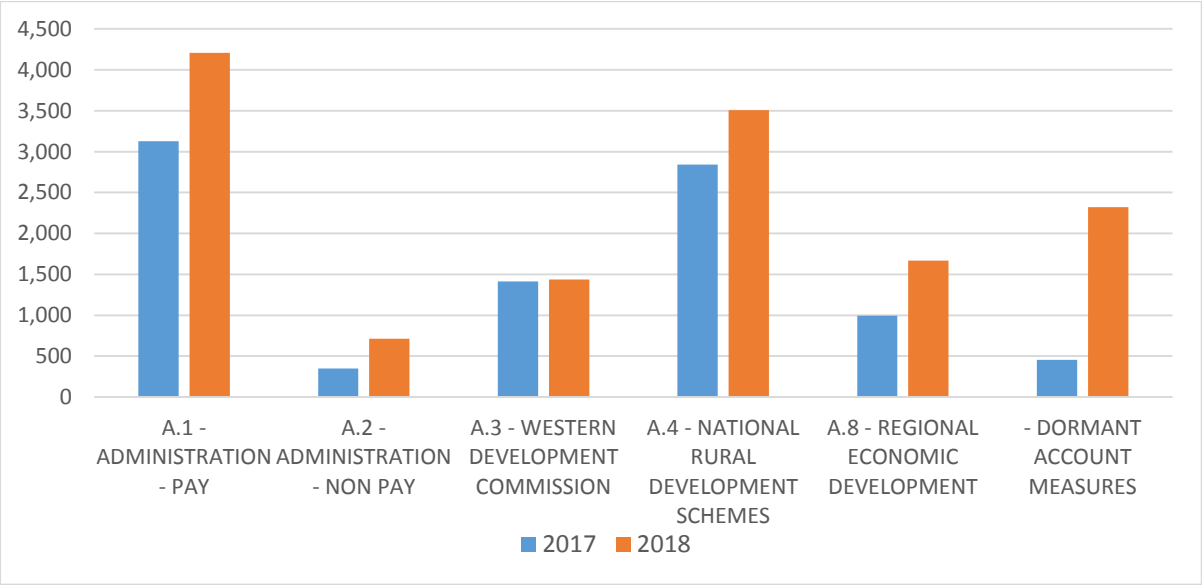



*Figure 5: Vote 42 Current Expenditure by Function B – Community Development (2017-2018) (€000s)*

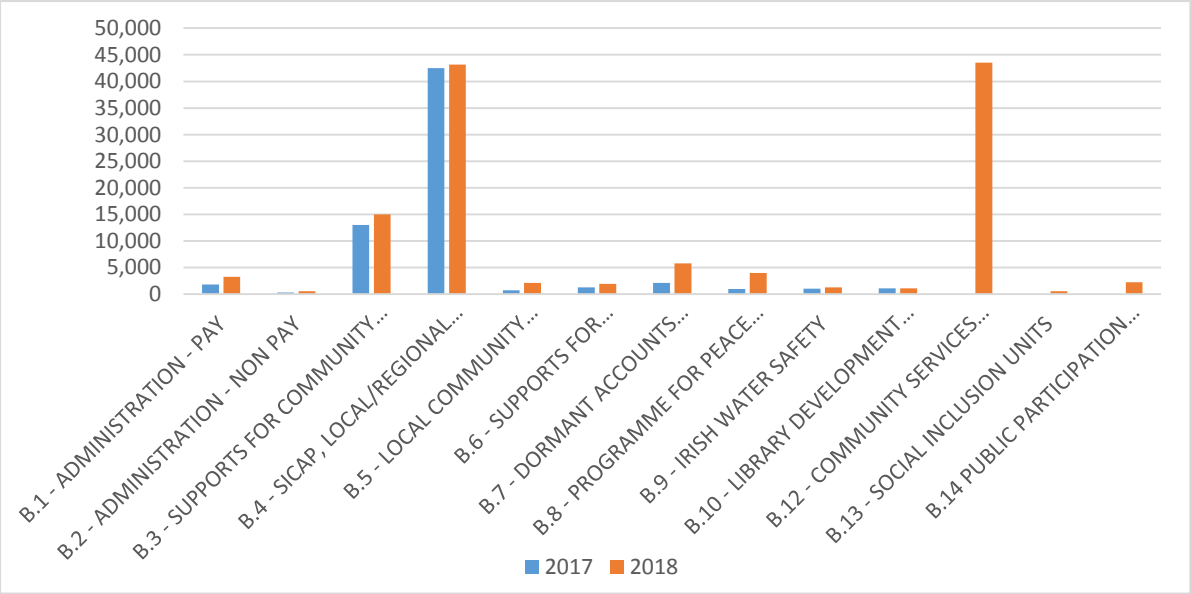
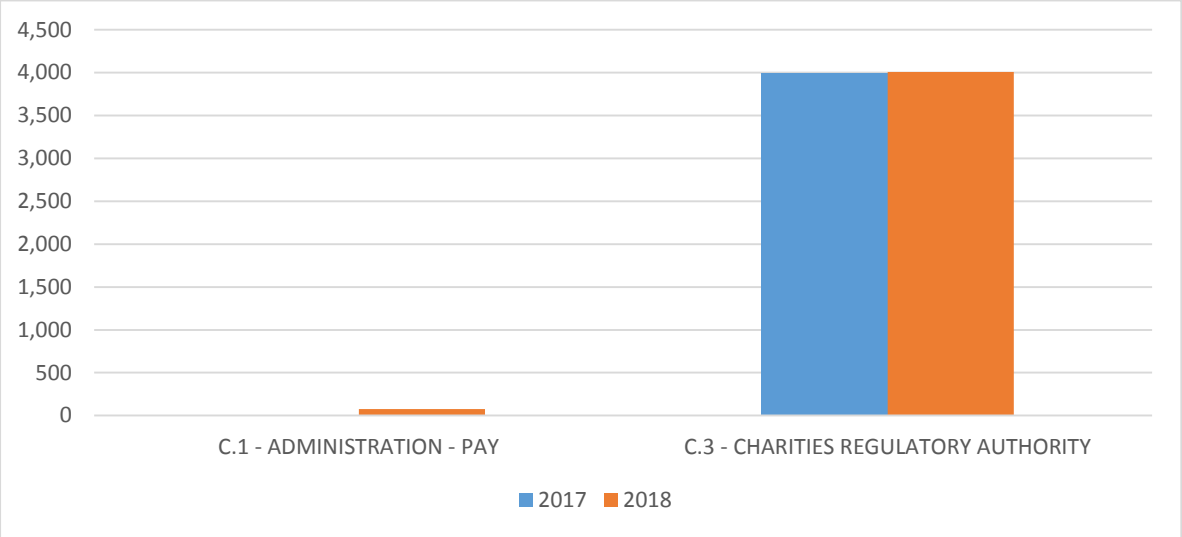


*Figure 6: Vote 42 Current Expenditure by Function C – Charities Regulatory Authority (2017-2018) (€000s)*




- SICAP is the largest current expenditure on the Vote with total programme expenditure totalling €86m between 2017-2018.
- The Community Services Programme is the second largest current expenditure on the Vote in 2018 with total a total programme expenditure of €44m.

*Figure 7: Vote 42 Capital Expenditure by Function A – Rural Development & Regional Affairs (2017-2018) (€000s)*

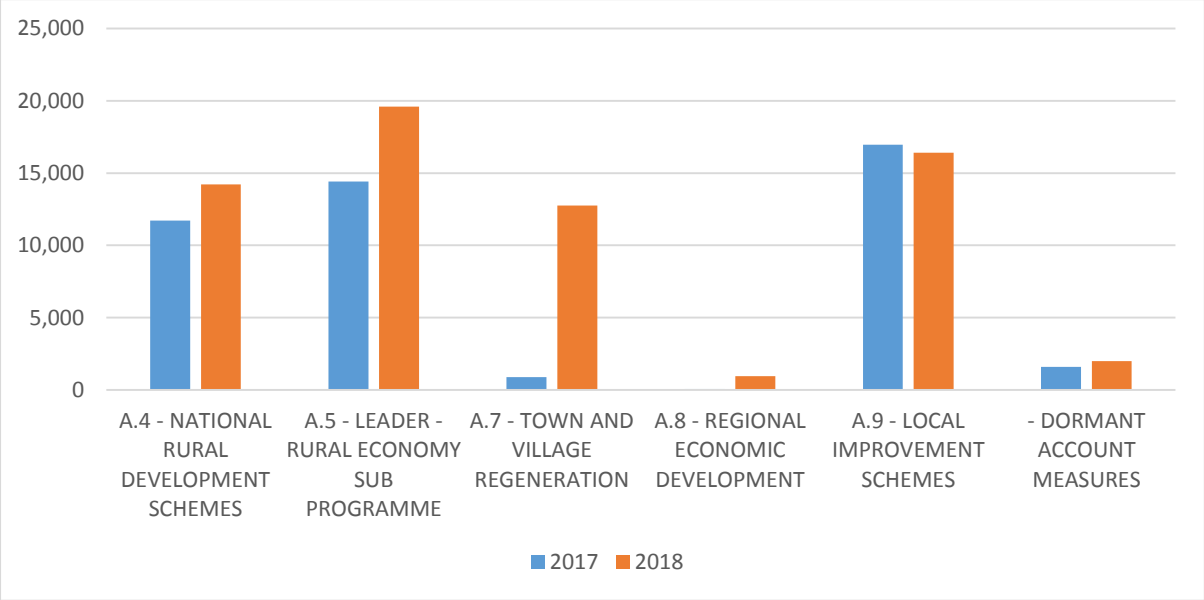
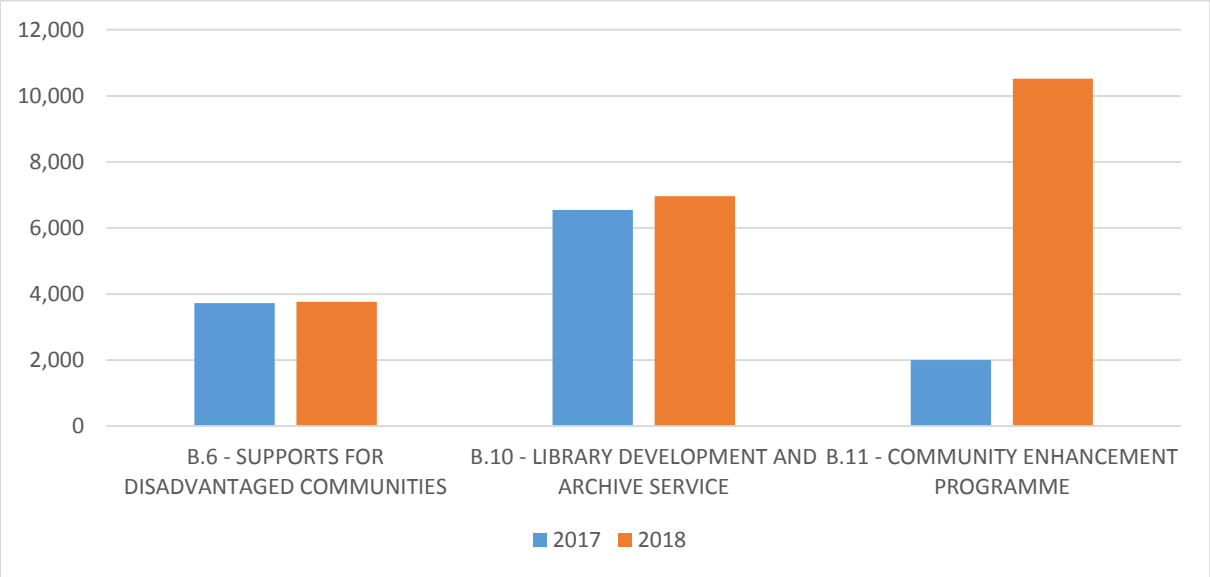


*Figure 8: Vote 42 Capital Expenditure by Function B – Community Development (2017-2018) (€000s)*




- LEADER (A.5) is the largest Capital Expenditure on the Vote. Total programme expenditure was €34m from 2017-2018.
- The Local improvement Scheme is the second largest capital expenditure on the Vote. Total programme expenditure was €33m from 2017-2018.

## Section 3: Outcomes and Performance Indicators

***Table 1: Vote 42 Key Outputs and Public Service Activities (2017-2018)***

| | | 2017 Output Outturn | 2018 Output Outturn |
|---|---|---|---|
| **Town and Village Regeneration** | No. of projects approved for Towns and Villages renewal findings | 281 | 220 |
| **LEADER** | No. of LEADER Local Development Strategies being implemented (2014-2020 programme) | 29 | 29 |
| | No. of projects approved for LEADER funding | 592 | 1,576 |
| | No. of enterprises supported | 127 | 423 |
| **Community Services Programme** | No. of organisations supported financially | New Metric | 400 |

| | | | |
|---|---|---|---|
| | No. of individuals employed fulltime on CSP | New Metric | 1,650 |
| | No. of individuals employed part time on CSP | New Metric | 1,020 |
| **SICAP** | Total number of community groups assisted under SICAP | New Metric | 2,219 |
| | Total number of individuals (15 years upwards) engaged SICAP on a one to one basis | New Metric | 27,452 |
| **Charities Registered** | (a) Section 39 organisations* | 0 | 1,841 |
| | (b) Section 40 organisations** | 8,452 | 7,220 |

The Department is continuing its effort to develop and enhance the metrics it uses to report on the progress and impact of its activities. Going forward, the Department will continue to monitor and review its Key Performance Indicators. For example, this year the Department has added new metrics in respect of SICAP and CSP in the table above.

## Section 4: Future Policy Challenges

**National Development Plan**

One of the National Strategic Outcomes of the National Development Plan is to bring about strengthened rural economies and communities. As part of this, €1bn is committed to the Rural Regeneration and Development Fund between 2018 and 2027 to promote rural renewal in order to enable towns, villages and outlying rural areas to grow sustainably and support delivery of the strategic objectives of the National Planning Framework. Proposals supported under the Fund will need to demonstrate additionality, value for money, and a sustainable impact on social or economic development of rural communities through measurable outputs. This will be complemented by an Urban Regeneration and Development Fund, under the responsibility of the Department of Housing, Planning, and Local Government. In the period 2018 - 2022, €315m is committed to the Rural Regeneration and Development Fund, €225m for LEADER, and €166m for other capital schemes, including the town and village renewal scheme, rural recreation schemes, Local Improvement Schemes, library development, RAPID, and PEACE.

**EU programmes**

Expenditure on programmes part-funded by the EU (LEADER & Programme for Peace and Reconciliation) are dependent both on Ireland's allocation and on the interest of individuals and organisations to apply, as well as the ability of organisations to apply for funding.

**Realising our Rural Potential: Action Plan for Rural Development**

The Action Plan for Rural Development contains over 270 actions and aims to ensure that people who live in rural areas have increased opportunities for employment locally and access to public services and social networks that support a high quality of life. Progress Reports on the implementation of the Action Plan are published twice-yearly. The latest, Fourth Progress Report, outlines the progress which has taken place in relation to all of the actions in the Plan, focusing on activity due for delivery between July and December 2018, or which are being implemented on an ongoing basis over the course of the three year Action Plan. Of the 277 actions reported on, 268 have been completed or are substantially advanced, and 4 actions were closed. 5 actions due for delivery were delayed.

**Policy Challenges Summary**

The future policy challenges differ across the programmes which the Department oversees. The key policy challenge in terms of rural development is to continue to support the long-term sustainable economic and social development of rural Ireland, in line with the commitments in both the Action Plan for Rural Development (APRD) and Project Ireland 2040. The Department is also developing a Social Enterprise Policy, a National Strategy on Volunteering and a successor to the APRD.

In terms of evaluation, measuring and analysing socio-economic outcomes and benefits of certain departmental programmes can be challenging. This is in part due to the qualitative nature of much of the work of the Department in community development and rural regeneration. To address these issues, the Department is continuing to develop its evaluation capacity. Currently the Department is undertaking an analysis of a small number of Departmental programmes.

## Taoiseach

Victoria Cahill

Summary

The Taoiseach Group of Votes consists of:

- Vote 1 – President's Establishment
- Vote 2 – Department of the Taoiseach
- Vote 3 – Office of the Attorney General
- Vote 4 – Central Statistics Office
- Vote 5 – Office of the Director of Public Prosecutions
- Vote 6 – Office of the Chief State Solicitor

Total voted expenditure for this Departmental Group 2009-2018 is €1.653m. This review focusses on the expenditure of the Department of the Taoiseach and the Central Statistics Office.

Department of the Taoiseach

The primary function of the Department of the Taoiseach is to support the Taoiseach and Government in delivering on its programme. Approximately 50% of the non-pay portion of the Vote funds independent entities which have been established outside of any individual Department or Agency. The Department of the Taoiseach have a wide range of responsibilities under its programme for Government, detailed in the overall output trends in section 3.

The Central Statistics Office

The Central Statistics Office (CSO) is an independent office under the aegis of the Department of the Taoiseach. The CSO is Ireland's national statistical institute and is responsible for the production and oversight of the production of all official statistics for Ireland. The functions of the CSO, as set out in the Statistics Act, include "the collection, compilation, extraction and dissemination for statistical purposes of information relating to economic, social and general activities and conditions in the State". This mandate was broadened under EU Regulation No.223/2009, which makes the CSO Director General responsible for the co-ordination and oversight of the quality of all European official statistics compiled by public authorities in Ireland. Confidence in the quality and independence of official statistics is crucial as this information serves as an objective input to policy development, oversight and governance at national and international levels. Almost 75% of the current Vote Estimate is allocated to administration costs; salaries, wages and allowances.

The future policy challenges are:

Department of the Taoiseach

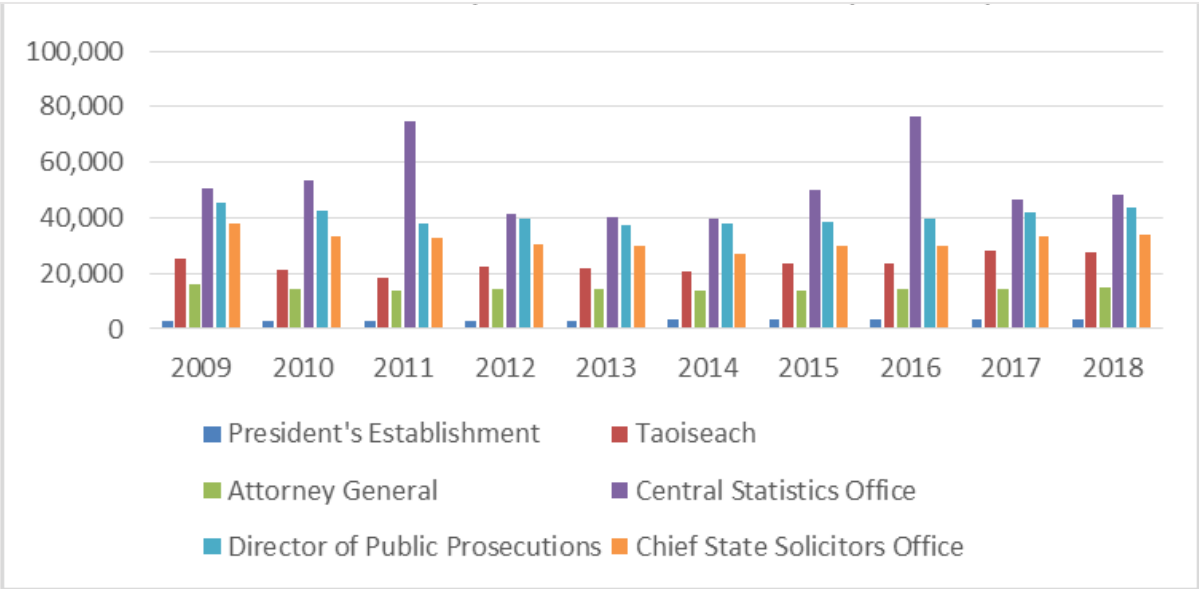
- Sustainable economic development and social progress.

Central Statistics Office

- Programme of modernisation;
- Continuous product development and quality enhancement; and
- Maintain and advance the Office's position as a leading national statistical institute.

While it is it is not possible to fully capture the entire range of outputs and outcomes for this Group, the Vote considers that the performance indicators properly reflect the work of the Taoiseach Group, reporting on tangible results and deliverables.

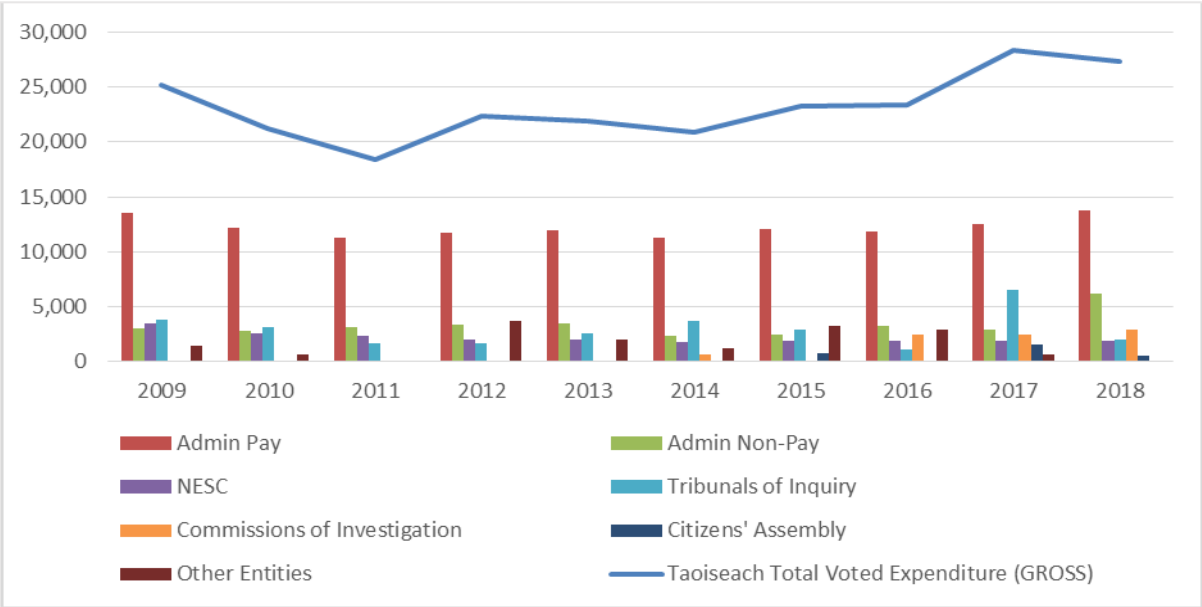
*Figure 1 – Total Gross Voted Taoiseach Group Expenditure, 2009-2018*




## Department of the Taoiseach

### Section 1: Long-Term Trends

*Figure 2: Gross Expenditure on the Department of the Taoiseach, 2009-2018*



Total Voted Expenditure on the Department of the Taoiseach equalled €232m within the period 2009-2018.

## Section 2: Expenditure Drivers

Expenditure requirements remain broadly constant year on year. However, the Department must remain responsive to the changing social, political and economic landscape.

A unique feature of the current Vote Estimate is the fact that over 50% of the non-pay portion of the Vote is monies required to run independent entities, which, of necessity, have been established outside of any individual Department or agency. These are entities established by the Government and the Houses of the Oireachtas, such as Tribunals of Inquiry, Commissions of Investigation or Citizen Assembly-type entities which are each independent and generally Judge-led.

## Section 3: Outcomes and Performance indicators

The Taoiseach's Vote encompasses a wide range of responsibilities under its programme and it is not possible to fully cover the entire range of outputs and outcomes of their spending. The table below is reflective of the overall output trend in recent years for this Vote.

*Table 1: Selected Outcome and Performance Indicators*

| | 2016 | 2017 | 2018 |
|---|---|---|---|
| Growth \ Debt<br>(a) Economic Growth (GDP & GNP)<br>(b) General Government Debt (%GDP)<br>(c) General Government Deficit (%GDP) | (a) +5.1% / +9.6%<br>(b) 73.5%<br>(c) -0.7% | (a) +7.2% / +4.4%<br>(b)68.5%<br>(c) -0.3% | (a) +6.7%*/ +5.9%*<br>(b) 64.8%<br>(c) 0.0% |
| Employment<br>(a) Rate of unemployment (CSO – LFS seasonally adjusted)<br>(b) Employment Rate (CSO – LFS) | (a) 7.1%<br>(b) 67.1% | (a) 6.4%<br>(b) 68.3% | (a) 5.7%**<br>(b) 69.1%** |
| Income \ Poverty levels<br>(a) Average annual equivalised disposable income (nominal income)<br>(b) Consistent Poverty Rate (CSO SILC) | 2015-<br>(a) €22,984<br>(b) 8.7% | 2016-<br>(a)€23,682<br>(b)8.2% | 2017-<br>(a)€24,983<br>(b) 6.7% |
| Ireland's International Standing Ireland's world competitiveness score (rank) (World Economic | 5.1 (24th) | 5.2(24th) | 76(23rd)^ |

| | | | |
|---|---|---|---|
| Forum Global Competitiveness Index) | | | |
| Ireland's International Reputation Ranking in annual country reputation survey (Reputation Institute Country RepTrak annual survey) | 9 | 10 | 11 |

*Q4/2018 Preliminary; ** Q 4 Labour Force Survey (QNHS up to 2017)
^change to scoring system in 2018

## Section 4: Future Policy Challenges

The Department has an oversight and reporting role in relation to the Programme for Government commitments and other emerging political priorities and must remain resourced and responsive in this regard. There are a number of current pressing challenges in ensuring sustainable economic development and social progress. The Department must continue to be resourced to ensure an effective whole-of-government approach that takes full account of Government's priorities

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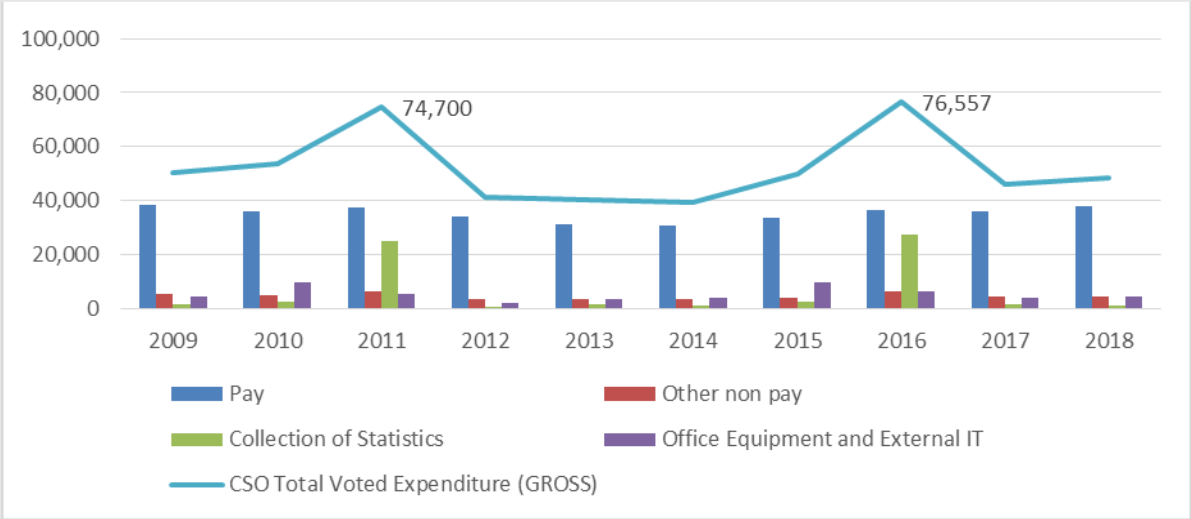
## Central Statistics Office

### Section 1: Long-Term Trends

*Figure 3 – Gross Expenditure on the Central Statistics Office, 2009-2018*




Total Voted Expenditure on the Central Statistics Office equalled €521m within the period 2009-2018. Figure 3 above shows the increase/decrease in expenditure which corresponds with the run up to census 2011 and 2016 and the subsequent slowdown in the following years.

### Section 2: Expenditure Drivers

- The CSO is operating in an increasingly demanding environment. There is growing user requirement for high quality Official Statistics, both nationally and internationally. At the European level, EUROSTAT and the European Central Bank are the two key consumers of Irish Official Statistics, accounting for approximately 75% of the outputs of the Office, legally mandated and non-elective. In parallel, the CSO is increasingly being asked to take on new survey work or to incorporate existing studies into its programme of official statistics, as can be seen by the recent announcement to embed the Growing Up in Ireland survey in the CSO work programme from 2023 a Sexual Violence Survey for Ireland, a modern successor to the 2002 Sexual Assault & Violence in Ireland report.
- The Office is currently preparing for a Census of Population in 2021 and a Household Budget Survey in 2020/2021. In addition, a Census of Agriculture and the second cycle of the International Assessment of Adult Competencies (PIAAC - undertaken on behalf of the Department of Education and Skills) are scheduled for 2020.

### Section 3: Outcomes and Performance Indicators

*Table 2: Key High Level Metrics*

| Output Outturn | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|
| No. of core statistical outputs delivered in electronic format online | 306 | 304 | 293 | 315 | 327 | 344 | 344 |

*Table 3: Context and Impact Indicators*

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|
| Number of releases and publications | 306 | 304 | 293 | 315 | 327 | 344 | 344 |
| Number of CSO website Visits | 2,303,441 | 2,363,397 | 1,221,547 | 1,418,889 | 1,989,672 | 2,468,207 | 2,098,327 |
| Number of CSO website Page views | 13,997,031 | 15,011,627 | 7,615,407 | 8,648,865 | 11,131,092 | 13,385,407 | 11,861,831 |
| Number of CSO website StatBank table accesses | 1,042,750 | 1,109,839 | 1,307,498 | 1,628,379 | 927,175 | 2,006,193 | 1,400,000* |
| Number of social media followers (at year-end) | 5,644 | 8,295 | 10,300 | 12,000 | 15,000 | 19,300 | 21,512 |

*Estimate pending finalisation of StatBank upgrade currently in progress.

## Section 4: Future Policy Challenges

- The CSO has advanced an ambitious programme of modernisation in the past 7 years and has grown both in size and in the breadth of its outputs. Alongside the continuous expectations of expert users, there is an increasing appetite for citizen focused statistical products, describing life in Ireland through statistics in ways which are meaningful to individuals, to communities and to groups for whom accurate data provides a baseline against which to understand, to plan, to build ideas and to actively participate in society.
- The Office engages systematically with key stakeholders and is committed to an intensive programme of continuous product development and quality enhancement. Key drivers include the Office's own internal quality management programme and inputs from expert advisors.
- The Office is also embracing the data revolution to embed as broad a range as possible of statistical sources in its work and to leverage emerging technologies both to reduce respondent burden and to make its outputs accessible and user-friendly and advance the Office's position as a leading national statistical institute.

## Transport, Tourism & Sport

Philip Maher

Summary

- Total gross expenditure by the Department of Transport, Tourism and Sport reduced by €1,122 million from €3,175 million in 2009 to €2,053 million in 2018 (35%).
- However, total gross expenditure allocations have increased since 2013 by €353m from €1,700m to €2,053m in 2018 (20%).
- A significant increase in Capital of €10bn has been provided to DTTAS under the new National Development Plan (NDP) 2018-2027.
- The Department operates across five programme areas - Aviation, Land Transport, Maritime, Tourism and Sport, with 60% of expenditure allocated to Land Transport (covering Roads and Public Transport).
- The primary drivers of expenditure are economic growth, leading to pressures on the existing roads and public transport system, policy commitments in relation to roads, regional airports and sport and the transition to more sustainable transport systems.

### Section 1: Long-Term Trends

The Department of Transport, Tourism and Sport was established in 2011. In the 2002 to 2011 period, the Department operated as the Department of Transport and prior to that, was known as the Department of Public Enterprise. The Department of Transport, Tourism and Sport operates across 5 main programme areas.

- **Aviation:** to maximise air transport connectivity with a safe, competitive, cost effective and sustainable aviation sector
- **Land Transport** : to best serve the needs of society and the economy through safe, sustainable and competitive transport networks and services
- **Maritime:** to facilitate safe and sustainable maritime transport and the delivery of emergency management services.
- **Sport:** to contribute to a healthier and more active society by promoting sports participation and by supporting high performance and the provision of sport facilities.
- **Tourism**: to support the tourism industry to grow in a sustainable way.

Over the period 2009 to 2018, gross expenditure (current and capital) decreased from €3,175 million in 2009 to **€2,053** million in 2018, a decrease of €1,122 million or 35%. Figure 1 sets out the breakdown between current and capital expenditure for that period. Figures 2 and 3 set out the breakdown by programme area between current and capital respectively. NOTE: The Department of Transport only became responsible for Tourism and Sport in 2011. It

should also be noted that Land Transport is responsible for almost 95% of Capital Expenditure and 60% of Total Expenditure in 2018.

*Figure 1: Total Gross Expenditure 2009-2018 (€m)*

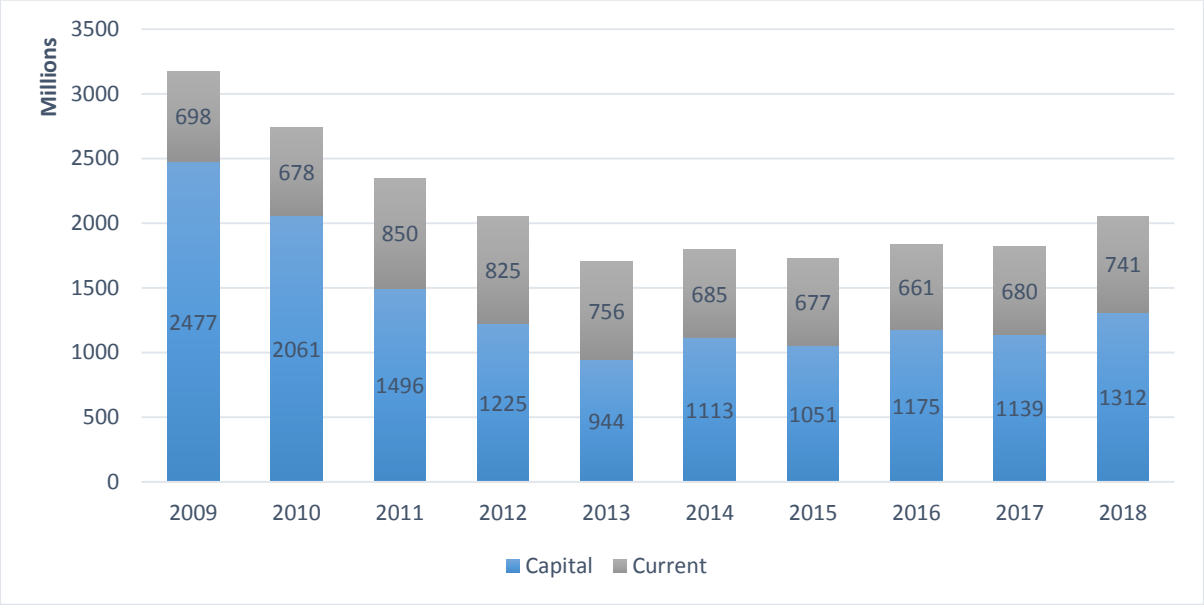



*Figure 2: Current Expenditure by Programme Area 2009-2018 (€m)*

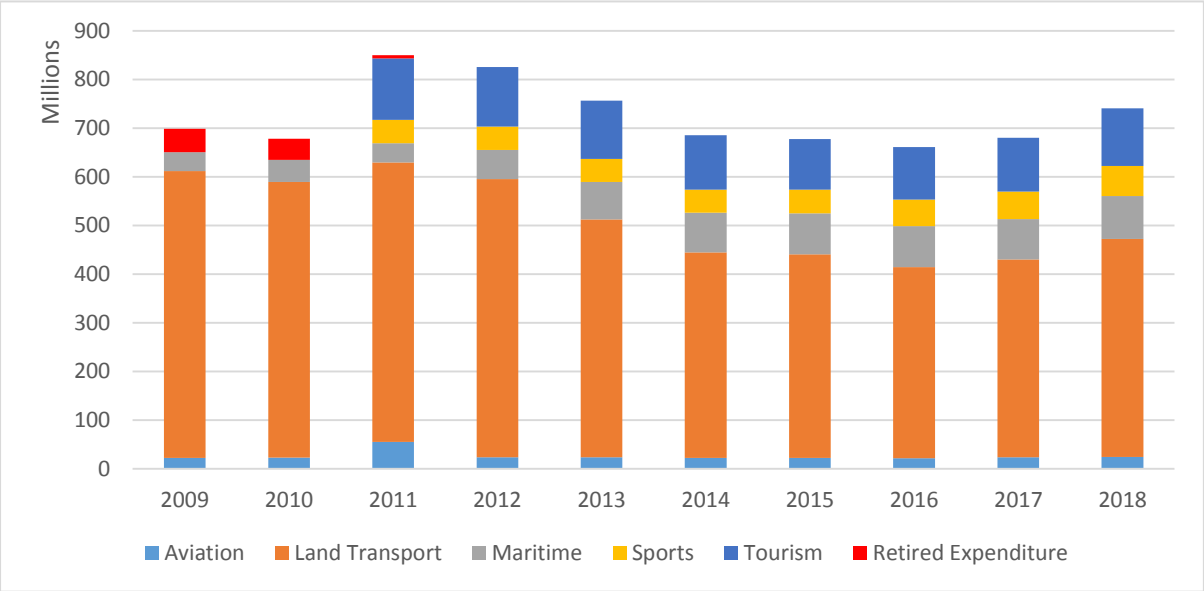


*Figure 3: Capital Expenditure by Programme Area 2009-2018*

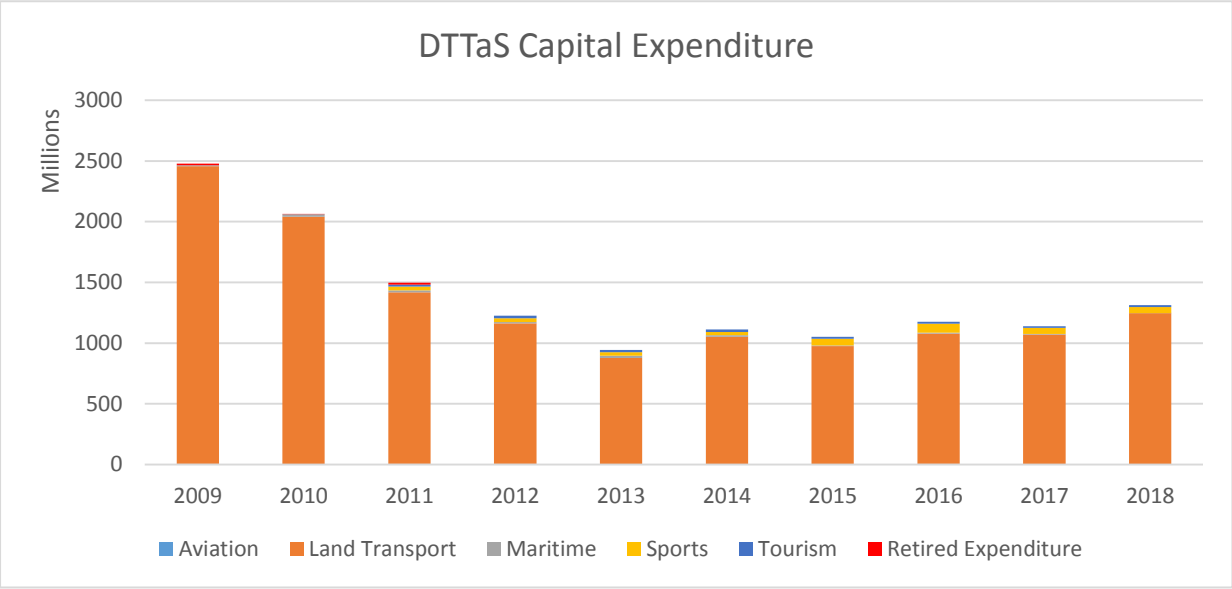



*Table 1 - Gross Expenditure 2009-2018 by Programme Areas*

| Programmes | | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | Total €m |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Aviation** | Current | 22 | 23 | 55 | 24 | 23 | 23 | 23 | 22 | 23 | 24 | **262** |
| | Capital | 5 | 1 | 5 | 4 | 4 | 3 | 2 | 4 | 2 | 4 | **34** |
| | **Total** | **27** | **24** | **60** | **28** | **27** | **26** | **25** | **26** | **25** | **28** | **296** |
| **Land Transport** | Current | 589 | 566 | 574 | 571 | 489 | 422 | 418 | 393 | 407 | 448 | **4,877** |
| | Capital | 2,451 | 2,040 | 1,413 | 1,158 | 873 | 1050 | 974 | 1,073 | 1,068 | 1,242 | **13,342** |
| | **Total** | **3,040** | **2,606** | **1,987** | **1,729** | **1,362** | **1,472** | **1,392** | **1,466** | **1,475** | **1,690** | **18,219** |
| **Maritime** | Current | 39 | 45 | 39 | 60 | 77 | 82 | 85 | 84 | 83 | 88 | **682** |
| | Capital | 8 | 20 | 16 | 11 | 20 | 12 | 5 | 7 | 4 | 2 | **105** |
| | **Total** | **47** | **65** | **55** | **71** | **97** | **94** | **90** | **91** | **87** | **90** | **787** |
| **Sports** | Current | - | - | 48 | 48 | 47 | 47 | 48 | 55 | 57 | 62 | **412** |
| | Capital | - | - | 34 | 31 | 27 | 26 | 54 | 74 | 51 | 50 | **347** |
| | **Total** | **-** | **-** | **82** | **79** | **74** | **73** | **102** | **129** | **108** | **112** | **759** |
| **Tourism** | Current | - | - | 126 | 122 | 119 | 112 | 104 | 107 | 110 | 119 | **919** |
| | Capital | - | - | 16 | 21 | 20 | 22 | 16 | 16 | 13 | 15 | **139** |
| | **Total** | **-** | **-** | **142** | **143** | **139** | **134** | **120** | **123** | **123** | **134** | **1,058** |
| **Total €m** | Total Current | 650 | 634 | 842 | 825 | 755 | 686 | 678 | 661 | 680 | 741 | **7,152** |
| | Total Capital | 2,464 | 2,061 | 1,484 | 1,225 | 944 | 1,113 | 1,051 | 1,174 | 1,138 | 1,313 | **13,967** |
| | Retired Exp. | 60 | 44 | 21 | | | | | | | | |
| | **Overall Total** | **3,174** | **2,739** | **2,347** | **2,050** | **1,699** | **1,799** | **1,729** | **1,835** | **1,818** | **2,054** | **21,244** |

## Section 2: Expenditure Drivers

The main drivers of expenditure are the growth in the economy, policy direction (including PfG) and implementation and climate change adaptations and pay.

- Economy and employment growth has created an increased demand on roads and public transport services. Demand is forecast to be at peak 2007 levels by 2020, with associated expenditure pressure for improved capacity.
- There are a number of policy commitments driving expenditure, including increased expenditure on roads and public transport, together with regional airports and the Sports Capital Programme.
- The transition to sustainable transport systems will impact on expenditure. This will include the potential for developing technology and alternative fuel sources including hybrid and full electric bus systems.

**Roads**

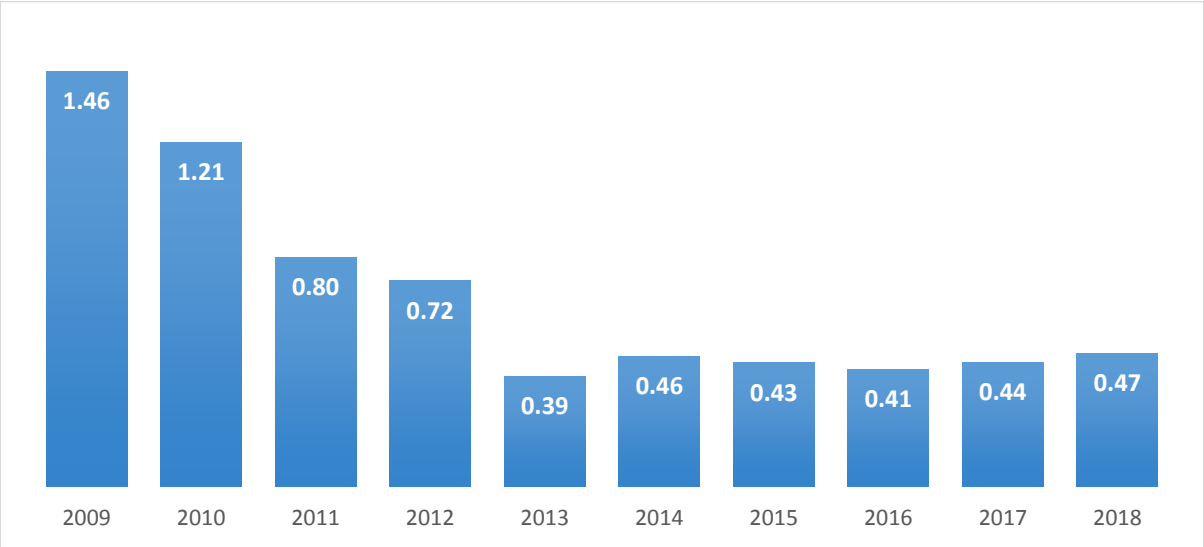
The road network in Ireland covers approximately 98,500km and accounts for 44% of gross expenditure. National Roads cover 5% of the road network and carry 45% of traffic.

- Motorways 1,224km
- National Primary Roads 1,515km
- National Secondary Roads 2,676km
- Regional & Local Roads 93,000km

Regional and Local Roads cover 95% of the road network and carry 55% of traffic.

National Roads development and maintenance expenditure and PPPs are managed by grants to Transport Infrastructure Ireland (TII). This sub-programme areas has seen a reduction of €992 million (68%) over the 2009-2018 period, as illustrated in Figure 4.

*Figure 4: Expenditure on National Primary and Secondary Roads, 2009-2018 (€bn)*

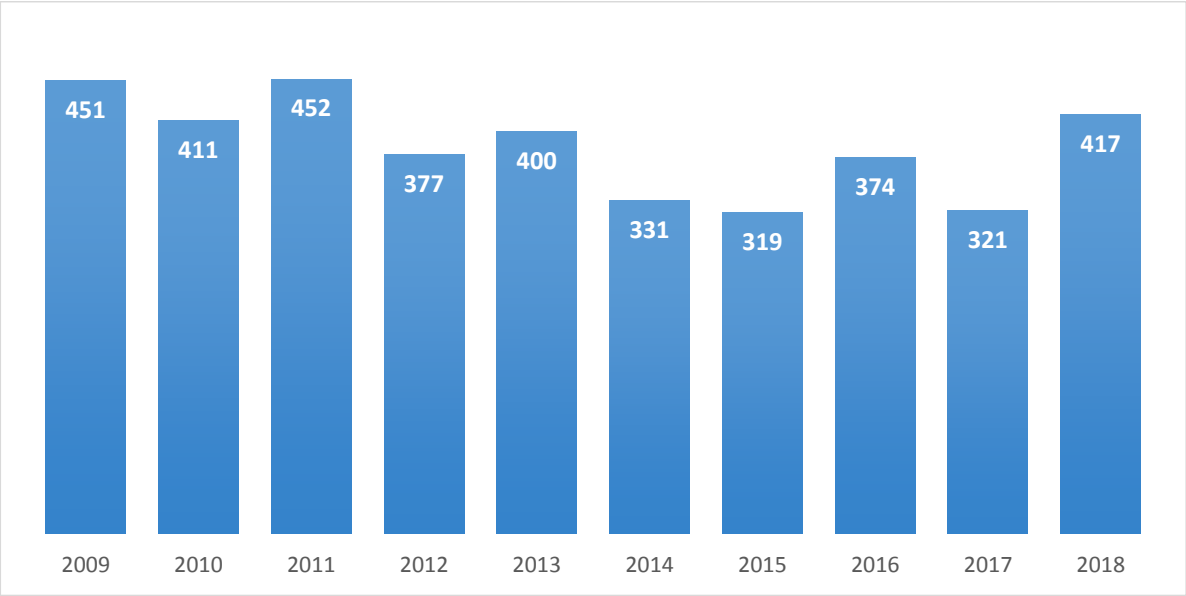


**Regional and Local Roads (Local Government Funded)**

Regional and Local Roads accounts for 94% of the roads network and the primary responsibility for improvement and maintenance of regional and local roads rests with local authorities. Funding from the Department of Transport Tourism and Sport is intended to supplement contributions by local authorities from their own resources. Expenditure in this sub-programme area has reduced by €34 million (7.5%) over the 2009-2018 period, as set out in Figure 5.

Up to 2018, funding for these roads came from the Local Government Fund, managed by the Department of Housing, Planning, Community and Local Government. From 2018 this funding is provided by the Department of Transport, Tourism and Sport.

*Figure 5 - Regional and Local Road Grants, 2009-2018 (€m)*

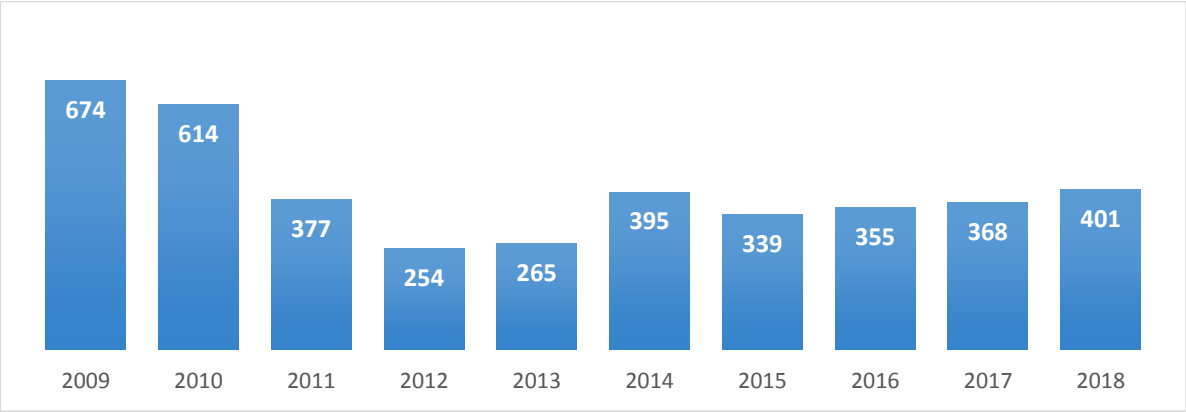



**Public and Sustainable Transport**

Public and Sustainable Transport, as represented in Figure 10, is a sub-programme of the Land Transport programme, representing around 24% of gross expenditure. It provides funding for the development of public transport infrastructure and the improvement of railway safety.

The National Transport Authority (NTA) has responsibility for public transport infrastructure in the Greater Dublin Area. The Authority also administers the Regional Cities and Accessibility Grants Programmes on behalf of the Department, Accessibility; Regional Cities (Public Transport) Programme; Technical Assistance; heavy rail network maintenance and renewal; Luas/Metro; buses nationally; integration measures including Leap Card, RTPI and National Journey Planner in the Greater Dublin Area and regional cities. This subhead has reduced by €273 million (41%) in 2018 compared to the 2009 allocation.

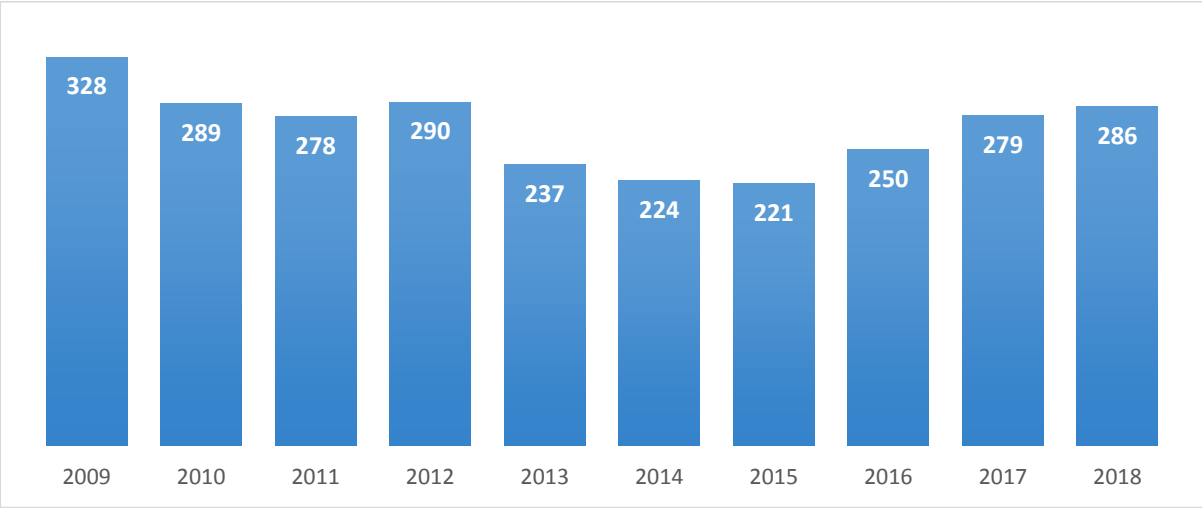
*Figure 6 - Public & Sustainable Transport Investment, Programme, 2009-2018 (€m)*




**Public Service Provision Payments.**

Public Service Provision payments, a sub-programme of the Land Transport programme accounts for around 17% Gross Expenditure. Public Service Provision payments provides funding to two areas (1) Public Service Obligation (PSO) (2) Rural Transport, with over 95% of the funding to the Public Service Obligation (PSO). This funding is managed by National Transport Authority (NTA) who in turn provides funding to Dublin Bus, Bus Éireann, Iarnród Éireann and M&A Coaches Ltd. These four companies are tasked with providing socially necessary but financially unviable public transport services. As illustrated by Figure 7 below, this expenditure has reduced by €42million (13%) in the period 2009-2018.

*Figure 7 - Public Service Provision Payment, 2009-2018 (€m)*




**Sports and Recreation Services programme**

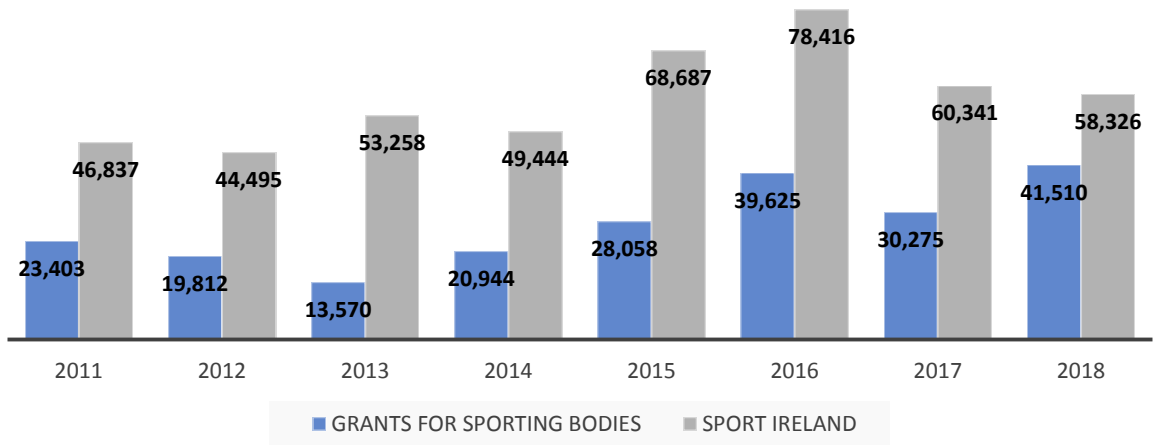
The two main sub-programmes in the Sports and Recreation Services Programme are:

1) Grants for sporting bodies which, since 2011, has an average spend of around 32% of the main programme. This provides grants for sports facilities to sports clubs and organisations and to voluntary and community organisations. Figure 8 shows an increase in grants for sporting bodies in 2016-2018 reflecting the allocation of the Páirc Úi Chaoimh grant award of €30 million at €10 million per year 2016-2018.

2) Sports Ireland average spend, since 2011, is around 68% of the main programme, providing grants to National Governing Bodies of Sport; Local Sports Partnerships; International Carding Scheme; and support for other sporting bodies and institutions (Institute of Sport, Olympic Council of Ireland, etc.) It also provides support for specific Sport Ireland programmes such as High Performance Strategy; Anti-Doping Programme; Buntús Programme; Women in Sport Initiative; Go for Life; Irish Trails Strategy; Code of Ethics; and Research. It includes a subsidy to a subsidiary of Sport Ireland – National Sports Campus Development Authority NSCDA (Operations) Limited. The subsidiary is responsible for the day-to-day management and operation of the National Sports Campus sporting facilities. It also provides building management services for the office accommodation provided to NGBs on Campus. There was a decrease in the allocation from 2016 to 2017 (see Figure 8), as the National Indoor Arena (NIA) Phase I was completed in 2016. However, the NIA Phase II commenced in late 2017 and this has resulted in an increase in 2018.

There is also a sub-programme for swimming pools, with funding for grant aiding the provision of new and the refurbishment of local authority swimming pools.

*Figure 8 - Sports and Recreation Services Programme, 2011-2018 (€000)*




**Tourism Services Programme**

The two main sub-programmes under the Tourism Service programme:

**Fáilte Ireland**

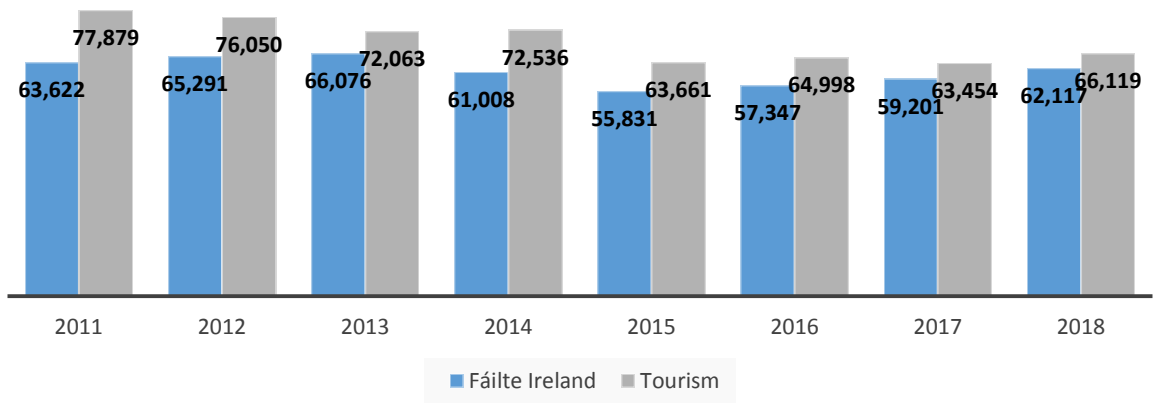
Fáilte Ireland, the National Tourism Development Authority, supports the tourism industry to sustain Ireland as a high-quality and competitive tourism destination. They provide a range of practical business supports to help tourism businesses better manage, market and sell their products and services and to develop experiences in line with Fáilte Ireland's new experience brands (Wild Atlantic Way, Ireland's Ancient East and Dublin). They also work with other state agencies and representative bodies, at local and national levels, to implement and champion positive and practical strategies that will benefit Irish tourism and the Irish economy. They

promote Ireland as a holiday destination through their domestic marketing campaign (DiscoverIreland.ie) and through the experience brands and also manage a network of nationwide tourist information centres that provide help and advice for visitors to Ireland. Fáilte Ireland receives around 48% of the total Tourism Service programme. Fáilte Ireland funding has reduced by €1.5 million (2%) in the 2011 to 2018 period.

**Tourism Ireland**

Tourism Ireland is responsible for marketing the island of Ireland overseas as a holiday and business tourism destination. It was established as one of the "twelve areas of co-operation" under the framework of the Belfast Agreement of Good Friday 1998, to increase tourism to the island of Ireland and to support Northern Ireland to realise its tourism potential. Operating under the auspices of the North/South Ministerial Council through the Department for the Economy in Northern Ireland and the Department of Transport, Tourism and Sport in Ireland, they work closely with the two tourist boards, Fáilte Ireland and Tourism NI, and with their partners in the tourism industry. Tourism Ireland, Tourism Marketing Fund and Tourism Product Development receives around 49% of the total Tourism Service programme and has had a €12 million (15%) reduction in funding in the 2011-2018 period, see Figure 9 below.

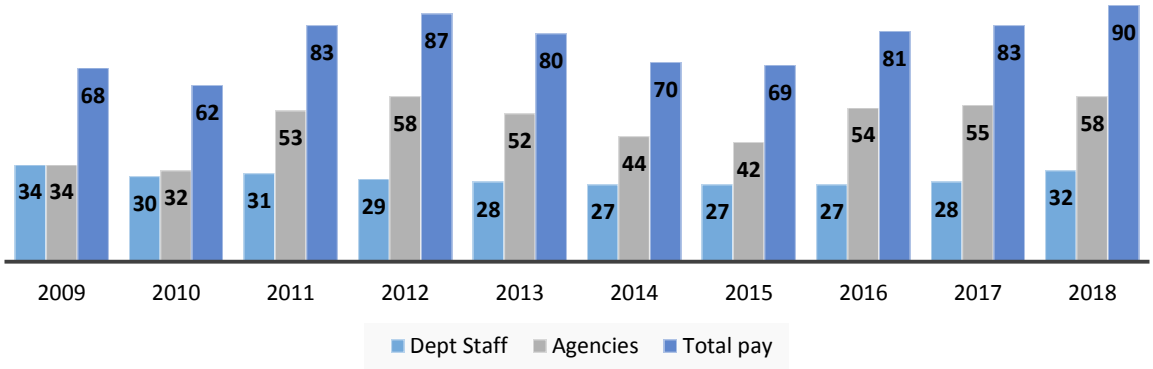
*Figure 9 - Fáilte Ireland and Tourism, 2011-2018 (€000)*




**Pay: Transport Tourism and Sport 2011-2018**

Figure 10. The Department of Transport Tourism and Sport's overall gross pay has increased by €22m (32%). During the 2009-2018 period the departmental pay budget decreased by €2 million (6%) over the 2009-2018 period. Pay for Non-commercial State Agencies in 2018 increased by €24 million, mainly as a result of the increase in staff in the Road safety Authority (RSA), the National Transport Authority (NTA) and Sports Ireland based on sanction given in 2018 for those agencies.

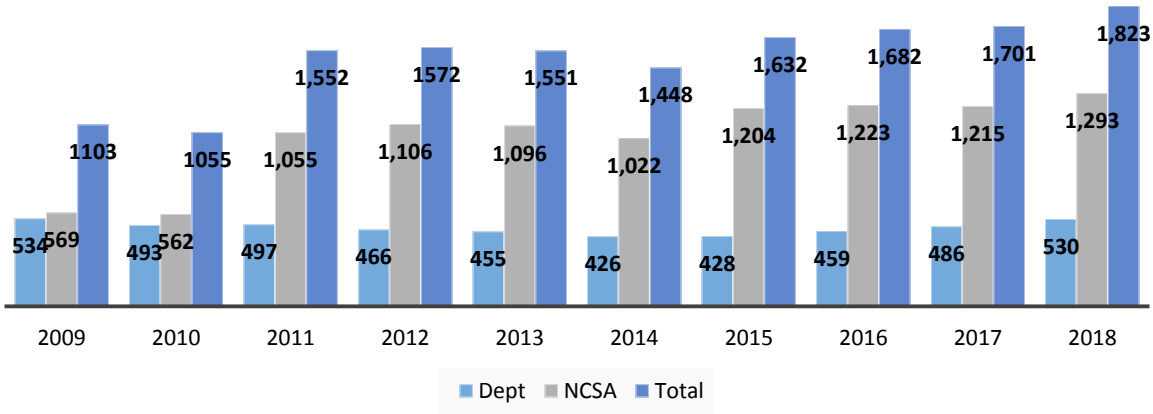
*Figure 10 - Gross Departmental and Agency Pay, 2009-2018 (€m)*




**Staff**

Figure 11 below details staff numbers for both the Department and Agencies between 2009 and 2018. The overall Full Time Equivalent staffing numbers increased from 1,103 in 2009 to 1,823 by 2018, an increase of 720 or 65%. Departmental staff increased from 534 in 2009 to 530 in 2018, a decrease of 4 or 0.7%, while the Agencies staff increased from 569 in 2009 to 1,293 in 2018, an increase of 724 or 127%.

*Figure 10 - DTTaS and Agencies Staff Analysis Numbers, 2009-2018*




## Section 3: Outcomes and Performance Indicators

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|---|---|---|---|
| **State Airport Passenger Numbers** | 26m | 22.6m | 22.7m | 22.8m | 23.8m | 25.5m | 28.8m | 31.8m | 33.6m | 35.7m |
| **Number of overseas visitors** | 6.9m | 6m | 6.5m | 6.5m | 7m | 7.6m | 8.6m | 9.5m | 9.9m | 10.6m |
| **Maritime Investigation of Vessels** | n/a | n/a | 780 | 1,130 | 1,130 | 1,500 | 1,130 | 1,011 | 1,204 | 1,293 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Irish Coast Guard Helicopter Tasked** | 512 | 470 | 553 | 532 | 808 | 914 | 1,013 | 898 | 1,073 | 1,246 |
| **Public Transport Journeys** | n/a | 212m | 210m | 208m | 209m | 216m | 224m | 234m | 250m | 266m |
| **Taxi Complaints** | 476 | 433 | 346 | 377 | 742 | 952 | 928 | 998 | 1,146 | 950 |
| **Road traffic accident deaths** | 238 | 212 | 186 | 161 | 190 | 193 | 165 | 187 | 158 | 149 |
| **Road traffic accident injuries** | 9,742 | 8,270 | 7,235 | 7,942 | 6,880 | 8,079 | 7,840 | 7,710 | n/a | n/a |
| **Number of privately owned cars** | 1.9m | 1.8m | 1.8m | 1.8m | 1.9m | 1.9m | 1.9m | 2m | 2m | n/a |
| **No of sports medals won at elite level** | 11 | 31 | 59 | 53 | 70 | 52 | 79 | 54 | 72 | n/a |

## Section 4: Future Policy Challenges

**1. Public Service Obligation Programme (PSO)**

Continuing funding will be needed for Public Service Obligation (PSO) services which provide socially necessary but financially unviable services provided by State operators and some private operators under contract by the National Transport Authority. However, the demand for extra exchequer funding has reduced in the last 2 years due to the increase in passenger numbers and fares.

**2. Public Transport**

With the ever increasing demand for Public Transport funding will be required for enhanced services by bus, rail and tram. It will include elements of the DART Expansion Programme and constituent projects which will make it more efficient to operate trains that access or move within the Greater Dublin Area. It will be needed to progress the BusConnects programme and the MetroLink project. Also additional capacity on the Luas Green Line with the purchase of tram extensions will be required.

**3. Roads**

Ongoing funding will be required for the Roads Improvement Maintenance Programme to continue to provide grant support for the National, Regional and Local Road network. This includes funding for programmes to reseal roads and strengthen roads across the network. Continuing funding will also be required for drainage works and for Community Involvement Schemes. In addition bridge rehabilitation and safety improvement works will be required annually.

**4. Brexit** – Brexit presents challenges right across the Transport and Tourism sectors in the areas of aviation, road haulage, adequacy of infrastructure at ports and airports, supporting tourism sector, protecting the efficiency of the North-South rail and bus connections; certification and standards issues in the maritime sector, also the impacts on road haulage and other sectors. The tourism sector will need to be supported to enable it to mitigate immediate negative economic impacts and to accelerate market diversification though both overseas marketing initiatives and development of domestic tourism "product", particularly in those regional and rural areas most likely to suffer the negative impacts most keenly.

**5. Emissions-related challenge**

Through enhancing the capacity and quality of public transport, we must ensure that increased transport demand is met by greener public transport.

Initiatives include the transition of a regional city bus fleet or potentially a bus fleet based at a specific bus depot to a Compressed Natural Gas (CNG)/Biogas fuelled fleet, through a collaboration with the NTA. This pilot fleet would both fulfil a leadership and real-world demonstration role as well as serving to examine the functioning of such technology in Ireland. Furthermore, it offers air quality benefits especially where older buses are being replaced and a reduction of carbon emissions of approximately 20% can also be expected. Importantly, CNG offers a pathway for the market development of a renewable, indigenous and sustainable biogas.

The Green Public Transport Fund will be used to fund the differential costs between the conventionally and alternatively fuelled vehicles and also to support the supporting charging/refuelling infrastructure.

The NTA intend to commence a Tender Competition for the Supply of Low Emission Bus Vehicles. The amount of funding to be used for this purpose will be determined by the size of the fleet to be transitioned and that determination is still ongoing.

In relation to the national bus fleet, the Department of Transport Tourism and Sport will no longer purchase diesel-only buses for the urban public bus fleet from July 2019.