An Roinn Caiteachais Phoiblí
Sheachadadh PFN agus Athchóirithe
Department of Public Expenditure
NDP Delivery and Reform

Mid-Year Expenditure Report

July 2023

Prepared by the Department of
Public Expenditure NDP Delivery
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Foreword

Government has adopted a responsive approach to fiscal policy. This approach invests in better public services and infrastructure for our growing and changing population while allowing us to respond to external challenges faced by households and businesses across the country.

The *Summer Economic Statement 2023* set out the economic and fiscal context for this year's budgetary preparations. It is vital that our expenditure policy remains responsive to economic and social developments. This will ensure sustainable fiscal policy which delivers both sustainable expenditure growth in the long term and investment in public services—providing supports for those on lower and fixed incomes, supporting our health service and educating our children— and infrastructure—including investment in housing and our schools. Ultimately, this is the best way to mitigate against future spending vulnerabilities.

This document, the Mid-Year Expenditure Report, sets out the context for expenditure in this year's budget. It details the parameters required to support significant investment in our infrastructure through the National Development Plan, delivering a greener, more efficient and innovative economy, building houses and schools, and will deliver public services to support our growing and changing population.

As inflation pressures begin to moderate Government will continue to smooth the impact on households and businesses through an adjustment to the core expenditure medium-term anchor for 2024. This approach will see a core expenditure growth rate of 6.1 per cent in 2024, raising core spending to €91.2 billion with a Budget package of €5.2 billion. The economic context of this year's budget, with full employment and capacity constraints evident, highlight the need for targeted investment in public services.

A number of events over the past few years continue to have a real impact on our public services, our people and businesses. This requires a strong and timely response. Non-core expenditure has enabled Government to respond to these challenges. We provided supports for our public service, and in particular our health sector, to deal with the impacts of the Covid-19 pandemic. We provided temporary supports to cushion and smooth the impact of inflation for those who need it most. We are providing humanitarian supports to welcome and provide for those arriving on our shores from Ukraine. When these supports are no longer required they are being carefully withdrawn, leading to a decrease in overall non-core expenditure which is refocused to the areas in which it is most needed. This approach has allowed Government to balance the need to provide supports while, at the same time, ensuring budgetary policy remains sustainable.

This planned and careful management of our public expenditure enhances governance and will allow Government to do four things. Firstly, provide increased resources for effective delivery of core public services, investing in quality of life in Ireland to support a strong, fair and equal society into the future. Secondly, deliver significant and essential infrastructural projects through our National Development Plan. These projects will build capacity in our economy, support this country's climate ambitions, employment prospects, economic development and regional growth. Thirdly, put in place considerable supports to provide assistance to our people and businesses towards the externally driven challenges we face. Finally, we seek to achieve all this whilst ensuring our public finances are at a sustainable position.

Our economy and society has proved resilient over recent years to a number of challenges. The challenge for Government now is to ensure this resilience is maintained through a balanced and planned approach to budgetary policy. As we look toward the future it is clear that in order to cater for the long-term needs of our changing population we need to maximize the effectiveness of public expenditure. This will ensure the best possible outcomes for individuals, communities and the environment. The increasing interconnected nature of challenges such as climate change and population aging has added complexity to the task of ensuring a sustainable future for all. A proactive approach is required to address these cross cutting issues. We must make the most of the tools and evidence available to us through performance budgeting tools including the green, equality and well-being frameworks and the Spending Review.

This combination will ensure we get the most from the €95.5 billion of public expenditure for 2024, using evidence and analysis to improve public service delivery and continue to support our economy and deliver for our population.

Paschal Donohoe, TD
Minister for Public Expenditure, NDP Delivery and Reform

Chapter 1- 2023 Expenditure Developments

1.1 Introduction

Budget 2023 provided for substantial additional investment in our public services and infrastructure for our evolving population. It also continues funding to help mitigate the temporary challenges faced by our society. It reflects the Government's commitment to delivering high-quality public services and infrastructure while ensuring the economy and public finances remain on a sustainable pathway. 2023 sees record capital investment under our National Development Plan (NDP) of €12.8 billion[1], and a renewed focus on effective delivery of the projects to secure better outcomes for the people of this country.

Current spending allocations include additional measures introduced which prioritise frontline services including healthcare, education and childcare. Some examples are enhanced weekly social protection payments; investment in childcare to make it more affordable to families; measures towards affordability of care in our health services; and education sector funding. In addition, through non-core allocations considerable supports continue to provide assistance to households and businesses towards the temporary challenges we face. These supports are discussed in greater detail in Chapter 2.

[1] includes capital carryover from 2022 into 2023.

1.2 Expenditure Position - End June 2023

The Revised Estimates for Public Services (REV) 2023 set out an expenditure ceiling of €91.1 billion. This comprised €85.9 billion in core expenditure with €5.2 billion in temporary non-core funding. This non-core funding provides for the Government's response to certain externally driven temporary challenges, such as the provision of Covid-19 related supports, humanitarian supports for Ukrainian refugees, and the Brexit Adjustment Reserve (BAR). €89.9 billion of this has been allocated to Departments through the Ministerial Ceilings. The figures reported on the next few pages relate to this allocated funding amount. A further €1.2 billion is unallocated at present, largely related to non-core expenditure.[2] This will be provided to Departments, as required, later this year.

At the end of June, gross voted expenditure totaled €41.9 billion. This represents an overall overspend against profile of €100 million – a 0.2 per cent variance. However, differences emerge between current and capital expenditure trends. Current expenditure was €672 million or 1.8 per cent over profile at end June. This was partially offset by €571 million or 15.4 per cent underspend on capital. Table 1.1 sets out these variances at Ministerial Vote Group level.

In terms of year-on-year performance, overall gross voted expenditure is €3.4 billion or 8.7 per cent higher than the same period in 2022. Current expenditure is €2.6 billion or 7.1 per cent higher than in 2022, while capital expenditure is €795 million or 34 per cent higher. This reflects the significant supports put in place as part of Budget 2023, including both core expenditure increases—such as investment and building capacity in the public service workforce and key frontline services such as healthcare and childcare – alongside temporary measures including additional social payments. The higher level of capital spend reflects enhanced investment under the NDP.

[2] Budget 2023 set out an expenditure ceiling of €90.4 billion for 2023. Under the REV this ceiling was increased to accommodate the Temporary Business Energy Support Scheme to €91.1 billion. Following the REV €89.9 billion has been allocated with €1.2 remaining unallocated, largely related to non-core expenditure.

Table 1.1: End June Gross Voted Expenditure – Outturn against Profile

€ Millions and Percentage

MINISTERIAL VOTE GROUP	Profile* €m	Outturn €m	Variance €m	Variance %
Agriculture, Food and The Marine	792	729	-62	-7.9%
Current	580	601	21	3.7%
Capital	212	128	-84	-39.4%
Children, Equality, Disability, Integration and Youth	1,695	2,130	435	25.7%
Current	1,613	2,072	458	28.4%
Capital	82	59	-23	-28.4%
Defence	575	530	-46	-7.9%
Current	491	472	-18	-3.7%
Capital	85	57	-27	-32.1%
Education	5,028	5,235	207	4.1%
Current	4,613	4,654	41	0.9%
Capital	415	580	166	39.9%
Enterprise, Trade and Employment	623	401	-222	-35.6%
Current	483	280	-202	-41.9%
Capital	140	121	-19	-13.8%
Environment, Climate and Communications	422	443	20	4.8%
Current	91	92	1	1.1%
Capital	332	351	19	5.8%
Finance	288	286	-1	-0.5%
Current	275	276	0	0.2%
Capital	12	11	-2	-14.2%
Foreign Affairs	588	557	-30	-5.2%
Current	581	551	-30	-5.2%
Capital	7	7	-0	-3.5%
Further and Higher Education, Research, Innovation and Science	1,862	1,623	-239	-12.8%
Current	1,667	1,436	-231	-13.9%
Capital	195	187	-8	-4.0%
Health	11,609	11,860	251	2.2%
Current	11,234	11,562	328	2.9%
Capital	376	298	-77	-20.6%
Housing, Local Government and Heritage	2,042	1,827	-215	-10.5%
Current	1,226	1,244	19	1.5%
Capital	816	583	-233	-28.6%
Justice	1,638	1,642	4	0.2%
Current	1,538	1,576	38	2.5%
Capital	100	66	-34	-34.1%
Public Expenditure, NDP Delivery and Reform	762	745	-17	-2.2%
Current	664	661	-4	-0.6%
Capital	98	85	-13	-13.6%
Rural and Community Development	175	157	-18	-10.4%
Current	112	105	-8	-6.9%
Capital	63	53	-10	-16.6%
Social Protection	11,934	12,252	319	2.7%
Current	11,928	12,249	321	2.7%
Capital	6	4	-2	-38.7%
Taoiseach's	125	110	-14	-11.6%
Current	125	110	-14	-11.6%
Capital	-	-	-	0.0%
Tourism, Culture, Arts, Gaeltacht, Sport and Media	476	439	-37	-7.8%
Current	431	403	-27	-6.4%
Capital	46	36	-10	-21.7%
Transport	1,147	914	-233	-20.3%
Current	430	409	-21	-4.9%
Capital	717	506	-212	-29.5%
Total Gross Cumulative Voted Spending	**41,782**	**41,883**	**100**	**0.2%**
Current	**38,080**	**38,751**	**672**	**1.8%**
Capital	**3,702**	**3,131**	**-571**	**-15.4%**

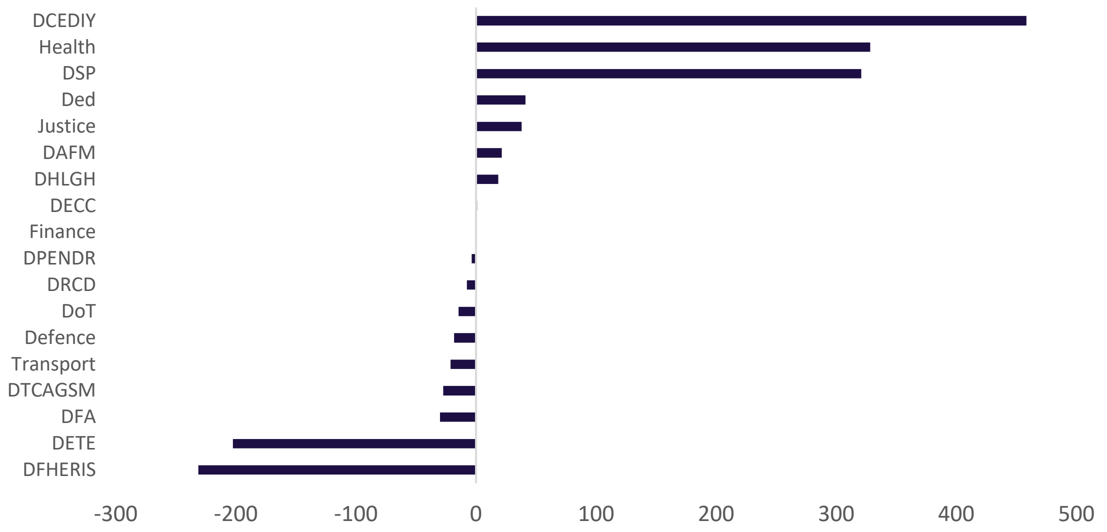
Source: Department of Public Expenditure, NDP Delivery and Reform
*Notes: Rounding effects totals, *Profiles reflect the REV 2023.*

1.2.1 CURRENT EXPENDITURE

The overspend on profile at end June can be primarily attributed to three departments- Children, Equality, Disability, Integration and Youth (DCEDIY); Health (D/Health); and Social Protection (DSP). Pressures are emerging on both core and non-core expenditure.

Regarding non-core expenditure, DCEDIY has incurred higher than expected costs to date providing accommodation for those arriving to Ireland from Ukraine. DSP has incurred higher-than-profiled spending due to the additional payments included as part of the Spring/Summer Cost of Living package announced in February 2023. These are somewhat offset by lower than expected spend on the Temporary Business Energy Support Scheme (TBESS) in the Department of Enterprise, Trade and Employment (DETE). Regarding core expenditure, there are numerous pressures in the health sector, most significantly on the acute hospital sector. The Department of Further and Higher Education, Research, Innovation and Science is showing a significant underspend against profile at end- June, however this is expected to resolve in Quarter 3.

Figure 1.1: Variance in end-June Current Expenditure against Profile
€ Million



Source: Department of Public Expenditure, NDP Delivery and Reform

Table 1.2: Main Current Expenditure Variations from Profile

	Performance Against Profile	Year-on-Year Performance
Children, Equality, Disability, Integration and Youth	€458 million or 28% above profile Mostly reflects expenditure associated with humanitarian response, such as accommodation, for Ukrainian refugees and other International Protection Seekers.	€965 million or 87.2% higher This is primarily driven by increased investment in childcare, the Ukrainian humanitarian response, and increased numbers of people seeking International Protection supports.
Health	€328 million or 2.9% above profile Largely due to higher than expected spending on the acute hospitals sector.	€940 million or 8.9% higher Reflects Budget 2023 investment, including in the acute hospital sector, the abolition of inpatient charges, prioritisation of women's health, older persons and mental health schemes.
Social Protection	€321 million or 2.7% above profile Spending above profile was driven by the Spring Cost of Living Bonus payments, and partially offset by lower than expected numbers of Jobseeker's Allowance recipients.	€168 million or 1.4% higher This increase is due to Budget-related payment rate increases, Cost of Living Bonus expenditure, and higher costs of Ukraine-related payments compared to the same period in 2022, partially offset by reduced Covid-19 expenditure.
Further and Higher Education, Research, Innovation and Science	€231 million or 13.9% below profile Funding claims from Universities, Institutes of Technology (IOTs), Technological Universities (TUs) & other institutions are later than originally profiled and will fall into H2 2023.	€14 million or 1% lower The year on year position is impacted by the later funding claims from Universities, IOTs, TUs and other institutions than in 2022. This is partially offset by increased spend in other areas such as student supports.

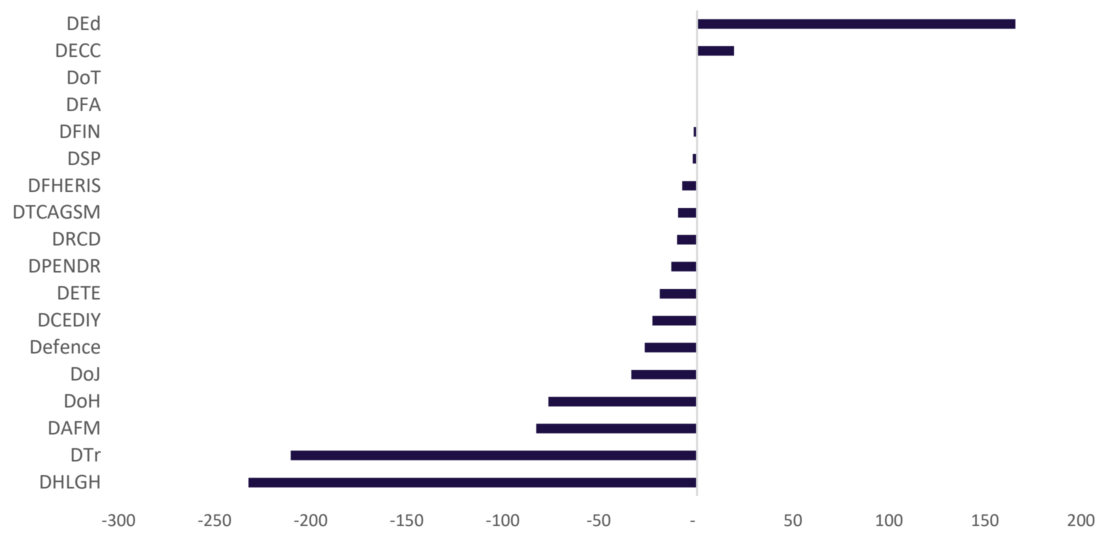
Source: Department of Public Expenditure, NDP Delivery and Reform

1.2.2 CAPITAL EXPENDITURE

Capital expenditure remains on an upward trajectory, increasing by €795 million or 34 per cent compared to the same time-frame last year. This expenditure is delivering increased investment in our schools, housing, and transport infrastructure.

However, capital expenditure is behind profile. The majority of departments had capital underspends against profile. The Departments of Housing, Local Government and Heritage and Transport recorded the largest variances, accounting for 78 per cent of the total capital underspend combined. The Departments of Education and Environment, Climate and Communications were the only departments over profile at the mid-point of the year (Figure 1.2).

Figure 1.2: Variance in end-June Capital Expenditure against Profile
€ Million

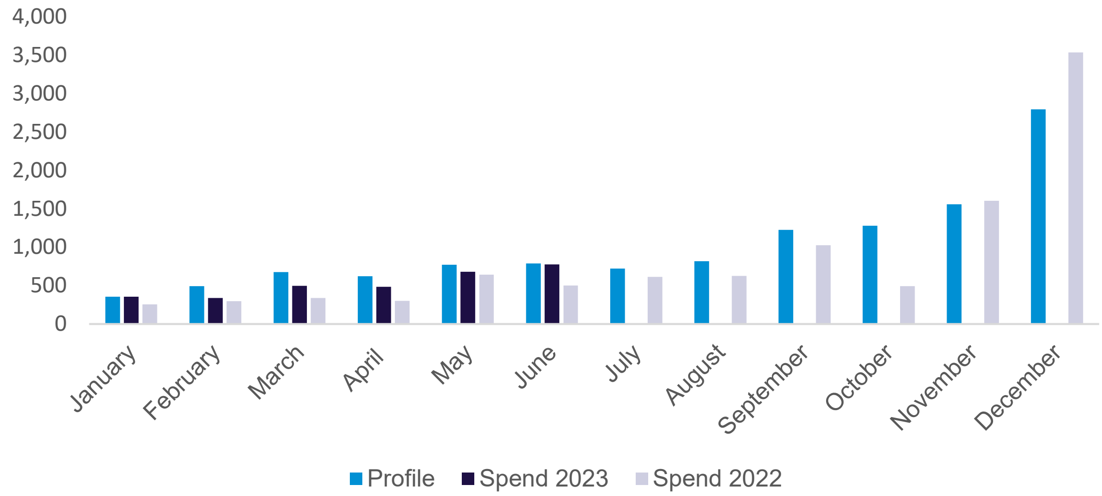


Source: Department of Public Expenditure, NDP Delivery and Reform

By its nature, capital expenditure tends to be lumpy with drawdown of expenditure occurring to a greater extent in the fourth quarter of the year. This is reflected in the capital profiles from Departments, where just under 31 per cent of the allocated capital was profiled to be spent in the first half of the year, while some 36 per cent is profiled to be spent in the final quarter including 23 per cent profiled in December (Figure 1.3). Table 1.3 outlines the main variances on capital expenditure in the first half of 2023.

Figure 1.3: Capital Expenditure Issues 2023, against 2023 Profile and Previous Year

€ Million



Source: Department of Public Expenditure, NDP Delivery and Reform
Notes: Expenditure figures here and elsewhere in this chapter are based on end month funds issued from the Exchequer to Votes. As such, capital carryover of €0.7 billion is included in December 2022 issues.

Continued successful delivery of the projects funded under the NDP is a priority. Reforms are ongoing in governance and broader capability to help ensure successful delivery. A range of actions are being taken to strengthen delivery, maximise value for money and ensure to the greatest extent possible that projects are delivered on time, on budget and having achieved the benefits targeted at the outset. To support this, earlier this year there was an examination of the support structures and levers available across Government in order to maximise delivery of vital infrastructure such as housing, schools, hospitals, roads and public transport. Six priority actions to deliver on these objectives were agreed, as detailed in Chapter 3. These reforms will sharpen the focus on NDP delivery even further in 2023.

Table 1.3: Main Capital Expenditure Variations from Profile

	Performance Against Profile	Year-on-Year Performance
Transport	€212 million or 29.5% below profile Due to underspending on public transport infrastructure, heavy rail infrastructure, and work on national roads.	€121 million or 31.4% higher This is mainly due to higher expenditure under the Sustainable Mobility programme, including increased investment in Public Transport including Heavy Rail.
Housing	€233 million or 28.6% behind profile Underspend in various areas, primarily on the housing programme, in part due to planning and construction delays which result in delayed recoupments from DHLGH.	€29 million or 5.3 % higher Mainly reflects higher spend on Local Authority Housing compared with the same period in 2022.
Environment, Climate and Communications	€19 million or 5.8% above profile Mainly reflects significant progress on the National Broadband Plan and timing issues related to payments for the Public Sector Energy Efficiency Fund.	€238 million or 211.5% higher Reflects underspending in 2022 due to supply chain issues, as well as high demand for Better Energy Homes, Solar PV, Energy Efficiency, and broadband and communications programmes.
Education	€166 million or 39.9% above profile Reflects high construction inflation on projects delivering new schools/improvements, as well as additional school places for Ukrainian and other children in the International Protection system.	€207 million or 55.6% higher Reflects increased spending on school building projects, due to the delivery of new school buildings, additional special education places and places for Ukrainian arrivals, and minor works grants to primary schools.

Source: Department of Public Expenditure, NDP Delivery and Reform

1.3 Summary

Year-on-year spending is higher than the same period in 2022. This reflects the significant resources committed in Budget 2023 to support public services, households and businesses, as well as the expansion of investment under the NDP.

Overall gross voted expenditure of €41.9 billion at end June was marginally above profile. As shown in Table 1.1 however, there is variation between current and capital spend and across Vote Groups. There is a current expenditure overspend which is beginning to outstrip the capital expenditure underspend which has been seen to date. However, some of the current expenditure overspend is driven by non-core developments such as the Spring/Summer Cost of Living package announced in February. €1.1 billion of unallocated non-core expenditure is available within the overall Government Expenditure Ceiling for 2023. Additional allocations will be required later in 2023.

Overspends are related to a mix of core and non-core expenditure pressures. Of the three largest current overspends against profile outlined earlier in this chapter, those belonging to DSP and DCEDIY are primarily due to higher non-core spending, while D/Health's is mainly due to overspending on core services. The large underspend in DETE also relates to non-core funding, underlining the difficulty in accurately predicting non-core spend. Non-core expenditure is by its nature—responding to evolving external challenges—less predictable than core expenditure. Recent trends in non-core expenditure are discussed in Chapter 2.

The last two years have seen end December capital underspends of €569 million or 5 per cent in 2022 and €580 million or 5.5 per cent in 2021. Mid-year capital spending in each of those years was broadly at the same level as seen this year. The profiling of capital expenditure would require considerable ramping up in the second half of 2023.

Both core and non-core expenditure pressures will be monitored and managed over the second half of 2023. The effective management of expenditure will allow us to develop fiscal policy to build the resilience of our economy and society in order to meet the long term needs of a changing society as outlined in Chapter 3.

Chapter 2 – Non-Core Expenditure

2.1 Introduction

In the context of significant external challenges in recent years, the Government has sought to ensure fiscal policy remains responsive to the economic and social context. This involves a two-pronged approach which allows for core (permanent) and non-core (temporary) expenditure. Non-core expenditure has been a significant feature in recent years. This temporary expenditure has allowed Government flexibility to react rapidly to new challenges while continuing planned investment in core public services. This delineation has allowed for temporary supports to be removed as they are no longer required, without becoming part of permanent, ongoing expenditure.

Non-core allocations have allowed Departments and Agencies across Government to provide support to:

- sectors particularly impacted by Brexit;
- households, businesses and public services throughout the Covid-19 pandemic;
- households, individuals and businesses to mitigate the impact of Cost of Living increases; and
- it has also provided for the humanitarian supports required for arrivals to Ireland fleeing the war in Ukraine.

The policy of separating out non-core and core spending has three main objectives. It:

- ensures the adequate provision of supports for external challenges through non-core funding while continuing investment in core public services;
- provides transparency on the costs of responding to exceptional circumstances;
- allows funding to be provided for specific, temporary purposes and can be withdrawn when no longer needed.

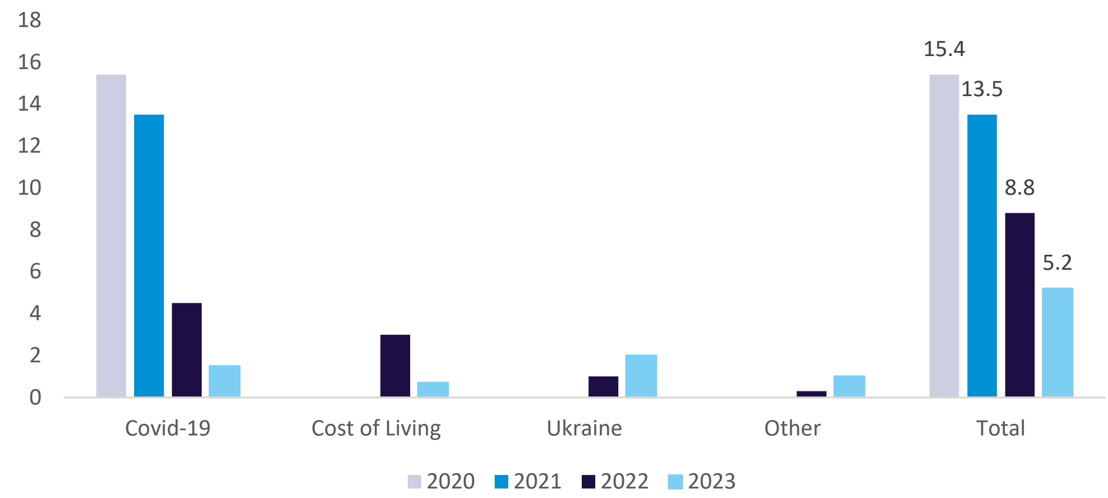
This has been largely successful, with non-core spending reducing year-on-year since the start of the pandemic in 2020. This strategy will continue into 2024, with a reduction in non-core expenditure at an aggregate level reflecting the more focused and reduced Covid-19 support provision, as well as the significant continuation of the provision of humanitarian supports for those arriving from Ukraine.

2.2 Recent Trends in Non-Core Expenditure

In line with the objectives of non-core expenditure outlined in Section 2.1 the total allocations for non-core funding have been reducing since 2020. 2020 saw c. €15½ billion of spending on Covid-19 supports after the onset of the pandemic. By 2023 non-core expenditure has fallen to €5.2 billion.

Over the period, the purpose of the funding has changed. From 2020 to 2022 the majority of non-core funding related to the response to the Covid-19 pandemic. More recently the largest requirement is now for the Ukraine humanitarian response.

Figure 2.1: Non-Core Funding 2020-2023
€ Billion



Source: Department of Public Expenditure, NDP Delivery and Reform
Notes: 2020-2022 figures are an estimate of non-core outturn while 2023 refers to provision.

2.2.1 THE REDUCTION IN COVID-19 REQUIREMENTS

In 2020, the onset of the Covid-19 pandemic and consequent public health restrictions meant that significant supports were needed. Additional public expenditure allocations funded income and employment support schemes such as the Pandemic Unemployment Payment, Temporary Wage Subsidy Scheme and Employment Wage Subsidy Scheme which provided essential supports to individuals and businesses. Further funding allocations supported the operation of critical public services including our health system; reopening of the education sector; and operation of public transport alongside a range of other measures to assist businesses and other sectors. Many of these supports remained in place throughout 2021.

However, as our public vaccination programme advanced, the public health restrictions needed in 2020 and 2021 were no longer necessary beyond early 2022 and into 2023. As a result, the majority of the exceptional supports provided for Covid-19 are no longer required with a c.90 per cent reduction in the level of funding indicated for this year from the 2020 peak.

2.2.2 OTHER CHALLENGES HAVE EMERGED

As the impacts of the pandemic have receded, new challenges have emerged requiring a significant government response. Increased prices and the war in Ukraine have seen additional areas where Government has provided substantial supports throughout 2022 and 2023.

A series of packages of temporary measures to assist households, individuals and businesses with increased costs of living have been introduced over the past 2 years. Alongside ongoing measures in Budgets 2022 and 2023, some €7 billion in once-off measures were introduced. These measures are discussed in Section 2.4.

The beginning of the war in Ukraine and the arrival into Ireland of Ukrainians fleeing the war meant the provision of humanitarian supports for refugees became a key priority for Government in 2022. Approximately €1 billion was spent on accommodation, social supports and other requirements for arrivals from Ukraine. Section 2.5 provides further detail on the supports provided.

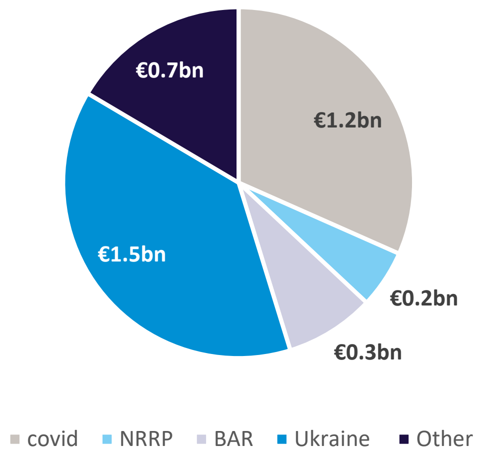
Non-core allocations under EU funding programmes have also helped to mitigate the impacts of Brexit—through allocations under the BAR—and to support a green and digital transition under our National Recovery and Resilience Plan (NRRP). These are discussed in Section 2.7.

2.3 Non-Core Funding in 2023

Up to €5.2 billion in non-core funding is available in 2023. Allocations of this funding have been made across a number of Departments totaling €4.1 billion. Overall almost 40 per cent of funding allocated relates to Ukraine, followed by Covid-19 allocations at just over 30 per cent (Figure 2.2). The majority of this funding has been provided to DCEDIY, D/Health and DETE, and is related to Ukraine, Covid-19 and the TBESS respectively.

€1.1 billion of non-core funding remains held in reserve – not allocated to Departments through Estimates agreed by the Dáil. This will be allocated later in the year if needed to meet requirements arising in certain areas, including the package of Cost of Living measures announced in February, pressures on Ukraine-related spending, and additional BAR allocations.

Figure 2.2:Non-Core Allocations 2023
€ Billion

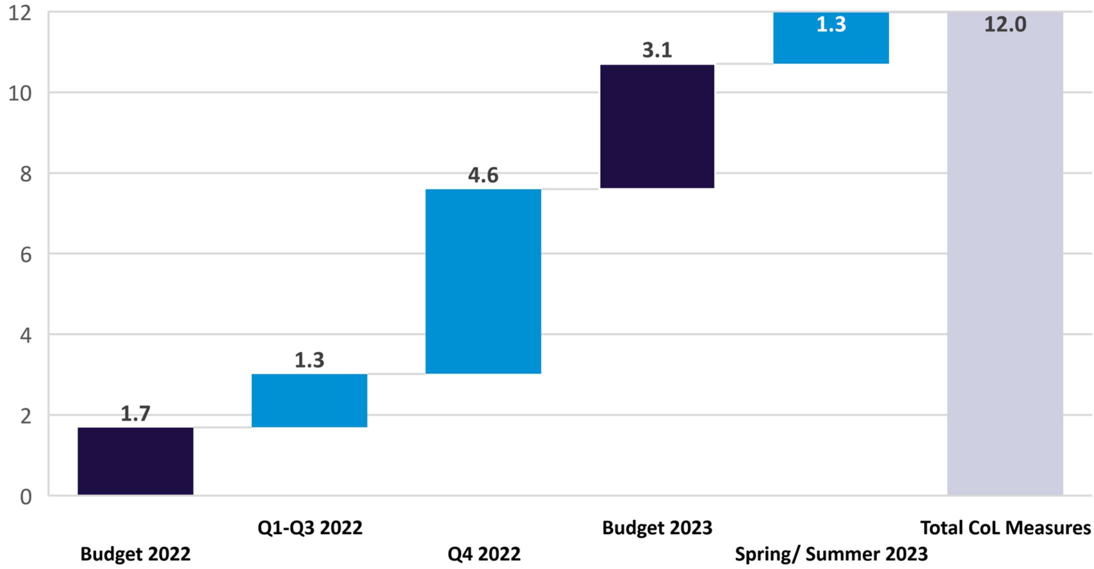


Source: Department of Public Expenditure, NDP Delivery and Reform

2.4 Cost of Living Measures

Throughout the first half of 2023 inflation has begun to moderate. However, it remains at elevated levels and has become more broad-based. Government have introduced a range of measures over the course of 2022 and 2023 to help those on fixed and low incomes with the pressures of inflation. These measures totalled €12 billion across both tax and expenditure (Figure 2.4).

Figure 2.3: Total Cost of Living Measures Introduced
€ Billion



Source: Department of Public Expenditure, NDP Delivery and Reform
Note: Blue bars indicate temporary or non-core supports while navy represent permanent core supports.

Government has taken a two-pronged approach (Figure 2.4a) to dealing with the impact of inflation:

- temporary non-core measures have been used to provide targeted and temporary support, particularly focused on energy price increases
- permanent supports have been introduced as part of the core budget package which will help those who need it most on a more permanent basis.

These supports have sought to smooth the impact of inflation on households, families and businesses.

Figure 2.4a: Duration of measures
Temporary – Non-Core, Permanent- Core

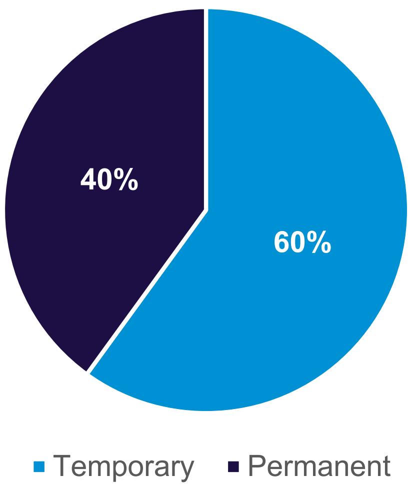
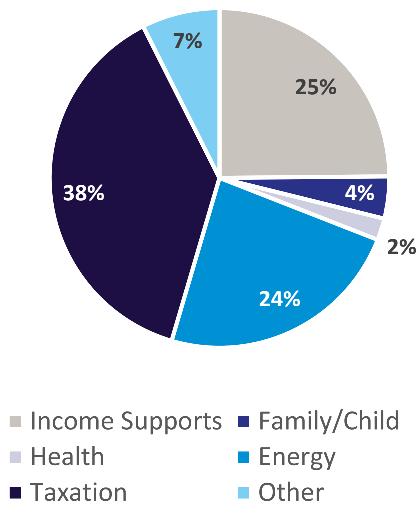


Figure 2.4b: Measures Type
Category Proportion



Source: Department of Public Expenditure, NDP Delivery and Reform

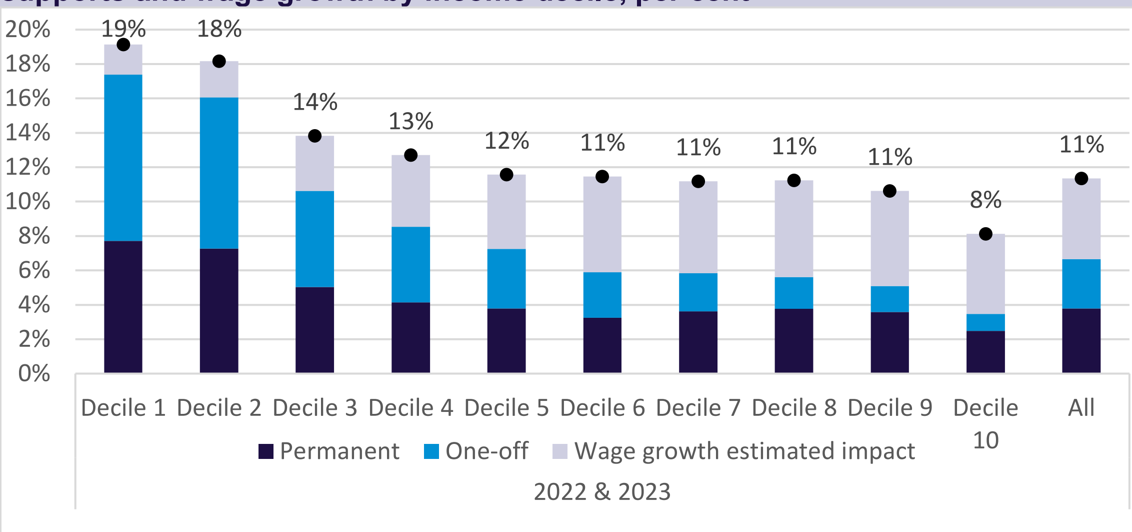
Significant resources have been provided to assist those that may be struggling due to price pressures. Every household in the State benefited from the supports introduced, with a particular focus on those on fixed and low incomes who are most exposed to price pressures. Expenditure supports represented 62 per cent of measures introduced (Figure 2.4b). Packages focused on providing support towards energy price inflation, targeting the source of inflation. Overall energy supports represented almost a quarter of the measures introduced. Income supports, including working age and pension supports represented a further quarter of the overall measures introduced. The measures were progressive in nature by supporting those on lower incomes to a larger degree. As outlined in Box 1 these supports focused on households on lower incomes while wage growth also made a major contribution to increased income for those in employment. In this way Government supports sought to target those who needed it most.

Box 1: Distributional impact of cost of living measures on households, 2022 & 2023

As outlined in Figure 2.3, some €12 billion of supports have been introduced since the beginning of 2022 to support households with the impact of rising prices. While Government cannot fully insulate against the impacts of inflation, it has provided a combination of permanent and temporary supports with an emphasis on smoothing the impact of inflation and focusing in particular on those on fixed and lower incomes.

Figures 2.5[3] and 2.6 below illustrate the substantial and targeted impact that these measures have had on households across 2022 and 2023 by income distribution and family type. For context, the analysis also includes the estimated impact of wage growth[4] to illustrate how this has contributed to increased disposable income.

Figure 2.5: Change in household disposable income in 2022 and 2023 from Government supports and wage growth by income decile, per cent



Source: DPENDR calculations using ESRI's SWITCH 5.3 micro-simulation programme and Department of Finance (DFIN) calculations using ITSim indirect taxes satellite model.

[3] This analysis was conducted by DPENDR using the ESRI's microsimulation SWITCH (Simulating Welfare and Income Tax Changes) tax-benefit model to assess the distributional impact of tax and spending measures implemented since the start of 2022. Information on the design, underlying data and model construction can be found at www.esri.ie/switch. The analysis includes DFIN estimates of the distributional impact of consumption measures using the indirect taxes satellite model ITSim (Indirect Taxes Simulation). Responsibility for the results and interpretation in this document rests with DPENDR and not with the ESRI or DFIN. The analysis includes all spending (e.g. welfare, energy credits), direct tax and consumption based measures which can be analysed in these models. A number of measures cannot be modelled given data limitations. The analysis includes the impact of the 2022 Christmas Bonus which is not included in Figure 2.3. The analysis draws on distributional analysis from previous publications and as such the different underlying assumptions used in various versions of the SWITCH model may lead to small differences.

[4] The wage growth indicators used are wages per head from Table 7 of the Government's 2023 Stability Programme Update: https://assets.gov.ie/253988/ca573f9-ee46-45ea-ac70-c007819b1177.pdf. Note that the modelling of the wage growth estimate is indicative as wage growth is applied on average to all wages; while in reality wages are likely to have growth by different levels across the wage distribution.

Figure 2.5 shows that Government supports increased incomes at the lower end of the income distribution, with deciles one (+17.4%), two (+16.1%) and three (+10.6%) seeing the largest percentage increases. These increases compare favorably to the level of price increases over the same period with the Harmonised Index of Consumer Prices (HICP) of 8.1% in 2022 and forecast HICP of 4.9% for 2023[5]. Although it should be noted that households may experience inflation differently[6]. Core HICP (excluding energy and unprocessed foods) was estimated at 5% for 2022 and 4.4% for 2023. Households in higher income deciles tend to derive more of their incomes from wages or capital than welfare. For these deciles, wage increases have played an important role in supporting households with the impact of inflation.

Figure 2.6: Change in household disposable income in 2022 and 2023 from Government supports and wage growth by family type and earning Vs non-earning, per cent

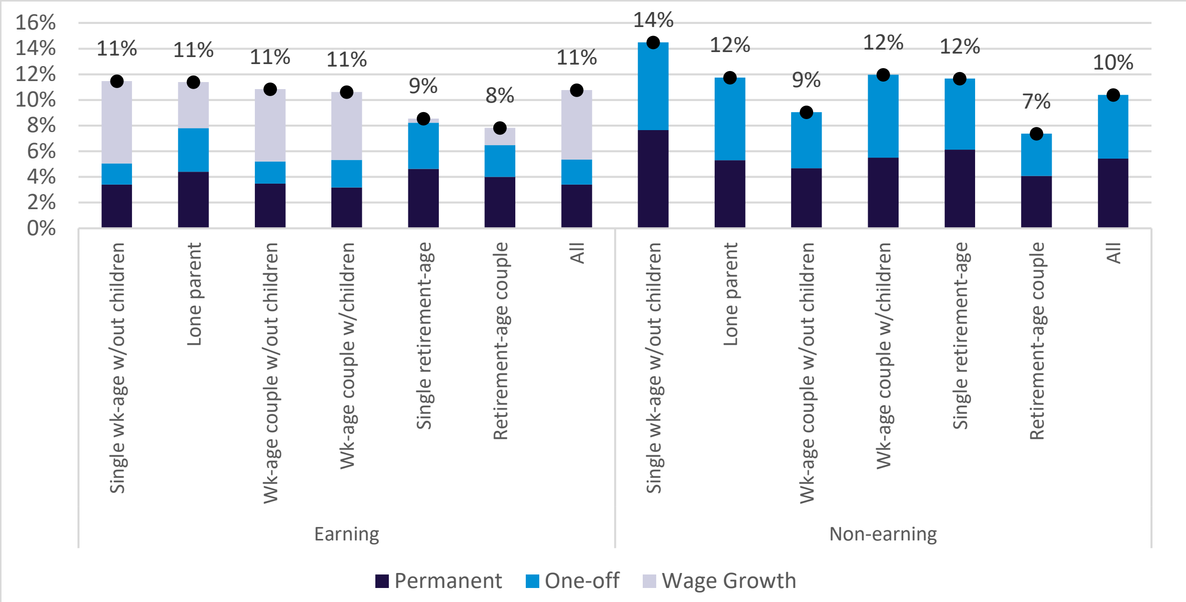


Figure 2.6[7] shows the same analysis by family type, broken down into earning and non-earning households. Non-earning households have seen a greater level of support across all types. Non-earning single working age with no children have seen the largest increase (+14.5%). This is likely partly driven by a concentration of low-income student households in this family type, for whom the energy credits would have represented a large percentage increase in income. Non-earning working age couples with children (+12%), non-working lone parents (+11.8%) and non-earning single over 65s (+11.7%) have seen comparatively higher increases in their incomes from Government supports.

[5] Forecast 2023 HICP from table 1 of the 2023 Stability Programme Update; https://assets.gov.ie/253988/ca5793f9-ee46-45ea-ac70-c007819b1177.pdf

[6] See CSO publication for example; https://www.cso.ie/en/statistics/prices/estimatedinflationbyhouseholdcharacteristics/

[7] Figure 2.6 assumes that the impact of consumption based measures (e.g. indirect taxes, public transport fees) modelled in ITSIM is the same across earning and non-earning households. The earning vs non-earning split is not available in ITSIM. It is likely that the consumption based measures would be more beneficial to the earning family types than the non-earning. Across all family types consumption based measures make up around 1/10th of the overall impact of the Government supports.

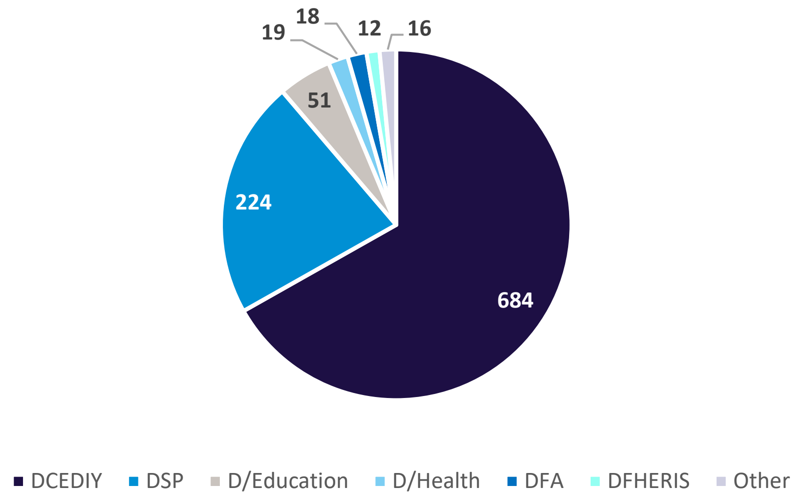
2.5 Ukraine Humanitarian Expenditure

Over the past year and a half, welcoming and providing humanitarian supports for those arriving on our shores from Ukraine has been a key focus of Government.

2.5.1 EXPENDITURE TO DATE IN 2023

In the first half of 2023, over €1 billion has been spent on providing humanitarian supports for Ukrainian refugees (Figure 2.7). Around two thirds of this related to the provision of accommodation supports by the DCEDIY while a further fifth related to income supports by the DSP. The remaining 11 per cent largely relates to the Departments of Education; Health; Foreign Affairs; and Further and Higher Education, Research, Innovation and Science.

Figure 2.7: Ukraine Expenditure at end June 2023
€ Million



Source: Department of Public Expenditure, NDP Delivery and Reform

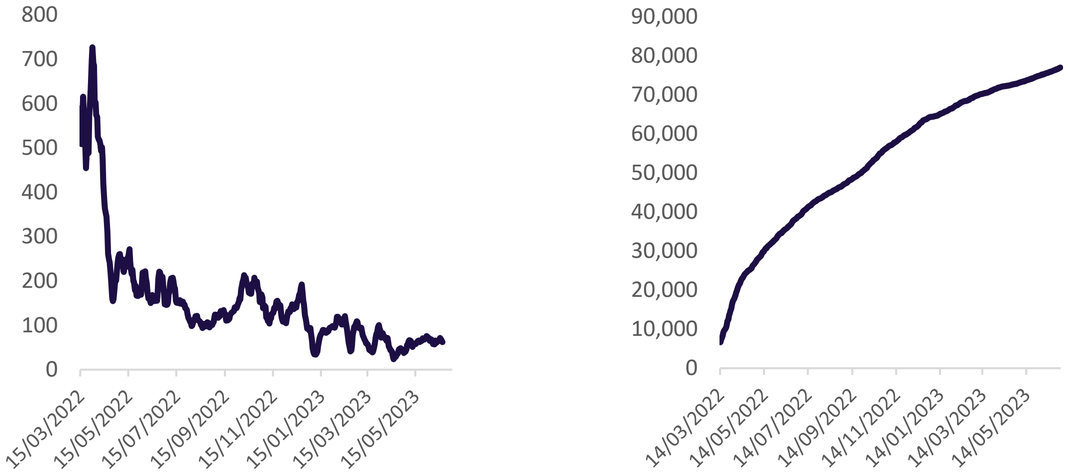
The extent to which these costs progress throughout 2023 depends on a number of factors including: further arrivals, people exiting state supports or leaving the country, patterns of service usage, and unit costs.

2.5.2 ARRIVAL TRENDS

Since February 2022 over 75,000 people have arrived in Ireland; c.62 per cent of those arriving were female and c.69 per cent were over 18. Around 82 per cent of total arrivals required accommodation. Over the period, the 7 day average of arrivals has been trending downwards; in the first five months of 2023 the average number of daily arrivals has been 70 per day, with a maximum of 121 and a minimum of 24. This compares to a 2022 average of 210 per day, with a maximum of 727 and minimum of 88 (Figure 2.8).

Figure 2.8: Arrivals from Ukraine, March 2022-June 2023

7 Day Average numbers (LHS), Cumulative arrivals, thousands (RHS)



Source: Department of Justice Arrivals Data

Recent data by the Central Statistics Office (CSO) shows the activity rates of PPSNs allocated to Ukrainians over this time. This data suggests that there are a number of people leaving the State either to return home or go elsewhere in the months following arrival. This will impact ongoing costs.

2.4.3 COST ESTIMATES

There is provision for €2 billion in Ukraine expenditure under the Government Expenditure Ceiling in 2023. This was on the basis of modelling using the latest data available at the time of Budget 2023 which suggested costs in the region of €1.6 billion to € 2.2 billion in 2023. The current arrival numbers would suggest we are in the upper range of these costs at present. However, the actual level of expenditure in 2023 will depend on a number of factors including the length of stay, unit costs and usage of services in the second half of 2023. This will be monitored over the coming months with additional allocations made from funding held in reserve as required.

As numbers are still arriving at a fairly steady rate this modelling has been updated and extended to 2024. A provision of €2.5 billion has been provided for as part of the *Summer Economic Statement (SES) 2023.* Some allocations will be considered as part of the 2024 Estimates process in the second half of 2023, with a portion likely kept in reserve to be used as required throughout 2024.

2.6 Covid-19

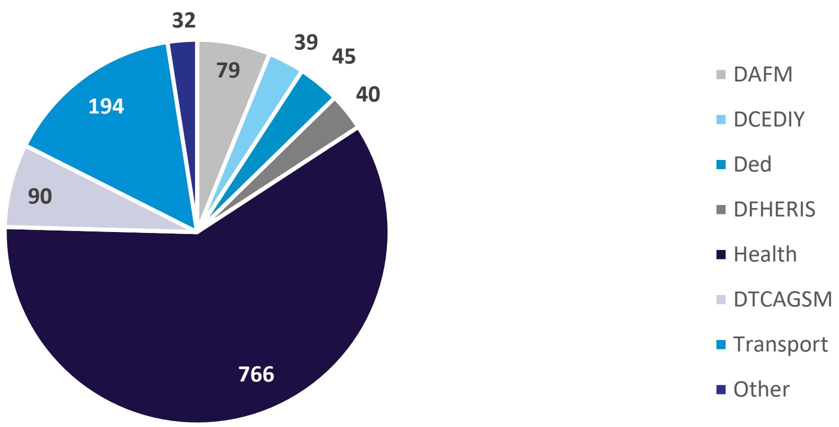
2023 has seen a further reduction in the amounts of funding needed to respond to Covid-19 since the height of the pandemic in 2020/ 2021. Substantial supports to assist society, our economy, and public services with the impacts of Covid-19 have been provided since 2020. Up to €1½ billion has been provided under Budget 2023 for Covid-19 related measures in certain sectors that are experiencing continuing impacts.

This more focused funding provides for specific sectors which are still experiencing the legacy impact of Covid-19 and require supports for an extended period. This includes the health service, where 2023 Covid-19 funding of €0.8 billion is continuing the Test and Trace and the Vaccination programmes; providing for Covid-19 therapeutic drugs; and for measures to address waiting list and access to care pressures as a result of Covid-19. Allocations are also providing continued support for public transport, the education sector, and under Tourism, Culture, Arts, Gaeltacht, Sport and Media.

At the end of June, half a billion euro had been spent across Departments on Covid-19 related measures, with over 70 per cent of this related to Health Covid spending.

For 2024, a Covid-19 provision of €0.75 billion has been outlined as part of the SES. This reduced funding will be focused on key sectors with continued legacy requirements and will be reviewed as part of the Estimates process.

Figure 2.9: Allocations to Departments for Covid-19 Response Measures
€ Millions



Source: Department of Public Expenditure, NDP Delivery and Reform
Notes: Reflects allocations in Estimates voted on by the Dáil.

2.7 Other Non-Core

Other challenges have also emerged over the past few years for which non-core funding has been provided. The most significant of these have been the BAR, the National Resilience and Recovery Plan (NRRP) and the TBESS. As with all non-core expenditure this funding is temporary and for a specific purpose to be removed when it is no longer required.

2.7.1 BREXIT ADJUSTMENT RESERVE

Ireland has been allocated over a billion euro in funding under the European Union's BAR, intended to counter the unforeseen and adverse consequences of the UK's withdrawal from the EU in the Member States, regions and sectors worst affected. The Government has made this funding available over the period 2022-2023. For 2023, €0.3 billion of funding has already been allocated through Estimates, with a further €0.2 billion remaining held in reserve. This funding is supporting measures across a range of Departments that have areas impacted by Brexit, including Agriculture, Food and the Marine; Environment, Climate and Communications; and Further and Higher Education, Research, Innovation and Science.

The Department of Public Expenditure, NDP Delivery & Reform (DPENDR) is the Designated Body for the Reserve in Ireland and has been considering further proposals for projects that would fall within the eligibility period. These proposals would fall under the indicative areas which include: enterprise supports; measures to support fisheries and coastal communities; targeted supports for the agri-food sector; reskilling and retraining; and checks and controls at ports and airports. Approval for approximately €450 million of spending for 2023 has been provided for planned expenditure which may qualify for inclusion under the BAR. This will be monitored throughout the year. Ireland's BAR claim is due to be submitted to the European Commission in September 2024.

2.7.2 NATIONAL RECOVERY AND RESILIENCE PLAN

The NRRP is funded under the EU's Recovery and Resilience Facility (RRF) with Ireland in line to receive €915 million in grants over the lifetime of the Facility. The RRF is a temporary instrument that is a centrepiece of NextGenerationEU, the EU's plan to emerge stronger and more resilient from the global pandemic.

The RRF is a performance-based instrument with payment contingent on the achievement of milestones and targets. Ireland's Plan sets out the sixteen investment projects and nine reform measures (and their associated 109 milestones and targets) to be supported, covering the following priority areas:

- Advancing the Green Transition;
- Accelerating and Expanding Digital Reforms and Transformation;
- Social and Economic Recovery and Job Creation.

The overall objective of Ireland's NRRP is to contribute to a sustainable, equitable, green and digital recovery, in a manner that complements and supports the Government's broader recovery effort.

Dedicated funding for projects under the NRRP has been allocated in Budgets since Budget 2022. Some €0.2 billion in 2023 will support the continued delivery of the NRRP priorities this year. These priorities are as follows:

1. Reflecting Ireland's strong national commitment to addressing the climate and biodiversity crisis, the NRRP contains seven investment projects as well as reform measures relating to advancing the Green Transition. This priority encompasses a wide range of interventions—aligned with and reinforcing our national policy framework—including in relation to retrofitting; ecosystem resilience and regeneration; and addressing transport and enterprise emissions.

2. Reflecting the importance of the digital transition for Ireland and Europe in the coming decade, the NRRP provides support for Irish businesses and citizens to adapt to, and reap the benefits from, digitalisation. The Plan contains six investment projects, along with a reform commitment to address the digital divide and digital skills. The investment projects being progressed include support for the digitalisation of enterprise, the provision of digital infrastructure for schools, and the roll out of a number of eHealth initiatives.

3. The third priority area of Ireland's NRRP relates to social and economic recovery and job creation. This will see investments which seeks to support workers in their recovery from the pandemic and prepare workers and regions for the opportunities of the future; with investment in workplace placement programmes, TUs, and skills and training initiatives.

2.7.3 TEMPORARY BUSINESS ENERGY SUPPORT SCHEME

The TBESS was put in place to support businesses with increasing energy costs. €650 million has been provided for eligible claims in 2023. The latest figures available indicate €104 million in claims were paid out to end June with a further €3.3m approved. The TBESS has been extended to 31 July 2023; while the time limit for making a claim has also been extended to 30 September 2023 in respect of all claim periods.

2.8 Non-Core Expenditure Summary

Non-core expenditure has been used as part of Government's two-pronged fiscal policy to allow a responsive approach to key economic and social challenges. This approach allows for continued investment in core public services in a sustainable manner while supporting those most impacted by external challenges. These challenges have evolved over time, however the temporary nature of non-core expenditure has prevailed with a reduction each year in the total level of non-core supports. It has allowed focused support for those households, public services and businesses most impacted. This strategy will be continued in 2024 with a further reduction in non-core expenditure and a refocusing towards the provision of supports for the most pressing challenges.

Chapter 3: Expenditure Developments and Strategy

3.1 Introduction

The Department of Public Expenditure, NDP Delivery and Reform is responsible for the delivery of a strategic, consistent and coherent approach to budget management that seeks to maximise the impact of public expenditure and public services in a sustainable way over the medium to long term. A key pillar of this approach is delivering a responsible and responsive expenditure strategy that delivers sustainable improvements for people, communities and the economy.

As a result of sound governance of the budgetary process; robust policy advice and evaluation; transformation initiatives; and broad stakeholder engagement, significant transformation of public services has been achieved over the last decade.

A key enabler of this transformation has been the increase in gross voted expenditure which reached €88 billion in 2022. This was over €1 billion higher than in 2021 and €32 billion higher than expenditure in 2012. Additionally, since 2020, the Government has taken extraordinary measures to respond to the elevated cost of living, and the Covid-19 pandemic. This period is also characterised by significantly increased capital investment through the NDP, and the delivery of more services to an increasing and aging population.

3.2 Expenditure Trends 2012-2022

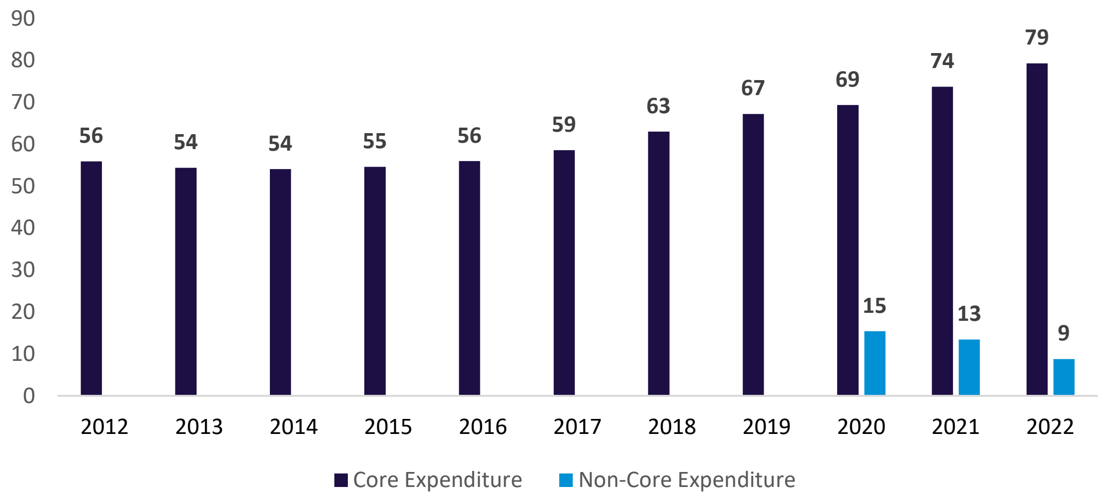
3.2.1 HIGH LEVEL EXPENDITURE TRENDS

Total public expenditure was €56 billion in 2012. A decade later, in 2022, it stood at €88 billion. A number of developments underpin this €32 billion increase with three main phases:

- Between 2012 and 2016 public expenditure remained static at c. €55 billion per annum. This period followed the Great Recession, characterised by low levels of capital investment and very limited public sector recruitment.
- From 2016 to 2019 public expenditure began to increase more steadily with annual increases in both current (average 4.3 per cent) and capital (average 18 per cent) expenditure.
- With the outbreak of the pandemic in 2020, public expenditure policy changes were required. Core expenditure growth slowed somewhat in 2020 due to reduced economic activity but has since rebounded. Elevated inflation levels have required higher levels of public expenditure growth. Non-core expenditure was introduced to fund the Government's response to the pandemic and Brexit, and subsequently to impacts of war in Ukraine.

Figure 3.1: Core and Non-Core Expenditure 2012-2022

€ Billions



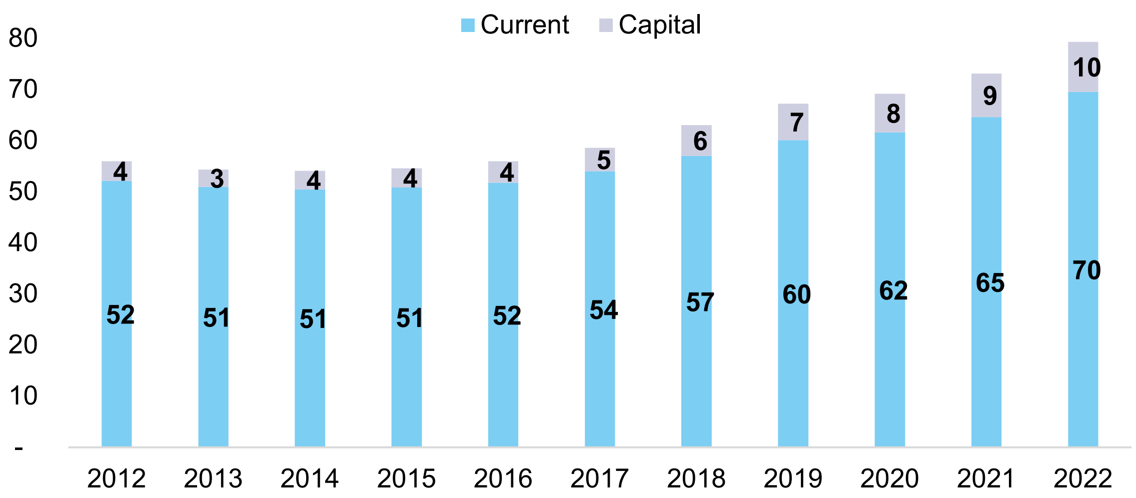
Source: Department of Public Expenditure, NDP Delivery and Reform
Notes: Non-core spend based on provisional outturn estimates.

3.2.2 CORE EXPENDITURE 2012-2022

Core current expenditure grew by an average of 3 per cent from €52.1 billion in 2012 to €69½ billion in 2022. The primary drivers of the increase reflect significant investment in public services (e.g. early childhood care and education, increased provision and coverage of social protection schemes and expanded health schemes). This increased expenditure has delivered enhanced service provision across a range of service areas.

Within the overall increase in expenditure, core capital expenditure in particular has been prioritised in recent years, increasing by an average of 10.4 per cent, from €3.8 billion in 2012 to €9.8[8] billion in 2022, with a significant uptick in 2018. This increase reflects the Government's commitment to investing in capital infrastructure under the NDP.

Figure 3.2: Core Capital and Core Current Expenditure 2012-2022
€ Billions



Source: Department of Public Expenditure, NDP Delivery and Reform
Notes: Core spending amounts reflect overall voted spending less an estimate of the cost of non-core supports.

Since 2012, demand for services has increased as a result of an increase in Ireland's population. The population has grown by over 11 per cent from 4.6 million to 5.1 million in 2022[9]. The level of growth between census 2016 and 2022 is double the level of growth seen between census 2016 and 2011, and the highest inter-census increase in real terms (360,000) since 1979 census (390,000). The structure of the population is also changing, people are living longer, while fewer babies are being born in Ireland, resulting in an ageing of Ireland's population.

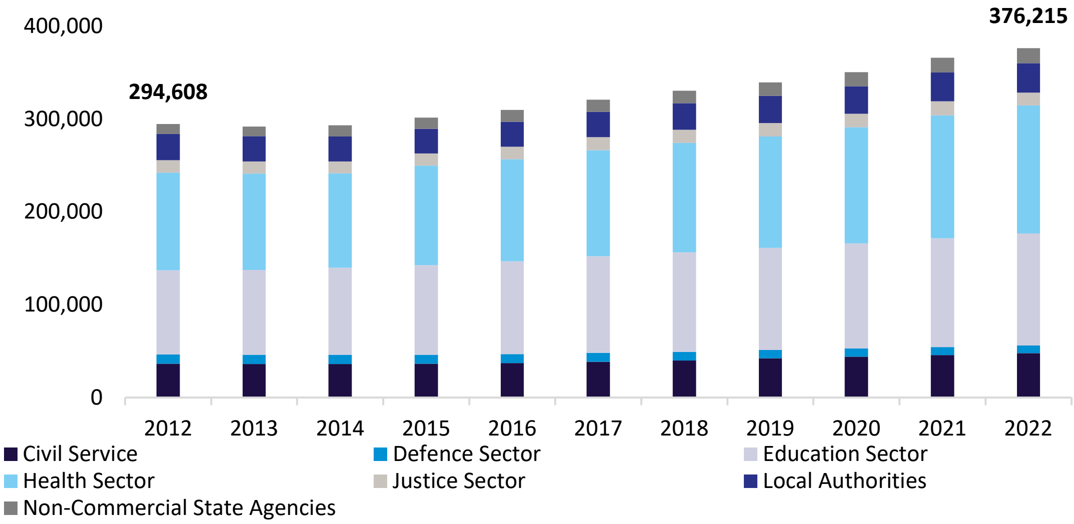
In addition, the Government has expanded eligibility across a variety of public services, increased income support levels, introduced a range of new services and significantly increased infrastructure investment. This increase in services and investment aims to improve quality of life and to facilitate sustainable economic growth.

[8] This figure excludes capital carryover
[9] Preliminary Census Result, CSO

To deliver these increased level of services for an increasing and aging population. Government has provided the necessary resources to increase the size of the public service by annual average of 2.5 per cent. Since 2012, numbers of staff have increased across the health sector, education sector, justice sector, civil service and local authorities. Increases in the health and education sector account for over 75 per cent of the increased numbers. Additionally, the restoration and increases in public service pay has also contributed to the increased level of expenditure. Taking into account the increase in numbers and pay rates the gross exchequer pay has increased from €15.3 billion in 2012 to €21.9 billion in 2022.

Figure 3.3: Public Service Numbers, 2012 – 2022

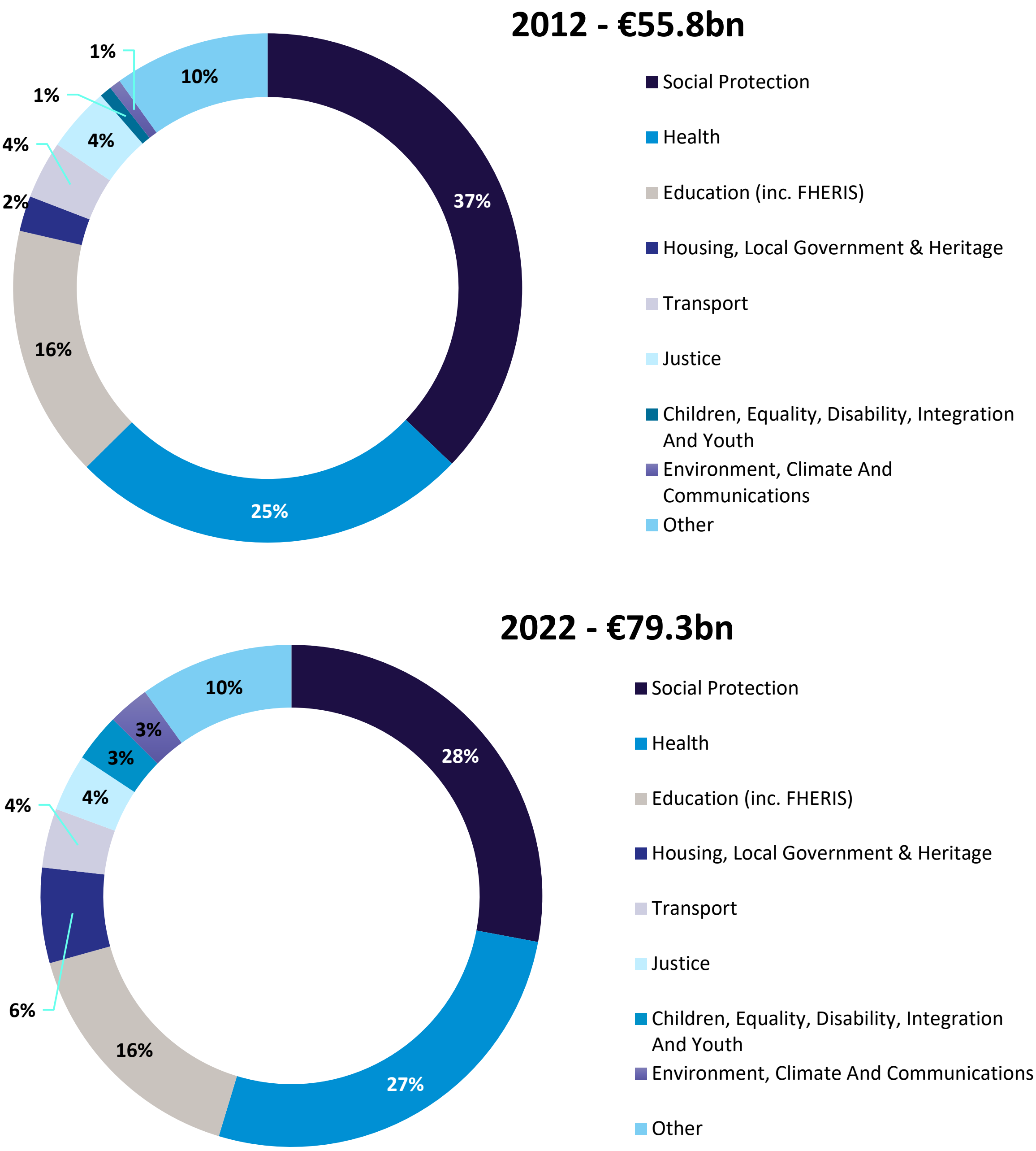
Full Time Equivalents



Source: Department of Public Expenditure, NDP Delivery and Reform Databank

Looking at the distribution of expenditure across policy areas over the last decade. The share of expenditure has shifted from social protection towards health, housing, children and environment, climate and communications. This reflects much improved employment levels reducing the need for jobseeker and associated payments alongside progression of a range of Government priorities. This analysis does not control for departmental changes.

Figure 3.4: Distribution of Core Gross Voted Expenditure, 2012 and 2022
Percentage Share



Source: Department of Public Expenditure, NDP Delivery and Reform Databank

Box 2: Investment in Public Services and Infrastructure

The aim of the increased investment over the past decade is to deliver improved services for a more equitable and inclusive society, support productivity and economic growth and to future proof public services and infrastructure to prepare for challenges such as climate change, and aging and growth population.

More people receiving social protection payments

In Ireland, social protection plays a very significant role in reducing both poverty and inequality. In 2021, the Irish system of social protection was the most effective in the EU at reducing the risk of poverty rate.[10]

Table 3.1: Number of Recipients of Social Welfare Services

	2012	2022	Change
Pensions	540,200	707,900	31%
Working Age Income and Employment Supports	602,300	322,100	-47%
Illness and Disability and Carers	311,500	436,400	40%
Children	642,400	852,900	33%
Supplementary Payments	102,400	13,600	-87%
Total	**2,198,800**	**2,332,800**	**6%**

Source: Statistical Information on Social Welfare Services, Annual Reports

**Note: Figures are rounded to the nearest 100. 2022 figures include individuals supported through exceptional Covid-19 schemes.*

Expanded education provision

Ireland's education system facilitates children and young people through learning, to achieve their full potential and contribute to Ireland's social, economic and cultural development.

Table 3.2: Primary, Post-primary and SNA numbers, 2011/12 and 2021/22

	2011/ 2012	2021/ 2022	% Change
Primary and Post-Primary Pupils (number)	876,797	946,486	8%
Primary and Post-Primary Teachers (number)	55,825	72,496	30%
PTR: Average students per teacher in primary schools	16.2	13.7	n/a
PTR: Average students per teacher in post-primary schools	13.5	12.2	n/a
SNAs (number)	10,260	18,050	76%
Expenditure on teacher Salaries (Millions, €)	*3,172*	*5,314*	*68%*
Expenditure on SNA Scheme (Millions, €)	*332*	*748*	*125%*

Source: Education Indicators for Ireland

Enhanced infrastructure investment

The National Development Plan (NDP), Project Ireland 2040, was first launched in 2018, with the revised Plan published in 2021. The NDP is Ireland's largest, greenest

[10] Eurostat statistics on the At Risk of Poverty Rate before and after social transfers for 2022.

and most ambitious infrastructure plan to date. Over the lifetime of the plan out to 2030, €165 billion will be invested in new and upgraded infrastructure that will meet the needs of our growing population.

Examples of recently completed important infrastructure projects include:

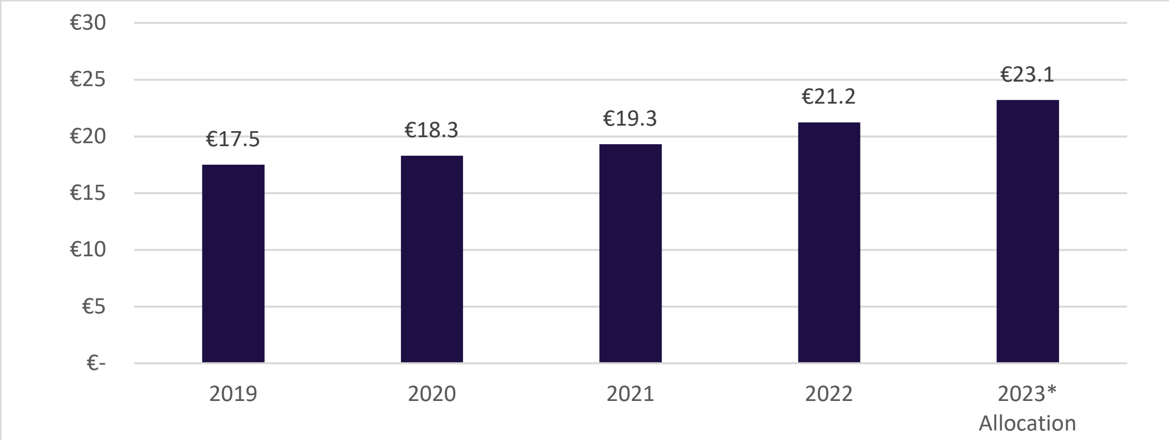
- **Education** - enhanced educational facilities including major third-level building projects such as the new university campus in Grangegorman;
- **Transport** - better transport links including upgrades on the N4 from Collooney to Castlebaldwin, from Gort to Tuam on the N17/N18 and the new N25 New Ross Bypass;
- **Health** - better healthcare facilities including the National Forensic Mental Hospital in Portrane; four major hospital extensions in Drogheda, Limerick, Clonmel and Waterford and new primary care centres all over the country;
- **Culture and Sports** - high-quality cultural and sporting amenities such as the Indoor Arena and elite training facilities at the Sports Campus in Blanchardstown;
- **International Connectivity** - improved connectivity, for example, the North Runway Project at Dublin Airport; and
- **Community** - hundreds of projects funded under the Rural and Urban Regeneration and Development Funds, the Disruptive Technologies Innovation Fund and the Climate Action Fund.

Box 3: Significant Investment in the Health Service

The 2023 core allocation for health services is a record amount of some €23 billion.[11] Core Health Services account for 26 per cent of overall core Government spending.

Figure 3.5: Core Expenditure on Health, 2019 to 2023

€ Billions



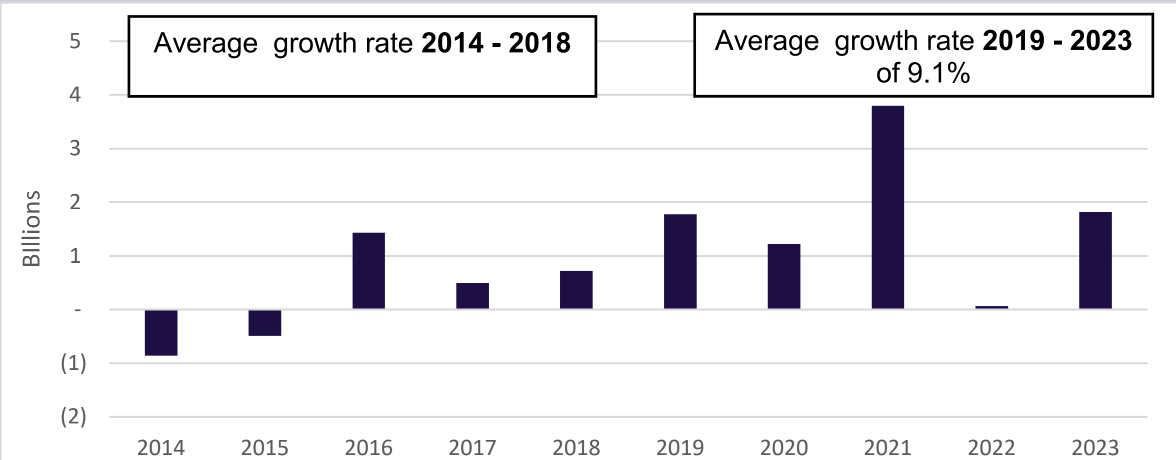
Core allocations, on the ongoing services provided by the health service, increased by an average of €1.4 billion per annum for 2019 to 2023. Spending on acute services has increased by 30 per cent to €7.26 billion over the same period.

The growth rate in allocations (Figure 3.6) for health services has also seen a step change since 2019, with a 9.1 per cent growth rate between 2023 and 2019, compared to a growth rate of 3.6 per cent between 2013 and 2019.

This level of investment in health services is high in international terms given Ireland's relatively young population. As a share of GNI*, Ireland's expenditure on health services ranks second highest compared to OECD countries.

Figure 3.6: Revised Estimates 2013-2022: Additional Allocations (Core and non-Core)

€ Billions



[11] The 2023 figure includes Disability funding, which transferred to Vote of Department of Children, Equality, Disability, Integration and Youth after the publication of the 2023 Revised Estimates for Public Services.

3.3 Adjusted Medium Term Expenditure Strategy

The Medium Term Expenditure Strategy (MTES) was set out in the 2021 SES. The objectives of the MTES are twofold:

- to ensure that the level of core expenditure growth is sustainable long-term, and
- to deliver incremental improvements for better public services.

The framework must be responsive to the economic landscape and therefore is reviewed as part of the whole of year budget process including in the SES.

The Mid-Year Expenditure Report (MYER) 2022 outlined a two pronged policy approach. This approach sought to balance the challenge of delivering effectively by improving public services and protecting the most vulnerable from higher than expected price pressures, while maintaining fiscal sustainability in the longer term by:

- limiting the adjustment to core public expenditure growth to seek to ensure the policy does not lead to second round inflationary effects, and
- ensuring a targeted and temporary approach to transitory price pressures.

The response to persistent higher prices this year will be a continuation of the two-pronged approach.

When the MTES was developed it was designed against the backdrop of a long term trend inflation rate of 2 per cent. With an average rate of 2.4 per cent in 2021, 8.1 per cent in 2022 and an expected rate of 4.9 per cent for 2023 there have been three successive years over the trend. This required adjustments to be made to the strategy in 2022 and 2023 to respond to the economic landscape.

To respond to the impact of higher prices, including on the real value of public services, another adjustment to the Strategy is required. As with last year, a balanced approach in maintaining and improving public services while trying to avoid adding to inflation is set out for 2024 in the SES. The Government is conscious that while price pressures remain elevated now, the forecast rate is expected to moderate somewhat in 2024. The adjustment to the expenditure growth strategy therefore takes account of the expectation that the inflation rate will gradually return to 2 per cent from 2025 onwards. The resulting ceilings from this adjustment are set out in Section 3.3.1.

3.3.1 REVISED EXPENDITURE CEILINGS

The 2023 SES set out an adjusted approach to the MTES. This will see core expenditure increase by 6.1 per cent in 2024. This will bring total core expenditure to €91.2 billion. As outlined above, over the medium-term inflation is forecast to revert to 2 per cent in 2025 and 2026. This will facilitate the 5 per cent level of core expenditure growth being restored in these years.

Non-core expenditure, while not permanent, will impact the Government expenditure ceiling in the year it is spent. As outlined in Chapter 2 this funding provides for evolving external challenges. In 2024 €4 billion of non-core expenditure is being made available. Over 60 per cent of this relates to the provision of humanitarian supports for those arriving from Ukraine. The remaining amount primarily provides supports for other external challenges including for sectors experiencing the legacy impacts of Covid, the impacts of Brexit and funding under the NRRP.

Additional capital expenditure of €250 million is being made available for 2024 from windfall exchequer receipts, to be allocated to critical infrastructure projects that are at an advanced stage and to the existing Climate Action Fund. A further €2 billion is being made available across 2025 and 2026 in this regard, significantly boosting effective delivery of capital projects in these areas and other Government priorities.

Table 3.3 outlines the expenditure ceilings resulting from these adjustments.

Table 3.3: Medium Term Expenditure Strategy
€ Billions

	2023	2024	2025	2026
Total Expenditure Ceiling	**91.1**	**95.5**	**96.9**	**102.0**
Core Spending	**85.9**	**91.2**	**95.7**	**100.5**
% Change	*7.4%*	*6.1%*	*5.0%*	*5.0%*
€bn change	*5.9*	*5.2*	*4.6*	*4.8*
Core Capital Spending	**11.7**	**12.6**	**13.4**	**14.2**
% Change	*12%*	*8.0%*	*6.4%*	*5.7%*
€bn change	*1.2*	*0.9*	*0.8*	*0.8*
Core Current Spending	**74.3**	**78.6**	**82.3**	**86.3**
% Change	*6.7%*	*5.8%*	*4.8%*	*4.9%*
€bn change	*4.7*	*4.3*	*3.8*	*4.0*
Non-Core Expenditure	**5.2**	**4.0**	**0.4^**	**0.2^**
Ukraine	2.0	2.5	-	-
Covid-19 Spending	1.5	0.8	-	-
Other including EU and Brexit Related	1.7	0.8	-	-
Windfall Capital Investment	**-**	**0.25**	**0.75**	**1.25**

Source: Department of Public Expenditure, NDP Delivery and Reform
Notes: Rounding effects figures. ^Non-core expenditure for 2025 and 2026 will be determined as part of the relevant whole of year estimate process.

3.4 Expenditure Strategy 2024

The adjustments outlined in Section 3.3 result in a core expenditure increase or budget package of €5.2 billion for Budget 2024. This includes the NDP increase of €0.9 billion or 8 per cent in core capital expenditure and a core current expenditure increase of €4.3 billion or 5.8 per cent. The components of this current increase are discussed in Section 3.4.1.

Table 3.4: Budget 2024 Core Expenditure Package
€ Billions

	Budget 2024
Core Current Expenditure Increase	**4.3**
of which:	
Existing Level of Service	*2.3*
New Measures	*2.0*
Core Capital Expenditure	**0.9**
Total Core Expenditure Increase	**5.2**

Source: Department of Public Expenditure, NDP Delivery and Reform
Notes: Rounding effects totals.

3.4.1 CORE CURRENT EXPENDITURE

The total increase in core current expenditure of €4.3 billion will provide for the ongoing cost of existing service and incremental improvements in our public services. This funding includes c. €2.3 billion, or approximately 3 per cent of the core current expenditure base, to meet existing levels of service (ELS) costs. This includes:

- Funding for demographic developments including supporting a growing and changing population;
- Carry-over costs from previous Budget decisions; and
- Meeting existing public service pay commitments such as the extension to Building Momentum.

Approximately €2 billion will be available for new current expenditure measures in 2024. This must accommodate priorities across a wide range of policy areas including:

- Spending on Social Protection, which presently accounts for around a third of core current spending;

- Investing in building capacity in public services; and
- Government commitments in relation to housing, climate change, childcare and health.

The current public service agreement, Building Momentum, is due to expire on 31 December 2023. As such, Government and public service staff representatives will be due to enter into discussions on a successor agreement with public service unions later this year. These discussions will take place in the context of the State's fiscal position and broader economic context and would take full account of the need to ensure a sustainable approach to the management of the Exchequer Pay and Pensions Bill over the medium term.

A key element of the Budget process is agreement in relation to the costs of providing existing services supported by the core current expenditure base of over €74 billion. In advance of Budget 2024, further detailed work will be undertaken by DPENDR, in consultation with relevant Departments, regarding the exact level of these ELS costs. Box 4 discusses these costs and the concept of the Existing Level of Service.

Box 4: Existing Level of Service

Each year, as part of the Estimates process the amount of funding that each Department needs in order to carry out their existing functions is assessed. 'Existing Level of Service' (ELS) funding refers to this process of evaluating how much money is needed if there were no new policy decisions taken.

It is a significant element of budget package that, while not representing new policy decisions, is often delivering more supports and services for the population. It includes a variety of elements such as:

- the full impact of previous year's budget decisions,
- providing public services for projected demographic cohort,
- existing central pay agreements.

In this way ELS can deliver

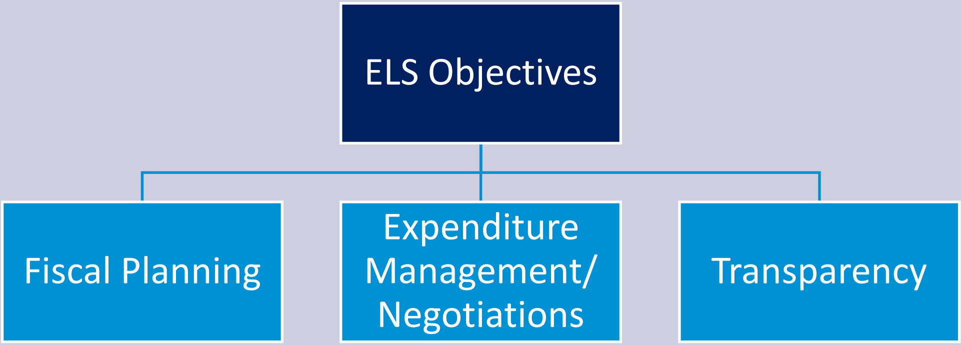
- additional staff to deliver public services, such as teachers, SNAs and Garda
- additional places or beneficiaries on existing schemes, such as more pensioners or people accessing GP care,
- additional benefits to service users such as the full year cost of Budget 2023 decisions reducing user fees in health and childcare.

The Objectives of the Existing Level of Service Concept

The ELS concept serves three objectives. Firstly, it aids fiscal planning. ELS allows an estimate of the cost of providing the existing supports and services by the Government for future years. This feeds in to developing how much money is needed when setting the overall expenditure framework.

Secondly, it assists with expenditure management and budgetary negotiations. Within the overall current expenditure parameters, ELS cost estimates provide an illustration of the space available after ensuring critical areas are sufficiently funded. In this way it allows for consideration of the trade-offs within expenditure, what isn't needed for ELS is then available for new current measures, and vice versa.

Finally, it aids transparency. By separating out ELS costs to demonstrate the cost of providing existing services as part of the budget package it can also be used to communicate how much additional services are being provided under existing policy.



The Existing Level of Service Concept within the Expenditure Strategy

The MTES set out in 2021 included an indicative overall provision of 3 per cent of the core current base each year to meet ELS pressures. This is an estimated cost to aid overall fiscal planning based on amounts needed in previous years. This is an overall provision rather than a set rate of increase for each Department.

ELS is a significant part of the additional current expenditure funding allocated each year and as outlined above can deliver additional investment in public services, through for example providing schemes to a growing number of people, and investment in the public service workforce.

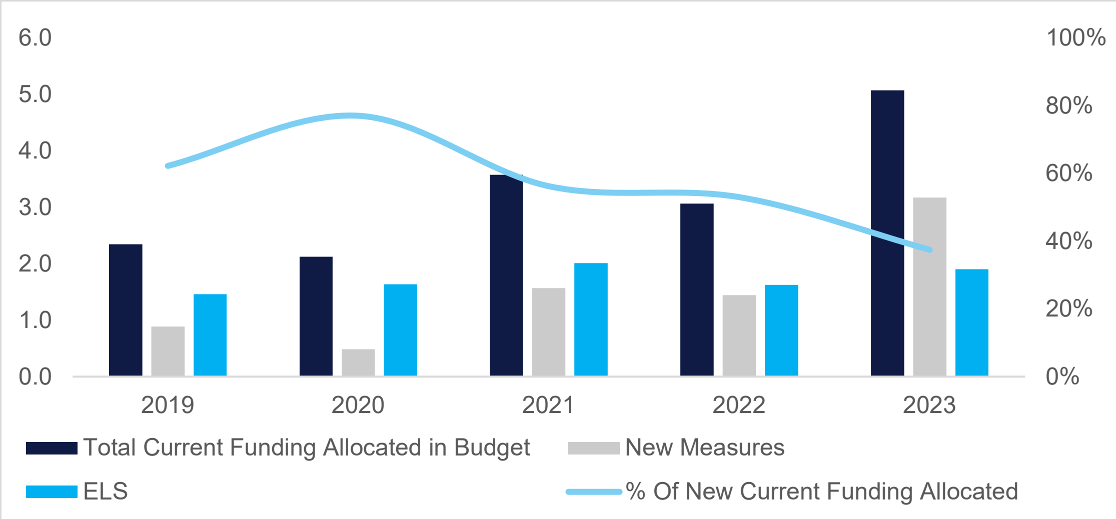
Recent Trends in ELS

In recent years, overall ELS provision has been around the 3 per cent of the base mark indicated under the Medium Term Strategy—though allocations by Department vary greatly. Lower amounts have been required in some years, largely due to improving labour market conditions.

2024 ELS requirements will be assessed as part of the Budget 2024 process with allocations to each Department set out in the Expenditure Report. This assessment is informed by ongoing analysis including through the Spending Review (Chapter 4).

Figure 3.7: ELS Allocation Recent Trends

€ Billions (LHS), Per cent (RHS)



Source: Department of Public Expenditure, NDP Delivery and Reform

3.4.2 CAPITAL EXPENDITURE

In 2024 there will be a core capital expenditure increase of €0.9 billon. This will result in the overall core capital investment reaching some €12.6 billion in 2024. Separately, as part of non-core expenditure an additional €0.2 billion is allocated as part of the NRRP. This represents an increase of approximately 8 percent, in line with the NDP 2021-2030. This funding provides for key investment across sectors including health, housing, education and transport while also investing in our climate goals.

Box 5:The National Development Plan and Recent Reforms

The NDP published in October 2021 sets out a positive vision for Ireland over the next 10 years, with total public investment of €165 billion over the period 2021-2030. Core capital expenditure ceilings were set out at sectoral level for the period out to 2025 to allow Departments to plan on a multi-annual basis (*MYER 2022* included a breakdown of these ceilings).

The NDP will support economic, social, environmental and cultural development across all parts of the country under Project Ireland 2040, in parallel with the National Planning Framework (NPF) which sets the overarching spatial strategy for the next twenty years. The alignment of the NDP and NPF under Project Ireland 2040 creates a unified and coherent plan for the country by ensuring our investment strategy supports spatial planning behind a shared set of strategic objectives for rural, regional and urban development, and will strengthen the link with the new Climate Action Plan and other sectoral policies. The renewed NDP has a particular focus on the all-of-Government priorities of housing and climate action ambition.

The NDP is the largest in the history of the State with Ireland's annual capital investment budget now among the largest across EU countries. This year, in 2023, almost €13 billion[12] in capital is available to spend on vital infrastructure in areas such as housing, transport, education, enterprise, sport and climate action. It will be a pivotal year in consolidating the progress already made, and, most importantly, delivering the infrastructure to support our future climate, social and economic requirements.

The renaming and reconstitution of the Department of Public Expenditure, NDP Delivery and Reform, to specifically include NDP Delivery, brings about a greater emphasis and mandate for the delivery of the NDP. In light of this new role, a review of the support structures and levers available across Government to maximise delivery of projects was undertaken. As a result, six priority action areas have been implemented, to include:

- Significant changes to reduce the administrative burden in delivering major capital projects;

[12] includes capital carryover from 2022 into 2023.

- The Minister for Public Expenditure, NDP Delivery and Reform has taken a direct role in overseeing delivery of the NDP through chairing the Project Ireland 2040 Delivery Board;
- Capacity reviews of Departments and Agencies with significant delivery programmes is being carried out, to ensure that adequate resources for project delivery are in place;
- Additional reforms to the Capital Works Management Framework, which sets out the contracts used for public capital projects;
- Direct reporting to Government on NDP delivery on a quarterly basis throughout 2023 and 2024 will take place; and
- An independent evaluation of NDP priorities and capacity will be conducted over the coming months.

In March, the Department announced a number of reforms to the Public Spending Code, which will be replaced by a set of Infrastructure Guidelines, aimed at enhancing project delivery for the NDP. These changes will reduce the administrative burden for Departments delivering capital projects while allowing them greater autonomy to pursue the delivery of their priority projects, while still complying with overall value for money principles.

Crucial oversight processes for major projects are maintained through the retention of the External Assurance Process as well as by review by the Major Projects Advisory Group prior to seeking Government Approval to proceed, in line with international best practice.

3.5 Pre-Budget Position

Table 3.5 sets out the opening position for Budget 2024 from a current expenditure perspective, splitting expenditure allocated to date in Departmental estimates between Core and Non-Core. This updates the core and non-core allocations set out in the Expenditure Report 2023 for any changes in the REV and in agreed Further Revised Estimates. These core allocations provide a clear baseline position in advance of Budget 2024. This is the base which is examined as part of the ELS analysis outlined in Box 4. In addition to these amounts there is an element of unallocated expenditure (€1.2 billion) under the Government Expenditure Ceiling, which may be allocated if required.

Provision for the challenges outlined in Chapter 2 are non-core and temporary therefore they are not in the expenditure base. The non-core allocations for Budget 2024 will be assessed as part of the Budgetary process based on the latest available information.

Table 3.5: Current Expenditure Allocations by Vote Group 2023
€ Millions

	Core	Non-Core	Total
Allocated:			
Agriculture, Food and the Marine	1,540	162	1,702
Children, Equality, Disability, Integration and Youth	5,021	786	5,807
Defence	1,033	2	1,034
Education	9,071	94	9,165
Enterprise, Trade and Employment	386	650	1,036
Environment, Climate and Communications	194	0	194
Finance	571	0	571
Foreign Affairs	935	97	1,032
Further and Higher Education, Research, Innovation and Science	3,334	142	3,476
Health	19,430	767	20,197
Housing, Local Government and Heritage	2,876	8	2,884
Justice	3,094	41	3,135
Public Expenditure and Reform	1,367	3	1,371
Rural and Community Development	198	0	198
Social Protection	23,405	480	23,885
Taoiseach	250	3	253
Tourism, Culture, Arts, Gaeltacht, Sport and Media	853	98	951
Transport	698	196	894
Shared Island /ERDF	22		22
Total	**74,277**	**3,528**	**77,805**

Source: Department of Public Expenditure, NDP Delivery and Reform
Notes: Table includes funding as allocated in Estimates to end-June. Additional allocations to meet Cost of Living and other measures agreed by Government will be made later in the year where required. Shared Island and ERDF amounts are shown separately as these are exceptional current allocations from capital funds which do not impact the core current base overall. Core spending amounts include certain temporary measures. Rounding may affect totals.

Table 3.6 sets out the total capital allocation on the same basis between Core and Non-Core allocations.[13] The capital allocations for Budget 2024 have been published in the NDP, and allocations to Departments will be as set out with the addition of any reserve

[13] Including changes from REV 2023 published in December 2023 and subsequent Further Revised Estimates for certain Departments.

funding from the Annual Priority Reserve, Shared Island Fund and European Regional Development Fund.

Table 3.6: Capital Expenditure Allocations by Vote Group 2023
€ Millions

	Core	Non Core	Total
Allocated:			
Agriculture, Food and the Marine	295	168	463
Children, Equality, Disability, Integration and Youth	61	63	124
Defence	176	-	176
Education	860	-	860
Enterprise, Trade and Employment	540	45	586
Environment, Climate and Communications	848	24	872
Finance	30	-	30
Foreign Affairs	25	-	25
Further and Higher Education, Research, Innovation and Science	575	20	595
Health	1,075	87	1,161
Housing, Local Government and Heritage	3,522	8	3,530
Justice	272	22	294
Public Expenditure and Reform	260	40	300
Rural and Community Development	201	30	231
Social Protection	16	-	16
Taoiseachs	-	-	-
Tourism, Culture, Arts, Gaeltacht, Sport and Media	215	-	215
Transport	2,595	27	2,622
Total	**11,567**	**533**	**12,100**

Source: Department of Public Expenditure, NDP Delivery and Reform
Notes: Table includes funding as allocated in Estimates to end-June. Additional allocations to meet Cost of Living and other measures agreed by Government will be made later in the year where required. Rounding effects totals. Includes transfer of Disability function funding to DCEDIY from D/Health which is not yet reflected in expenditure & profiles in Chapter 1.

3.6 Conclusion

Recent years have seen increased investment in public services and infrastructure. This has been facilitated through a planned and careful approach to expenditure policy. This approach has allowed for the expansion of public services to cater for our changing population, investment in initiatives for better public service and enhanced infrastructure though our NDP.

Since 2020 a number of shocks have required a responsive approach to fiscal policy. The careful management of our economy and public finances over the past number of years has allowed Government to

- Provide increased resources for core public services, investing in the quality of life in Ireland to support a strong, fair and equal society into the future,
- Deliver significant and essential infrastructural projects through our NDP. These are critical projects that build capacity, support employment prospects, economic development and regional growth,
- Put in place considerable supports that provide assistance to households and businesses to counter the external challenges, including the war in Ukraine, price pressures and the Covid-19 pandemic.

However, challenges remain, our economy is close to capacity and constraints have become evident. Prices, while moderating, remain at elevated levels. These challenges have been considered as part of the expenditure strategy for Budget 2024, with a limited adjustment to the gross expenditure growth rate from the MTES anchor alongside a provision of €4 billion non-core expenditure. This strategy seeks to balance the need to remain responsive to the economic and social challenges faced by our society while investing in our future and remaining sustainable. To ensure expenditure effectively delivers the best possible outcomes for our people within this strategy requires a proactive approach based on evidence. Chapter 4 discusses some of the tools and recent reforms which seek to provide this evidence.

Chapter 4: Embedding Evaluation and Better Public Service Delivery

4.1 Introduction

Over the past decade, the needs of the people of Ireland have changed. The population has grown by over 11 per cent from 4.6 million to 5.1 million in 2022[14]. The structure of the population is also changing, people are living longer, while fewer babies are being born in Ireland, resulting in an ageing of Ireland's population. The old-age dependency ratio in Ireland – a proxy for the number of retirees as a fraction of the number of workers – increased by 5 per cent from 18 per cent to 23 per cent over this period. Through the social welfare system the Government is now supporting significantly more social welfare recipients than it did in 2011, including nearly 700,000 pensioners. Additionally, social challenges have arisen including the need to respond to a shortfall in housing provision and to address external challenges such as the Covid-19 pandemic and the war in Ukraine.

In the context of this changing and challenging environment, it is essential that expenditure policy is responsive and responsible, and capable of delivering sustainable improvements for people, communities, the climate and the economy. To ensure that economic growth is maintained and investment in quality public services can continue, our budgetary strategy must be sustainable and targeted at initiatives that will meet the long-term needs of our changing society and improve the lives of the people of Ireland.

[14] Preliminary Census Result, CSO

4.2 Measuring the Impact of Spending

The increasingly cross-cutting nature of policy challenges such as climate change and population ageing have added additional complexity to the task of ensuring that resource allocation decisions have the desired outcomes. By leveraging performance budgeting tools such as well-being, green and equality budgeting, as well as utilizing the spending review process, we can ensure both effective delivery and that there is a greater level of transparency and accountability in how public money is spent.

In order to strengthen the link between expenditure allocations and the delivery of key public service outputs and outcomes there are a number of tools used to consider the totality of public spending and the service impact. The Budget Day Expenditure Report alongside the REV set out;

- the allocation of resources across the different Government Departments and agencies each year,
- targets for the delivery of key public services, and
- performance metrics to track progress in the outcomes that these services are designed to improve.

In addition to these publications, a number of other ongoing processes, which seek to ensure we can deliver effectively, are outlined below.

4.2.1 PERFORMANCE AND EQUALITY BUDGETING

Since 2011, the Performance Budgeting initiative has sought to shift the balance of emphasis away from a single focus on the provision of resources to one that is more concerned with how public resources are used to support the implementation and delivery of policies and programmes and the results or impacts of these services on people's lives and society more generally. A key output of the performance budgeting work programme is the annual publication of the Public Service Performance Report[15], which provides a clear and accessible picture of how public funds have been allocated, how those funds have been used and the impact of this spending on our society.

The Equality Budgeting initiative seeks to further enhance budgetary processes by focusing attention on how different cohorts within society are faring in terms of service provision and the impact these services are having within particular groups.

Detailed and wide ranging reporting of performance and equality metrics in the Public Service Performance Report facilitates greater transparency and accountability about how

[15] Available at: https://www.gov.ie/en/collection/61d3f-public-service-performance-reports/

public resources are being used, and the progress that is being made in tackling inequalities.

4.2.2 THE WELL-BEING FRAMEWORK

The Well-being Framework for Ireland presents a vision of "enabling all our people to live fulfilled lives now and into the future". The multidimensional Framework provides a well-rounded, holistic view of how Irish society is faring and it is being developed in a way that will facilitate its utilisation within the policy making process.

The Well-being Framework includes 11 separate dimensions that capture the broader range of direct and indirect impacts of policy decisions, including mental & physical health, the environment, participation in society, and income & wealth. This approach allows consideration of different policy areas simultaneously rather than sequentially or in isolation. It can facilitate more joined up policy making with a focus on improving the collective well-being of the people of Ireland over time that go beyond the more traditional economic indicators such as Gross Domestic Product (GDP).

4.2.3 GREEN-BUDGETING

The Green Budgeting initiative brings a more specific focus on embedding climate and environmental goals within the budgetary process itself. Since 2018, Ireland has implemented a series of progressive green budgeting reforms, seeking to increase transparency and effectiveness in climate policy, and allowing for policy making that will promote and achieve improved environmental outcomes.

This includes mapping out expenditure across all Government Departments on measures that are designed to help meet our climate targets, and publishing this information in the REV each year.[16] In 2023 this work was expanded to examine expenditure on programmes that are potentially climate harmful, with a proposed methodology outlined in a staff paper published on the Department website.[17]

4.2.4 MEASURING POLICY OUTCOMES TO DELIVER SERVICE IMPACT

In May of this year, the DPENDR published Better Public Services[18] – a transformation strategy to deliver for the public and build trust. The strategy sets out a vision to deliver inclusive, high quality public services that meet the needs and improve the lives of people in Ireland.

The Public Service Transformation Framework, which is at the core of the Strategy, comprises three central themes: Digital and Innovation at Scale; Workforce and

[16] Appendix 8 REV 2023 https://www.gov.ie/en/collection/e20037-revised-estimates/
[17]Available at: https://www.gov.ie/pdf/?file=https://assets.gov.ie/246726/9111558d-d0b6-4623-8862-ec16111dd8ba.pdf#page=null
[18] Available at: https://www.gov.ie/en/publication/80247-better-public-services-public-service-transformation-2030-strategy/

Organisation of the Future; and Evidence-Informed Policies and Services Designed for and with our Public. Public Service Bodies are central to ensuring that the public experience a real transformation in the quality of services they receive. To support this, Public Service Bodies have been tasked with identifying, prioritising and delivering actions in relation to each of the Strategy’s themes.

4.3 Spending Reviews: Purpose and Objectives

In addition to the processes outlined above, the Spending Review is an annual Civil Service wide process focused on improving expenditure allocation across the public service. It supports the goal of evidence-informed policy making through facilitating analysis and research that focuses on programme rationale, efficiency and effectiveness, policy impact and sustainability.

During 2022 the Spending Review Secretariat undertook a wide ranging review of the process. This involved consultation with stakeholders to identify ways to improve the operation of the process. This resulted in a number of reforms that attempt to advance its efficiency as a process and which allow for greater collaboration between Departments. The core objectives of the Spending Review remain the same, which is to;

- increase the range of data sources upon which policy analysis can be conducted;
- foster engagement, learning and deliberation between Departments in relation to the public policy formulation and implementation;
- assess the effectiveness of public expenditure in meeting policy objectives;
- feed policy insights into all stages of the policy process, including at Budget time; and
- to use evidence and insights to inform programmes of reform and initiate reform where appropriate.

Box 6: Review of the Spending Review Cycle 2020-22

Spending reviews are conducted in three year cycles, 2020 - 2022 being the second cycle. Since 2017 a total of 173 formal Spending Review papers have been published with more Departments routinely assessing key policies and programs as part of the process. There have also been a number of independent reviews / staff papers conducted by Departments as part of the wider evaluation and policy making landscape.

A key trend observed across the last cycle was the growth in papers delivered by other Departments and the increase in the number of collaboratively developed papers, with a notable number of jointly authored papers developed by staff in DPENDR, other Departments and the wider public service.

A review of the 2020-2022 cycle sought to understand how the spending review process was functioning both in terms of what was working well and where improvements could be made ahead of future cycles. The review comprised of three key elements:

- An analysis of output;
- A case study exercise; and
- A focus group exercise.

The case study and focus group exercises sought the views of a broad range of stakeholders, from Steering Group members, authors, Vote sections in DPENDR to policy staff in other Departments. The findings from those exercises were complimented by an analysis of the output that was delivered over the last number of years.
In terms of what worked well the review found;

- the broader set of objectives and flexibility agreed as part of the 2020-2022 cycle led to an increase in output across a broader range of departments.
- The cycle fostered an increase in collaboration across departments. Examples of this included papers produced across the Justice, Health and Education sectors. The review found that collaboration is generating a shared understanding across important policy questions and providing evidence to support decision making.
- the spending review process is having an impact across the following areas:
  - Generating a greater shared understanding of policy issues;
  - Better-informed expenditure allocation and policy decision-making;
  - Better data and unlocking data sharing between departments;
  - Contributing to a ‘culture of evidence and analysis’ or a ‘culture of evaluation’; and
  - Bringing an annual structure to a portion of departmental evaluation activity.

4.4 Changes to the 2023 Spending Review Process

In line with the review of the process carried out by the Secretariat a number of reforms were introduced for 2023 on a pilot basis;

- As the Steering Group is comprised of cross departmental senior managers, the Group will take a more strategic to ensure that Spending Reviews are meeting the core objectives of the process and provide policy insight and impact.
- Review subgroups will be formed by theme or topic and reviewers allocated to said groups on the basis of the experience or interest of peer review volunteers (i.e. Irish Government Economic and Evaluation Service (IGEES) staff, analysts, economists and policy makers throughout the Civil Service) where possible. A more collaborative approach at the subgroup level is envisaged too.
- The scoping and document templates were amended to focus more on the potential impact of the research and also to ensure that authors engage with all relevant stakeholders prior to an upon completion of their papers.

4.4.1 OUTPUTS FROM THE 2020-2022 SPENDING REVIEW CYCLE

A similar number of papers were delivered in the first cycle (86) as the second (87). However, whereas in 2017-19 there were 20 spending reviews submitted by Departments / Offices other than DPENDR, 40 were delivered in the 2020-2022 cycle. This shows excellent growth in terms of the spending review process bedding down in Departments. In addition, 9 collaborative papers were published across 2020-22, whereas 3 were published as part of the previous cycle. For 2023 too, there are four joint papers in train, continuing the trend.

A larger than normal volume of papers went through the scoping process in 2022 too, with 25 papers published out of a possible 45 scoping documents. Some of these were delivered as staff papers within Departments, some rolled forward into 2023 and the remaining papers are waiting for resourcing before commencement. The number of scoping papers presented in 2022 illustrates the strong appetite for research based policy making across the Civil Service.

Table 4.1 Spending Review Papers 2017-2022 By Origin

Papers Submitted By	Year						
	2017	2018	2019	**2020**	**2021**	**2022**	TOTAL
DPENDR	18	22	23	**16**	**16**	**6**	**101**
Other Departments	2	7	10	**6**	**15**	**16**	**56**
Joint Papers	0	1	2	**2**	**5**	**2**	**12**
External/ Agency	1	0	0	**1**	**1**	**1**	**4**
	21	30	35	**25**	**37**	**25**	**173**

Source: Department of Public Expenditure, NDP Delivery and Reform

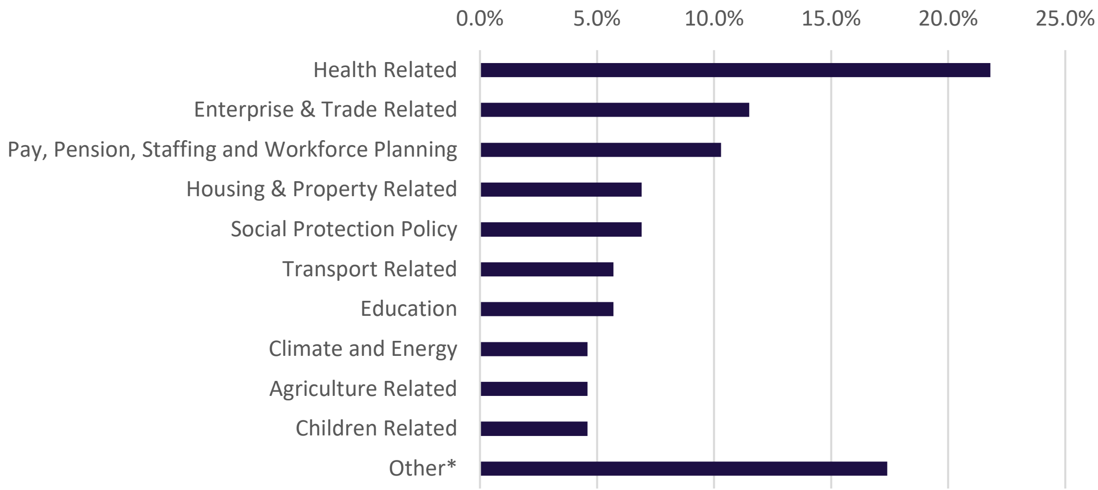
The 2020-2022 cycle researched and evaluated a huge range of topics across key sectors – health, education, justice, enterprise supports, civil and public service staffing, pay and pensions, foreign affairs, children, climate change, agriculture, defence, transport, housing and state property.

Naturally, some papers had a more specific focus than others, with the research concentrated on a single policy or programme. These papers analysed expenditure, drivers, trends and outputs / outcomes in detail. Examples would be papers like the 'Analysis of the Social Housing Current Expenditure Programme' (2021) or the assessment of the 'Distributive Efficiency of the Sports Capital and Equipment Programme' (2022).

Other papers covered a more substantial spread of expenditure, trends, drivers and outcomes but through specific lenses. Examples would be the papers that examined strategic drivers or issues such as 'The Impact of Demographic Change on Health Expenditure 2022-2025' (2021) and the impact of demographics on the 'Teacher Allocations; Developing a Model for Mainstream Teacher Projections' (2020) or the paper on 'Estimating the Potential cost of Compliance with the 2030 Climate and Energy targets' (2022) for instance.

It is this blend of analyses that makes the Spending Review process so valuable and interesting in terms of policy making insights. It is worth noting that since the first iteration of the process in 2017, 16 out of 18 Departments have produced spending review papers, plus agencies such as Solas, the Courts Service and the Irish Prison Service.

Figure 4.1 Categories of Spending Reviews By Broad Topic / Theme 2020-2022



Source: Department of Public Expenditure, NDP Delivery and Reform

As with the first tranche of papers, the area of healthcare provided the most research, producing 19 papers during the cycle. This was followed by 10 papers in the enterprise and trade area, with the pay / pensions area producing 8 over the cycle. Regarding the ‘other’ category, this covers 16 papers across a diverse strand of topics; from rural and community related to foreign affairs right across to defence.[19]

[19] All previous published papers from the last two cycles are available to view by year and by Department / Agency at: https://www.gov.ie/en/collection/5ca0a-spending-review-2022/

4.5 Emerging themes of the Spending Review 2023

As outlined earlier, for 2023 changes were made to the administration and governance of the Spending Review to try to make the process more effective. This included categorising the topics more thematically, giving more autonomy to subgroups and having the Steering Group take a more strategic role. In doing so it is intended that the processes would be reviewed in early 2024 to see whether the changes are having the desired impact.

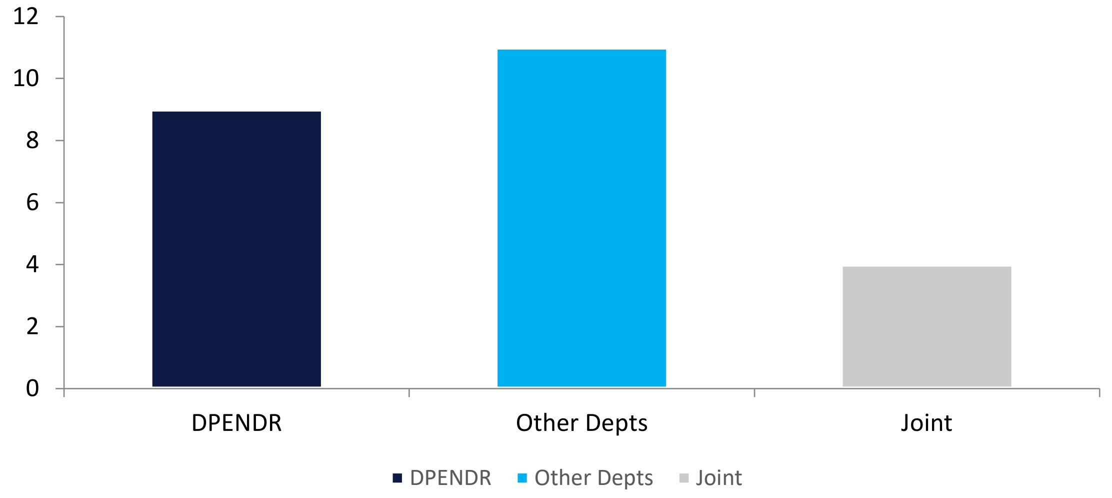
As always there was a great response from analysts, policy staff, and the IGEES network across the Civil Service in volunteering for the process and helping peer review the draft papers via the subgroup process. A total of 6 subgroups were established for 2023 to examine papers across the following broad themes;

- Public Service Transformation, Pay and Skills
- Social & Health Policy
- Transport, Climate & Energy
- Fiscal sustainability
- Agriculture Related
- Capital Investment / Infrastructure

A total of 24 papers have been scheduled for completion in 2023, 9 from DPENDR, 11 from other Departments and 4 joint papers. Again this continues the collaborative trend and the buy in across Departments to the process.

Figure 4.2: Spending Review 2023

Breakdown by Author Department



Source: Department of Public Expenditure, NDP Delivery and Reform

What has been noticeable from the scoping papers for 2023 is the return to a more traditional model of cost based or efficiency and effectiveness type reviews. This matches the views of the stakeholders during the review of the process where it was suggested that the themes of fiscal sustainability, spending trends, impacts and efficiency and effectiveness should be returned to where possible.

The 2023 scoping papers cover a wide variety of topics and data, some crucial to the estimates process and the forthcoming budget. It is noticeable too that there are a growing number of capital investment related papers in the mix this year, which again is timely given the constraints on capital projects and construction across the economy. As always there are interesting papers in the Health and Social Protection areas and a strong presence from the Department of Agriculture, Food and Marine. There are papers around climate, energy and transport, including a link to the wellbeing framework and some timely papers from the Department of Foreign Affairs.

Again, the topics show the wide ranging policy issues and decisions facing Departments and are an important tool in in data analysis and evidence based decision making that helps policy makers ensure the taxpayer gets value for money.

Appendix 1: Abbreviations Used

BAR	BREXIT ADJUSTMENT RESERVE
CSO	CENTRAL STATISTICS OFFICE
DCEDIY	DEPARTMENT OF CHILDREN, EQUALITY, DISABILITY, INTEGRATION AND YOUTH
DETE	DEPARTMENT OF ENTERPRISE, TRADE AND EMPLOYMENT
DFIN	DEPARTMENT OF FINANCE
D/Health	DEPARTMENT OF HEALTH
DHLGH	DEPARTMENT OF HOUSING, LOCAL GOVERNMENT AND HERITAGE
DPENDR	DEPARTMENT OF PUBLIC EXPENDITURE, NDP DELIVERY AND REFORM
DSP	DEPARTMENT OF SOCIAL PROTECTION
ELS	EXISTING LEVEL OF SERVICE
HICP	HARMONISED INDEX OF CONSUMER PRICES
IGEES	IRISH GOVERNMENT ECONOMIC AND EVALUATION SERVICE
MTES	MEDIUM TERM EXPENDITURE STRATEGY
MYER	MID-YEAR EXPENDITURE REPORT
NDP	NATIONAL DEVELOPMENT PLAN
NPF	NATIONAL PLANNING FRAMEWORK
NRRP	NATIONAL RECOVERY AND RESILIENCE PLAN
REV	REVISED ESTIMATES FOR PUBLIC SERVICES
RRF	RECOVERY AND RESILIENCE FACILITY
SES	SUMMER ECONOMIC STATEMENT
TBESS	TEMPORARY BUSINESS ENERGY SUPPORT SCHEME

An Roinn Caiteachais Phoiblí
Sheachadadh PFN agus Athchóirithe
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