An Roinn Caiteachais Phoiblí
agus Athchóirithe
Department of Public
Expenditure and Reform

EXPENDITURE REPORT 2017

11 OCTOBER 2016

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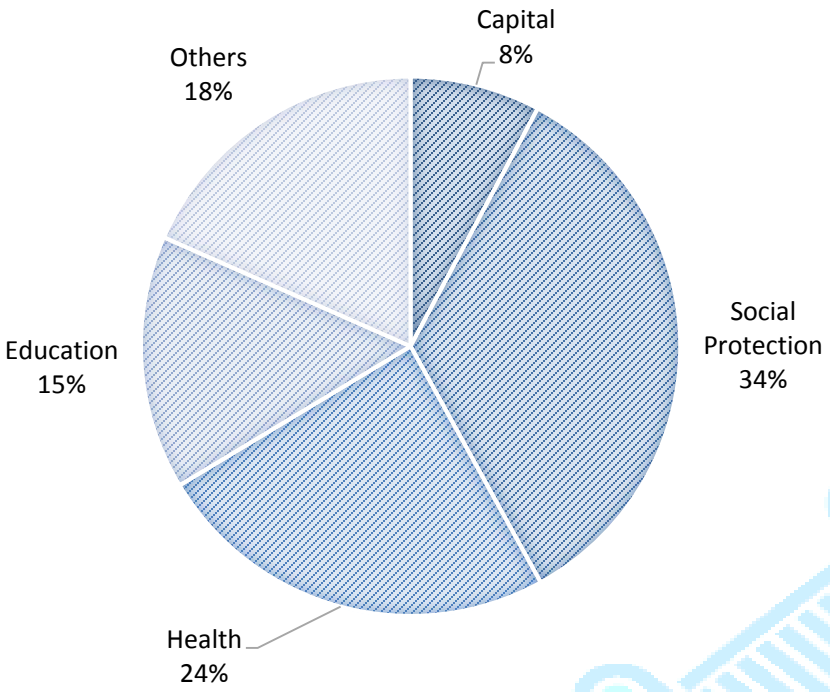
SUMMARY

Budget 2017 represents another step in Ireland's economic and fiscal recovery. This hard won recovery provides a solid foundation on which to build a fairer and more just society. The choices made about where and how we spend public funds are anchored in light of the challenges facing the economy.

Prudent spending…

- Total gross voted expenditure for 2017 will reach €58bn
- Year on year increase of under 3½%
- Budget 2017 is the third consecutive Budget in which possible to increase expenditure
- Between 2014 and 2017 spending has grown by 9%
- Contrasts with three year expenditure growth figures between 26% and 57% experienced in the 1999 to 2008 period



…while delivering funding in 2016 and 2017 for a range of measures including:

- Provision is made for an 85% Christmas Bonus in 2016
- Health gross voted expenditure increases by 3½%
- State Pension and working age weekly payments increase by €5 per week. Social insurance improvements for the self-employed. 15% increase in rent supplement
- Current expenditure in the Department of Children and Youth Affairs increases by 16% to fund the extension of the ECCE Scheme and the introduction of a new single affordable childcare scheme
- Current expenditure in the Department of Education and Skills increases by 4% to fund an additional 2,400 teaching posts and additional supports for higher education, including supports for post graduate students
- The increase in expenditure of 30% in the Department of Housing, Planning, Community and Local Government will fund measures under the Action Plan for Housing and Homelessness. 16,000 households will be accommodated under the Housing Assistance Payment and Rent Supplement. Local Infrastructure Housing Activation Fund (€200m) in total) will relieve critical infrastructural blockages

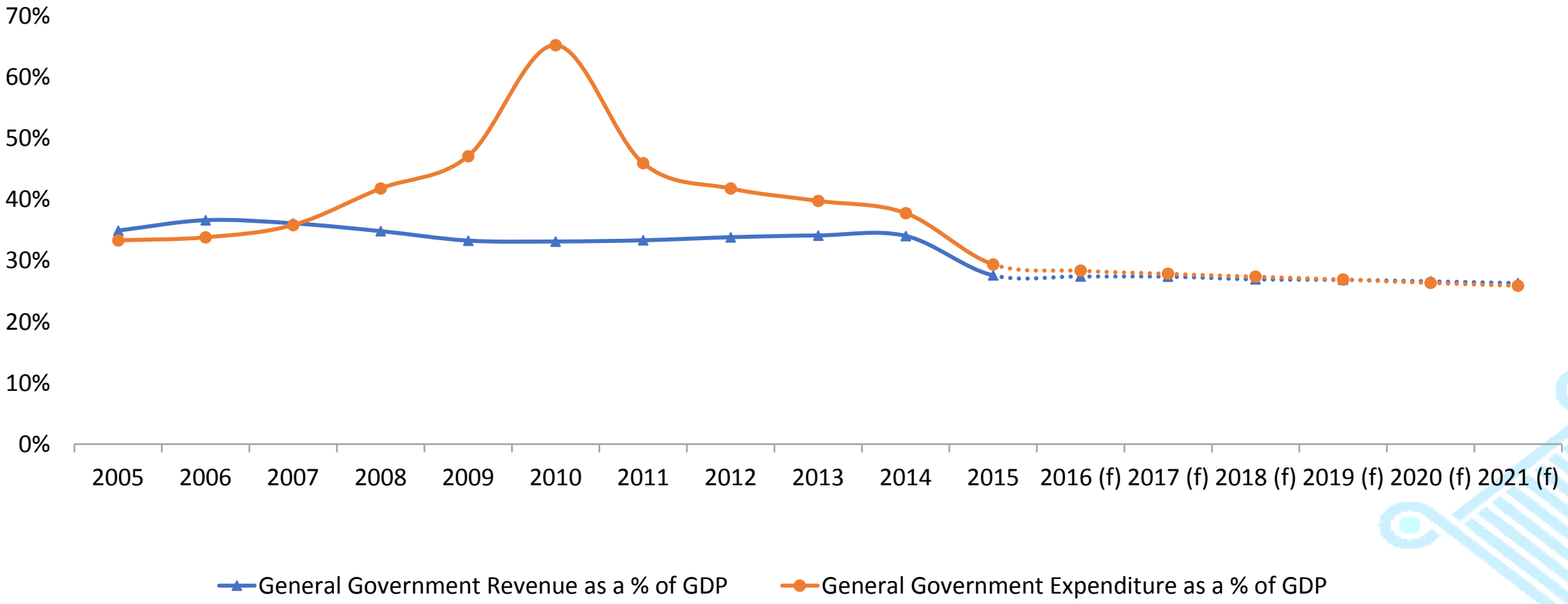
..and…

- Department of Agriculture, Food and the Marine expenditure increase of 9% to provide additional funding for the Rural Development Programme and a new Animal Welfare Scheme for Sheep with an expected 34,000 participants
- Funding in respect of the 1916 commemorations partially reallocated towards measures including expansion of the National Rural Development Schemes and additional resources for town and village regeneration
- 13% increase in the Department of Communications, Climate Action and Environment to fund measures including investment in renewable energy and efficiency measures and to progress the National Broadband Plan
- 10% increase in capital funding for the Department of Jobs, Enterprise and Innovation to support enterprise agencies achieve an aim to grow their level of client employment further during 2017 to beyond 436,000 jobs as well as demonstrating the Government's continued commitment to regional balance in the delivery of new jobs during 2017 through the 8 Regional Action Plans
- Recruitment of an additional 800 Gardaí and up to 500 civilian staff
- Investment in Public Transport services and infrastructure

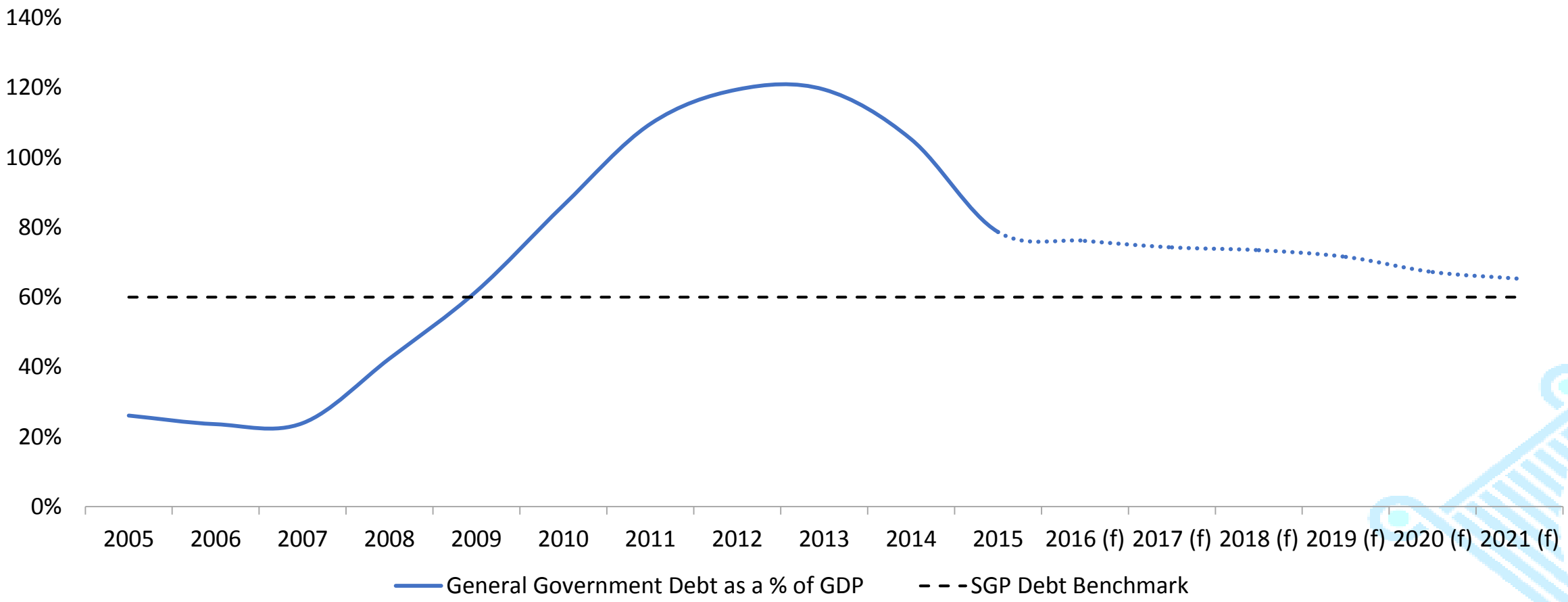
SECTION 1: FISCAL CONTEXT FOR THE REPORT

The performance of the economy is a key backdrop to medium term expenditure planning. The Irish economy's strong return to growth has contributed to the restoration of stability in the public finances.

Public Finances as a % of GDP, 2005 to 2021



GG Debt as a share of GDP, 2005 to 2021

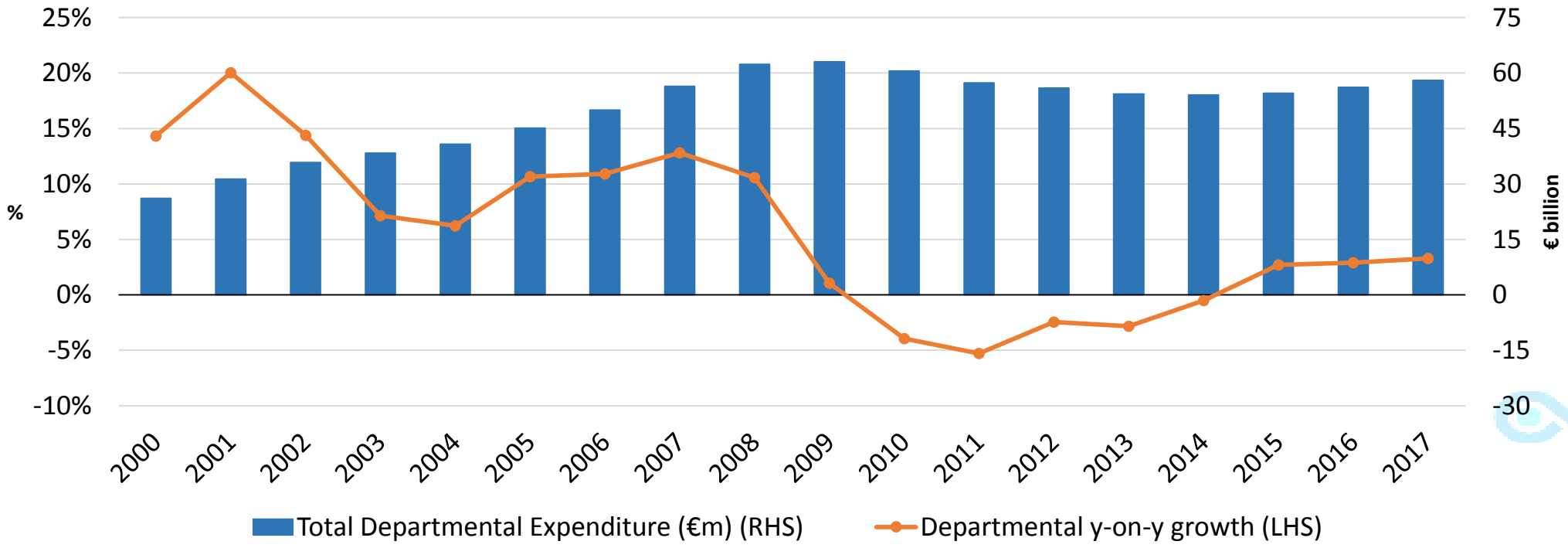


SECTION 2: EXPENDITURE TRENDS AND DRIVERS

Departmental spending fell significantly over the crisis period reflecting the need to restore the Government finances following the unsustainable growth rates in the early years of this century. In the context of the recent improvement in economic conditions, and given the need for increased public services and investment, spending has increased by an average of 3% annually.

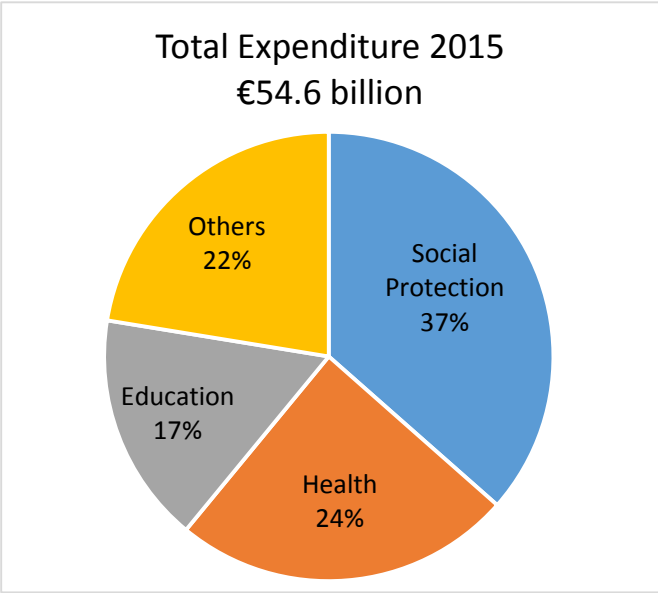
Gross Departmental Spending

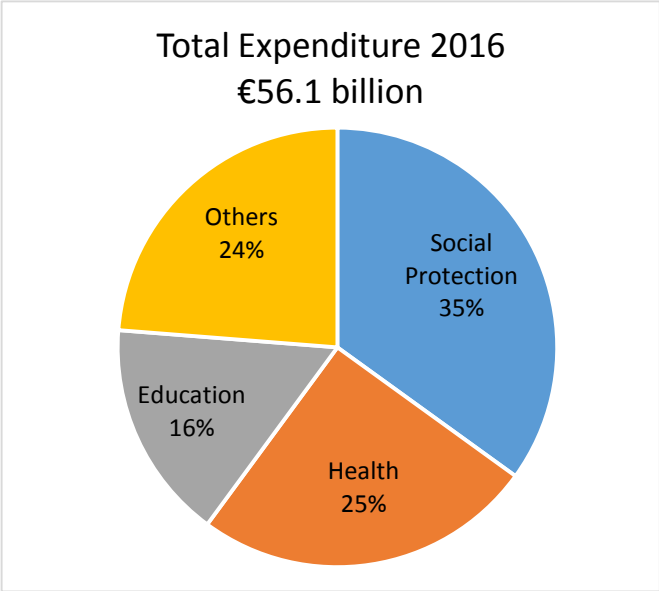
- Gross Departmental Expenditure is €58 billion. A 3.3% increase y-on-y.
- Departmental Expenditure is still 8.1% lower than the spending peak in 2009.

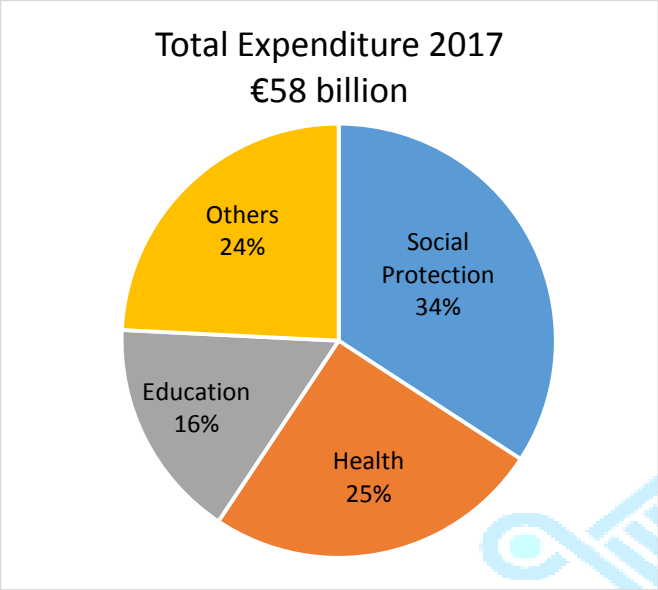


Breakdown of Expenditure by Department

- Three big spending Departments generally spend 75-80% of total expenditure.
- Share in Health and others has increased marginally over the past three years.

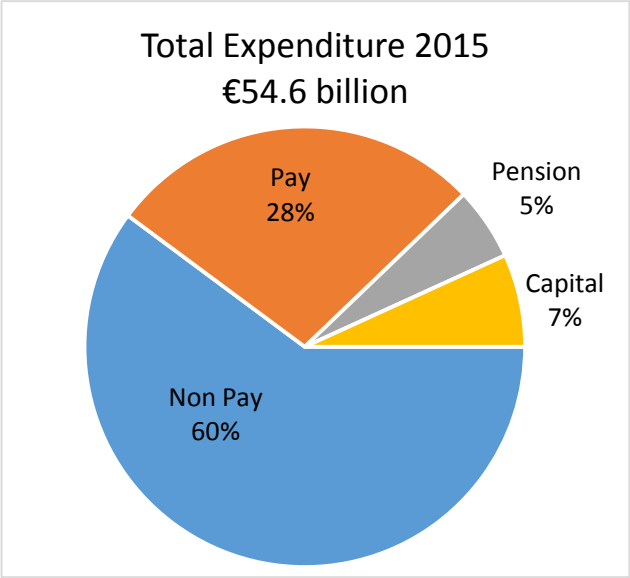


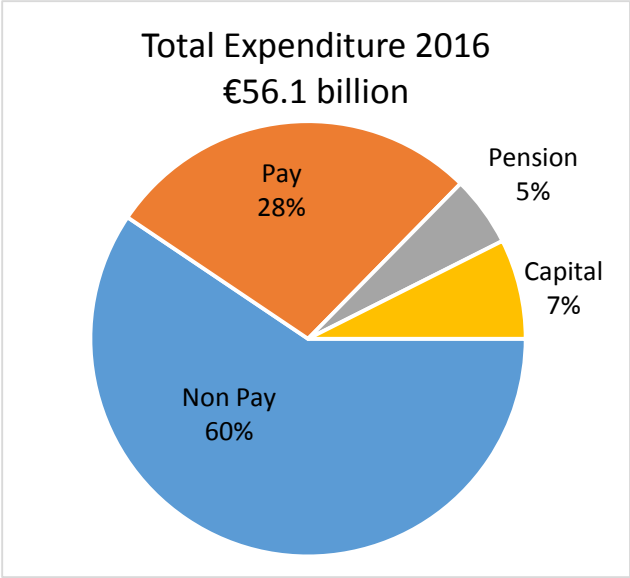


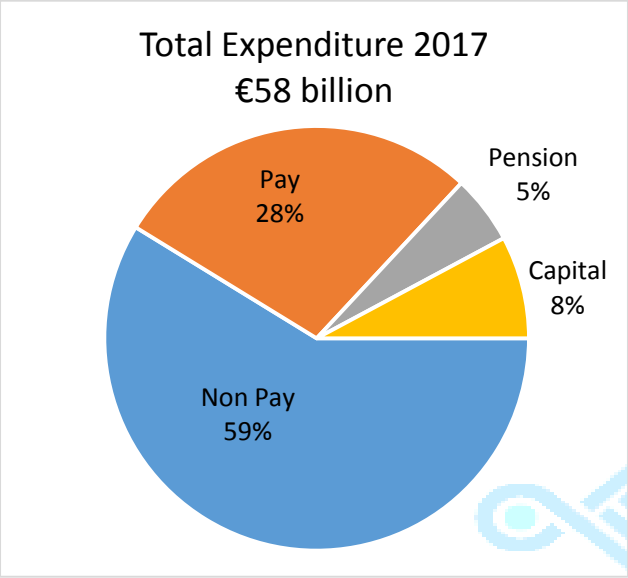


Breakdown of Expenditure by Type

- Non-Pay represents the majority of expenditure by type.
- It is expected that the share of Capital will increase over the next few years.

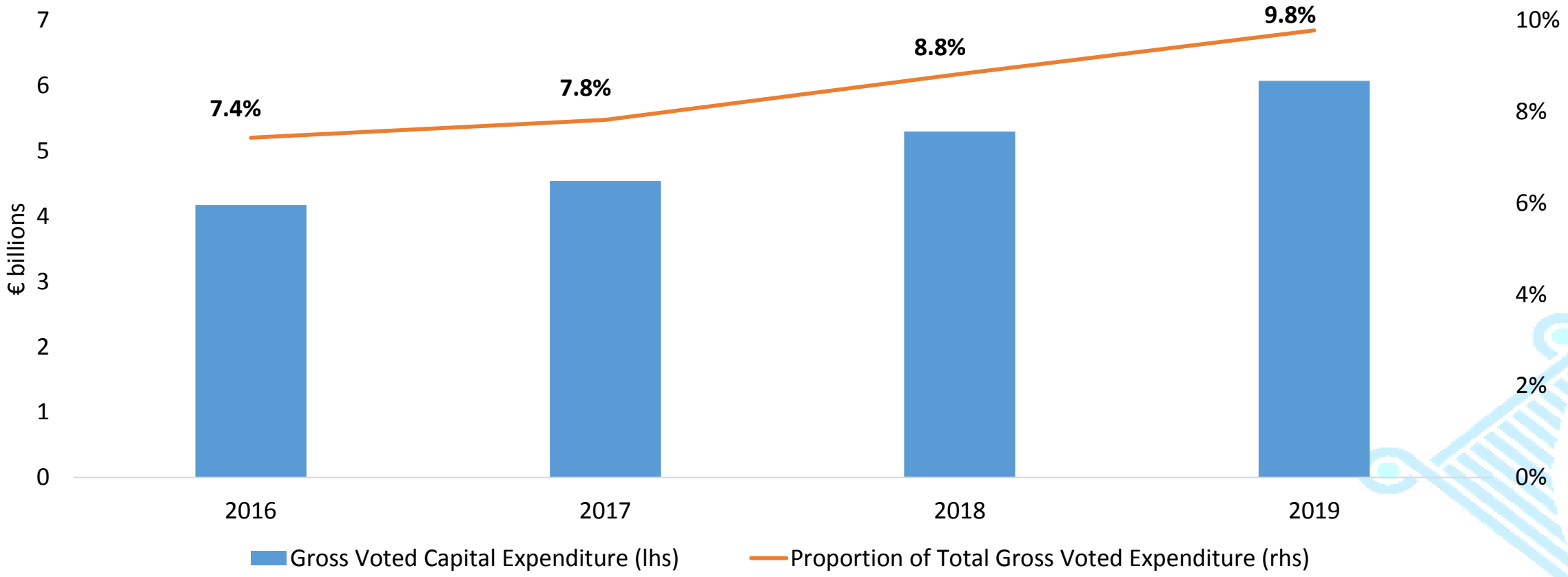




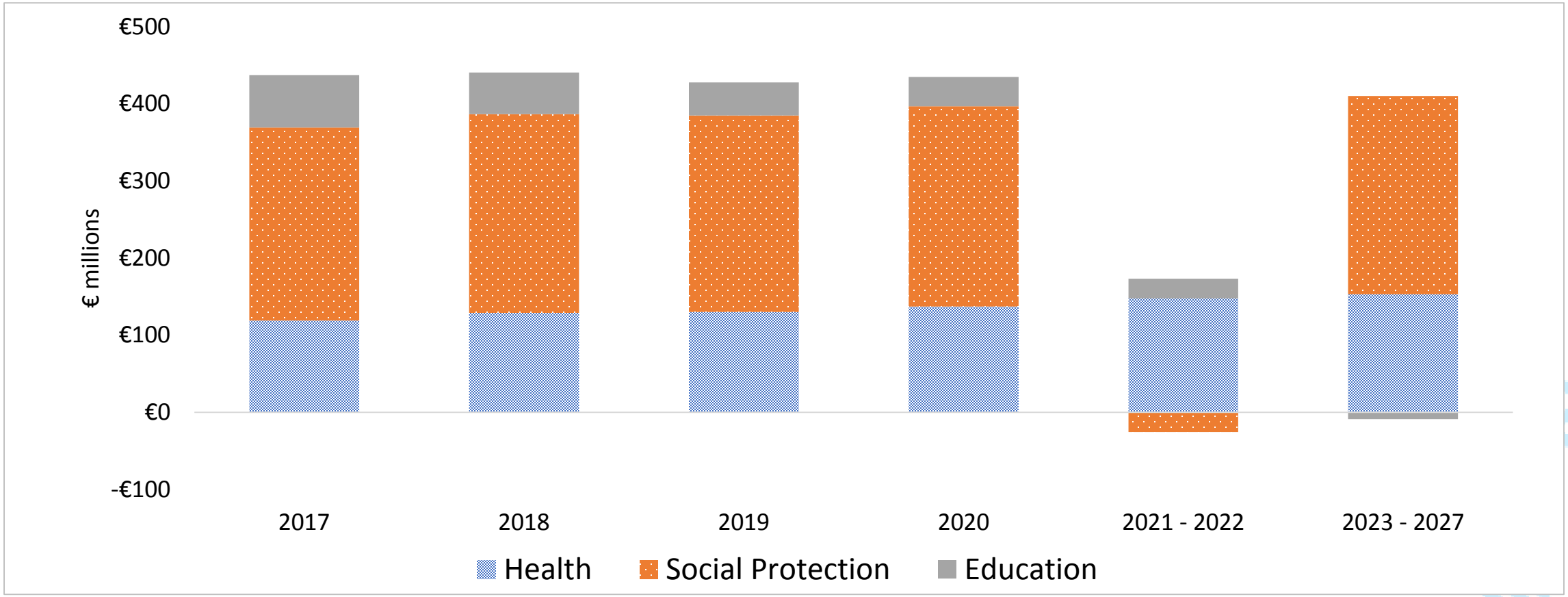


Share of expenditure on capital

- Capital share to increase from 7.4% to 9.8% between 2016 and 2019

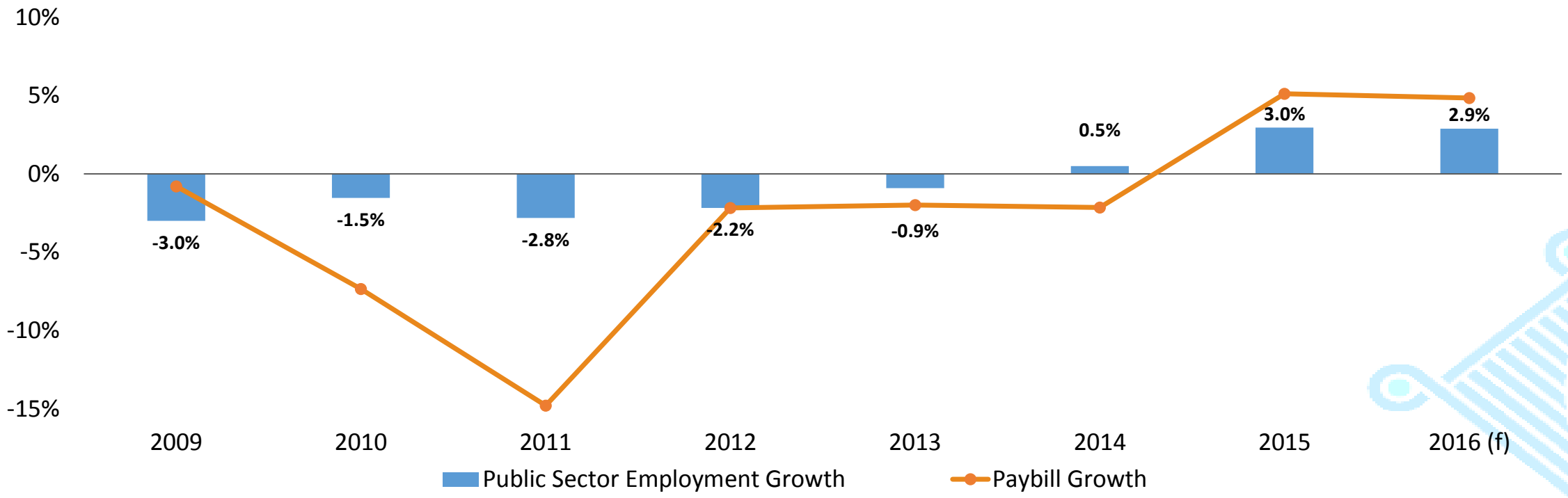


Estimated Annual Demographic Cost, 2017 to 2027

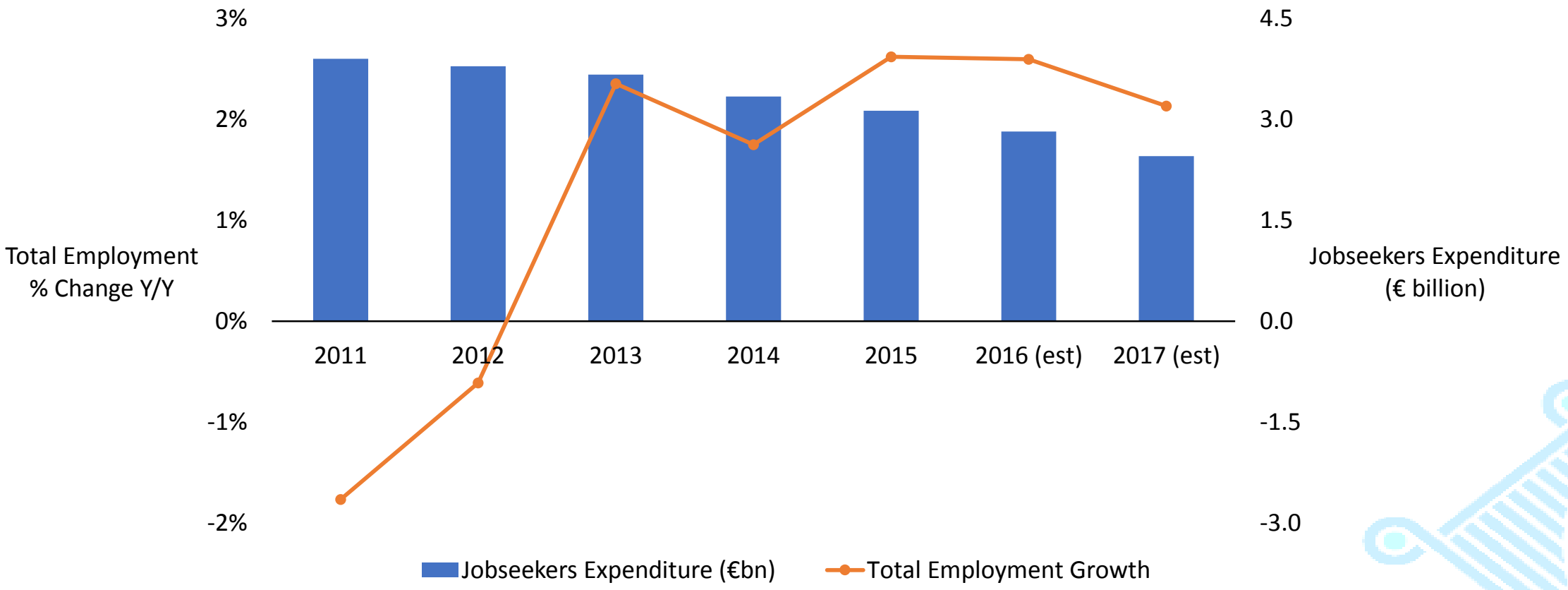


Staffing and Pay

- Numbers and Paybill moderately increasing after 6 years of reductions.
- Increase in frontline staff (Teachers, Healthcare, Gardaí) numbers announced.



Annual growth in employment and jobseekers expenditure



SECTION 3: SENSIBLE EXPENDITURE STRATEGY

The Government has balanced the need for economic and budgetary sustainability with the continued provision of much needed public services and investment in social infrastructure. The choices made about where and how we spend public funds are anchored in light of the challenges facing the economy.

Key Pillars for Spending Decisions

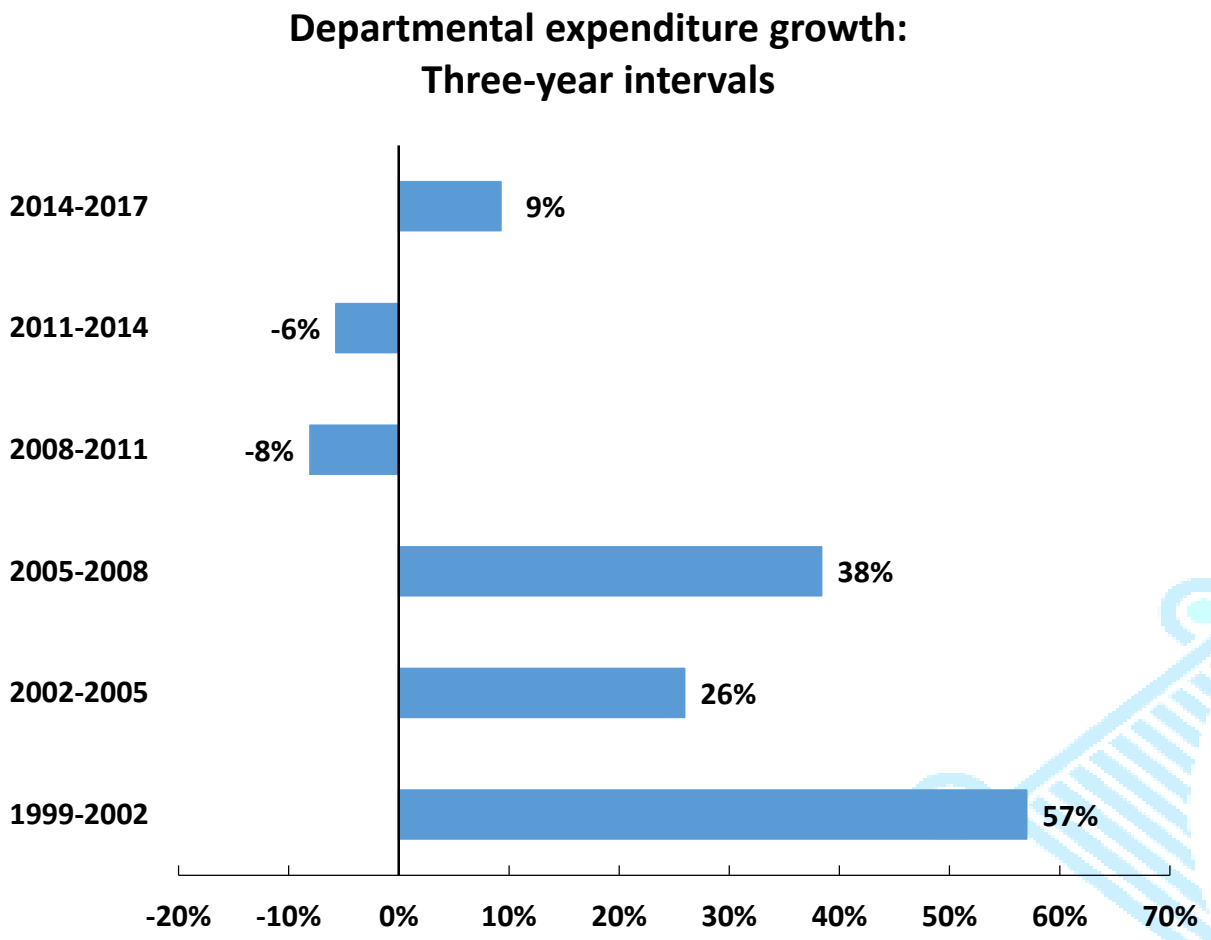
- Spending that is affordable both now and into the future;
- Making progress to a fairer society; and
- Protecting our economy, particularly on account of the uncertainty caused by Brexit.

Reformed Fiscal Framework

- Ireland's expenditure strategy now set within the context of a reformed EU and domestic fiscal framework.
- Implemented to guard against a return to unsustainable management of the public finances.
- Ireland successfully exiting the EDP and moving into the 'Preventive Arm' of SGP.
- Sensible limits on expenditure to offset the risks of running excessive deficits, pro-cyclical policy and debt build-up.

Prudent Expenditure Growth

- Historically modest expenditure increases over the past three years.
- Policy to increase spending in such a way as to avert the need for expenditure reductions in the future.
- Ensure mistakes of the past are not repeated.



SECTION 4: REFORMED EXPENDITURE FRAMEWORK

It is important to evaluate how we spend our money to ensure that limited resources provide much needed public services and social infrastructure. This balance between the need for continuing financial prudence and investing in physical and social infrastructure for the future is at the core of the Governments budget decisions this year.

Reviewing Expenditure (I)

- Fiscal and economic landscape changed considerably since CRE 2014
- Purpose of future reviews is to move from improving the deficit position to ensuring all expenditure is considered when Government are making budget decisions
- Regular, systematic reviews of existing spending counters the tendency to focus on incremental increases
- The totality of expenditure must be considered when priorities are examined

Reviewing Expenditure (II)

- Mid-term review of the Capital Plan begins next year, includes additional planned €5bn (SES)

- Total State backed investment (including State companies) to over €47 billion over the Plan

- Projects include:
  - Luas Cross City and the New Metro North
  - National Children's Hospital and a National Maternity Hospital
  - Major nationwide schools building programme
  - Roll-out of National Broadband Plan
  - Major flood relief schemes

Social Impact Assessment Framework

- Social Impact Framework
  - Seeks to establish reference point when examining who benefits or loses from budgetary policy decisions
  - Proposed framework is first step in Programme for Government commitment to develop budget policy proofing as a means of advancing equality, reducing poverty and strengthening economic and social rights

- Papers available at www.budget.gov.ie
  - Social Impact Assessment Framework – SIA Series 1
  - Target Childcare Schemes – SIA Series 2
  - General Medical Scheme – SIA Series 3

Reforms to budgetary engagement

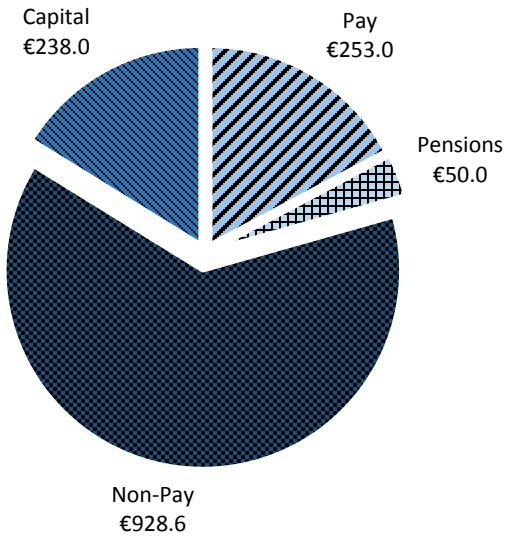
- National Economic Dialogue (NED)
  - Objective to facilitate an open and inclusive exchange on the competing economic and social priorities
  - Involved community, voluntary and environmental groups, business, unions, research institutes, the academic community and diaspora
- Mid-year Expenditure Report (MYER)
  - Identified baseline expenditure and provided starting point for examination of budgetary priorities by the Oireachtas
- Committee on Budgetary Oversight Report
  - Established July 2016 to examine the spending, taxation and charges for Budget 2017

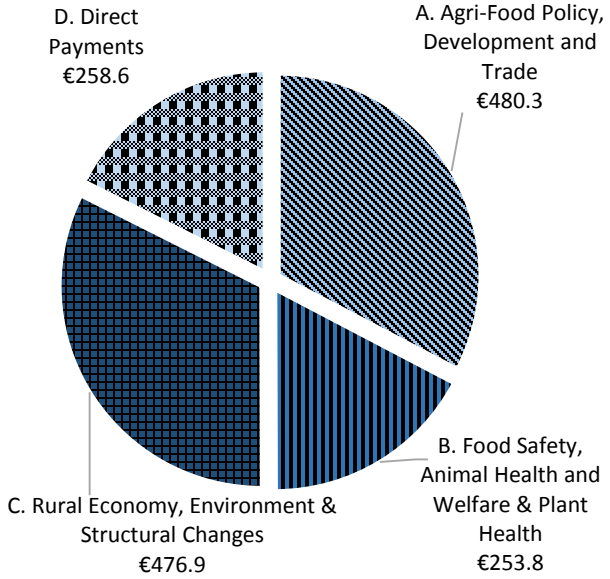
SECTION 5: SECTORAL ALLOCATIONS

This section sets out the breakdown of expenditure in each sector for 2017, in addition to a summary of selected new measures.

Agriculture, Food and the Marine

2017 Expenditure Breakdown



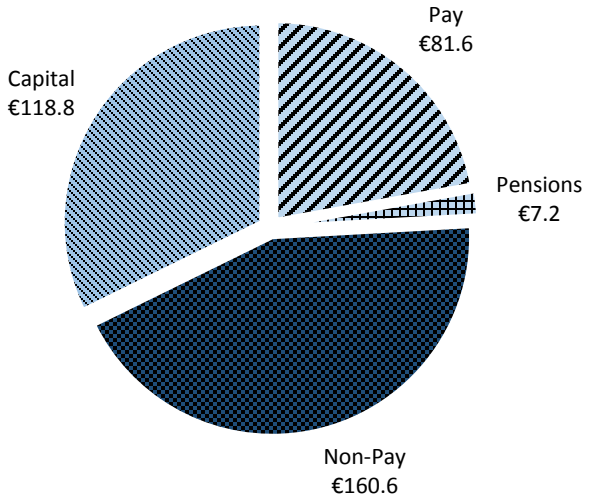


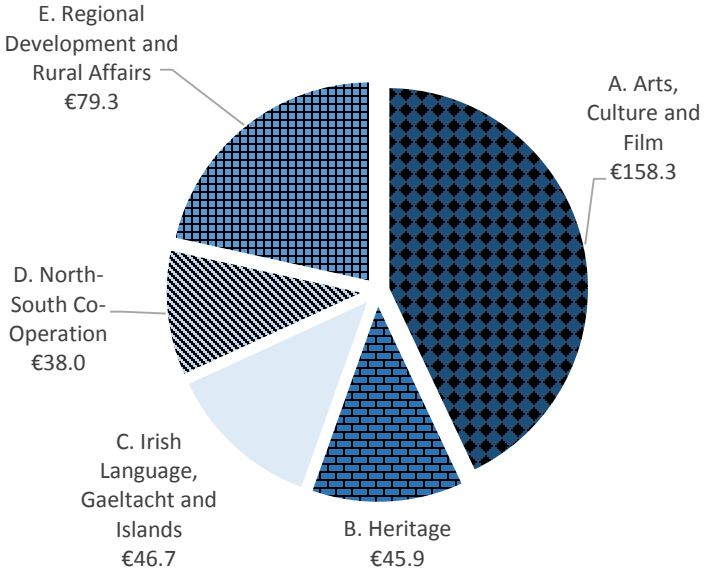
Key Measures for 2017:

- A further 12,000 participants in Green Low carbon Agri-Environmental Scheme
- Up to 34,000 participants the new Animal Welfare Scheme for Sheep improving the welfare of their flocks
- A new Knowledge Transfer scheme for 20,000 farmers to enhance their skills and efficiency

Arts, Heritage, Regional, Rural & Gaeltacht Affairs

2017 Expenditure Breakdown



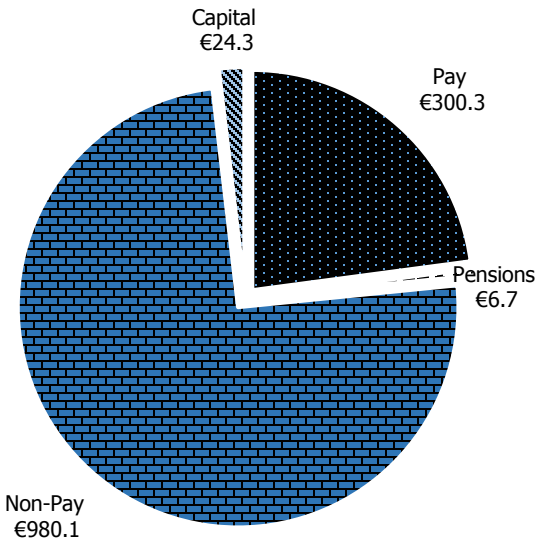


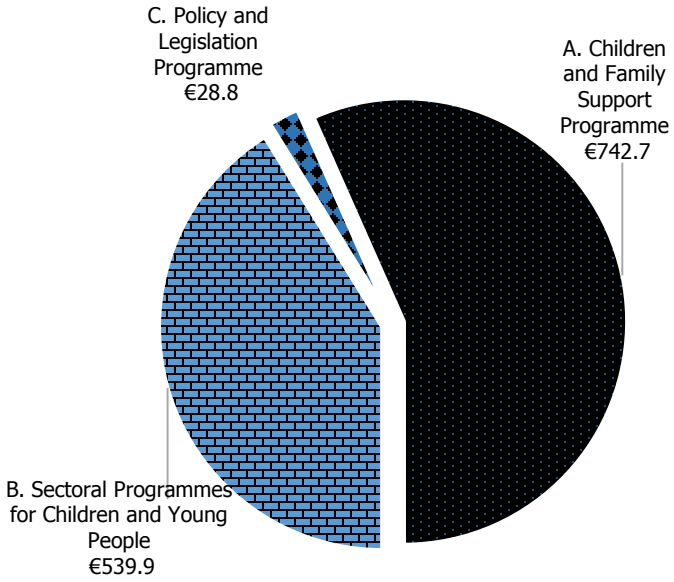
Key Measures for 2017:

- Expanded National Rural Development Schemes including Rural Recreation and CLÁR
- Town and Village Regeneration
- Rural Broadband and Post Offices, Regional Economic Development
- Ireland 2016 Legacy Programme/Culture 2025
- Reopening of National Gallery
- Opening of Killarney House

Children and Youth Affairs

2017 Expenditure Breakdown



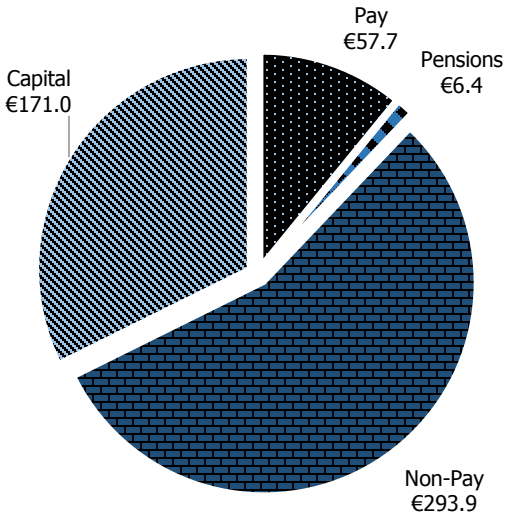


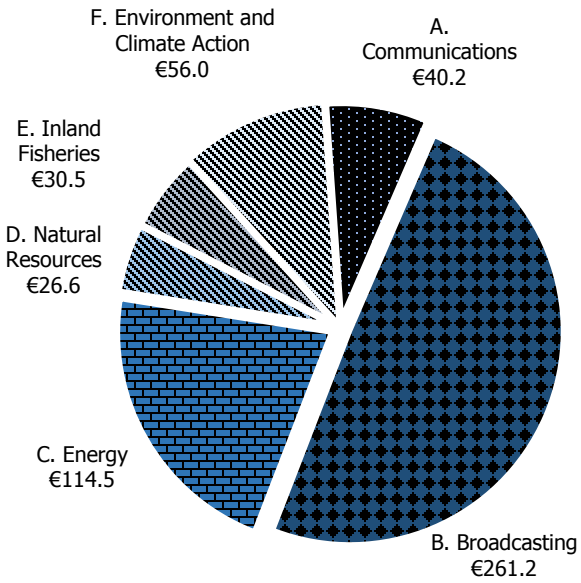
Key Measures for 2017:

- New Affordable Childcare Programme from September 2017 for
  - Targeted childcare subsidisation for lower income families up to 15 years
  - Universal subsidisation to all children aged 6 months to 3 years
- Increased funding for Tusla – The Child and Family Agency
- Increased funding for Youth Services
  - Rollout of LGBT Youth Strategy
  - Support for new projects and new initiatives

Communications, Climate Action & Environment

2017 Expenditure Breakdown



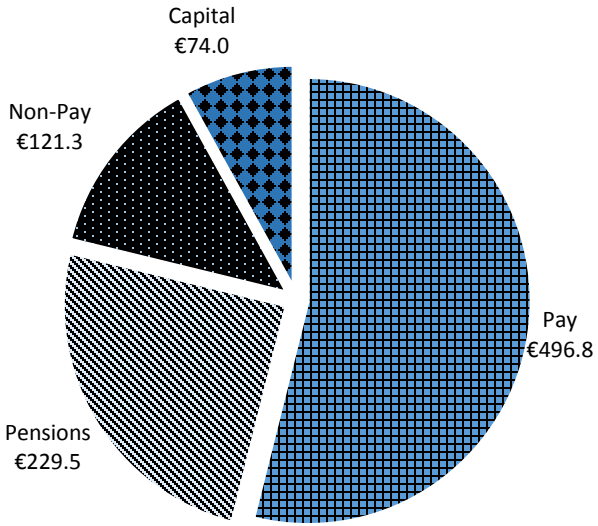


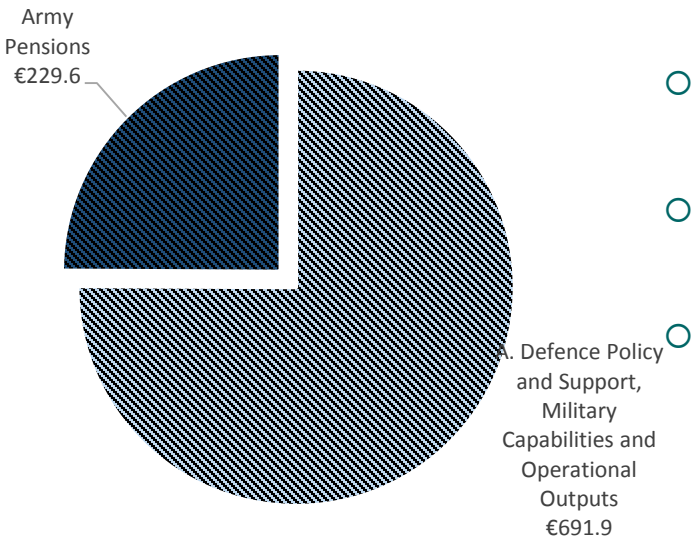
Key Measures for 2017:

- National Broadband Plan will be progressed
- Spectrum change

Defence

2017 Expenditure Breakdown



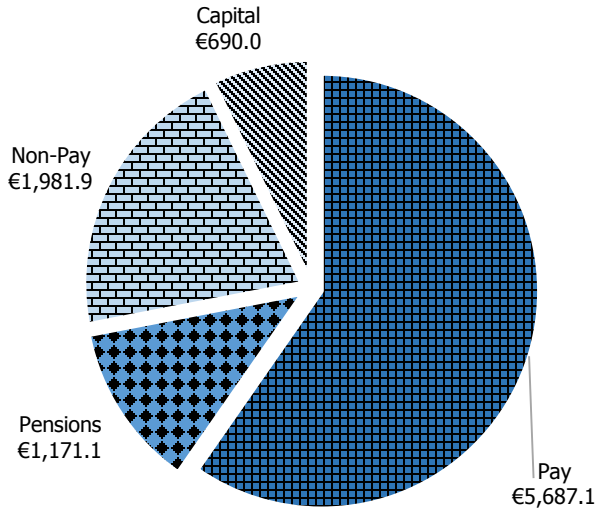


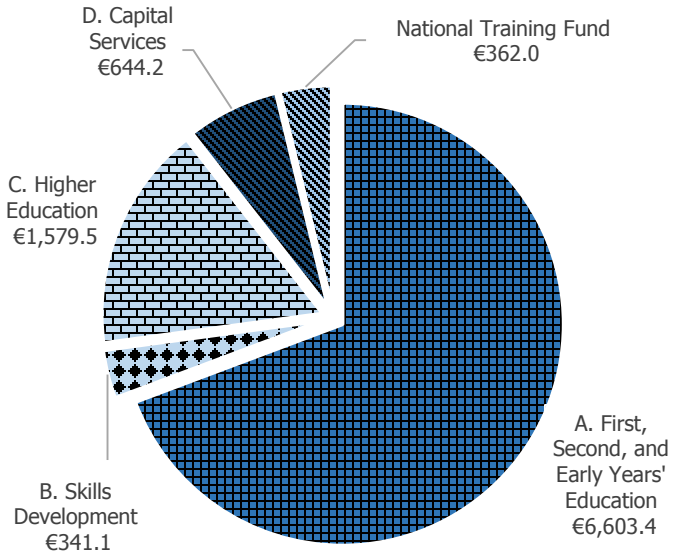
Key Measures for 2017:

- Additional investment to purchase and upgrade military equipment
- necessary building and maintenance works
- ICT projects

Education and Skills

2017 Expenditure Breakdown



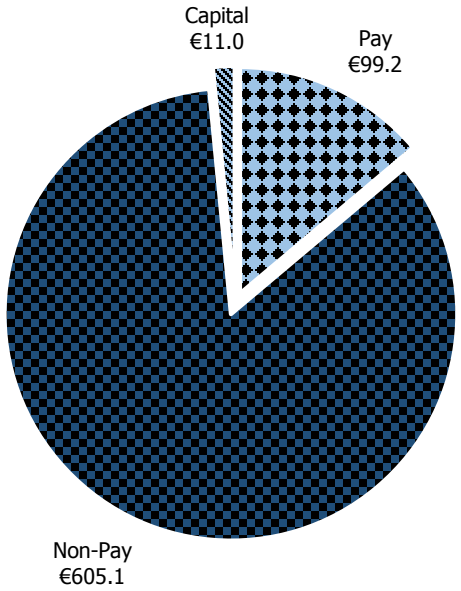


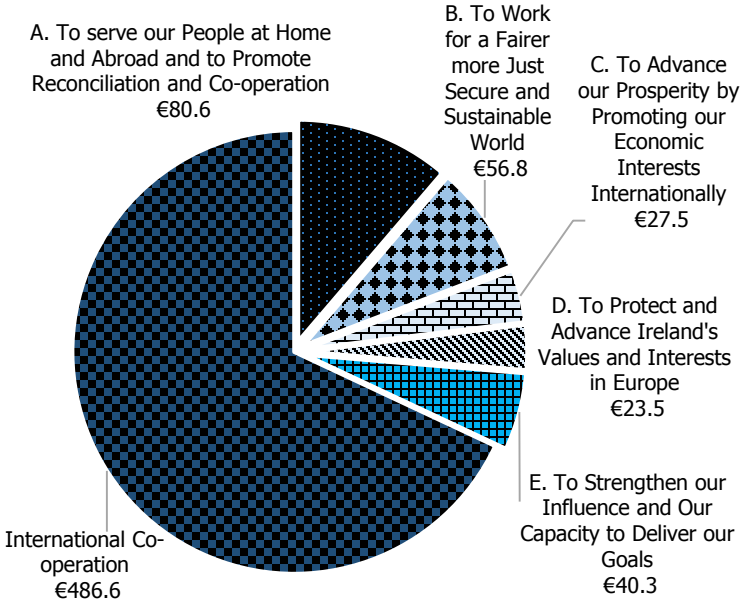
Key Measures for 2017:

- Revised salary scale for new teachers
- Introduce new model for resource teachers
- Support for new Action Plan for Educational Inclusion
- Support strengthening of school leadership
- 100 new posts for career guidance
- Support for Higher Education
- Implementation of new International Education Strategy
- Re-use Croke Park Agreement hours (IoTs)
- Additional support for Junior Cycle Reform
- Increased Special Needs Assistants funding

Foreign Affairs and Trade

Output



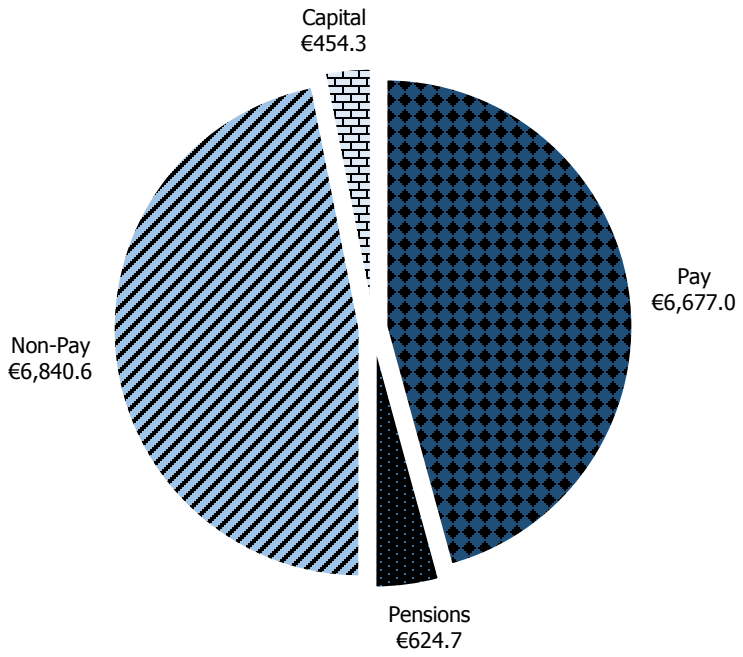


Key Measures for 2017:

- Replacement of the core ICT operating system under *Passport Service Reform Programme*
- remedial work in buildings abroad

Health

2017 Expenditure Breakdowns

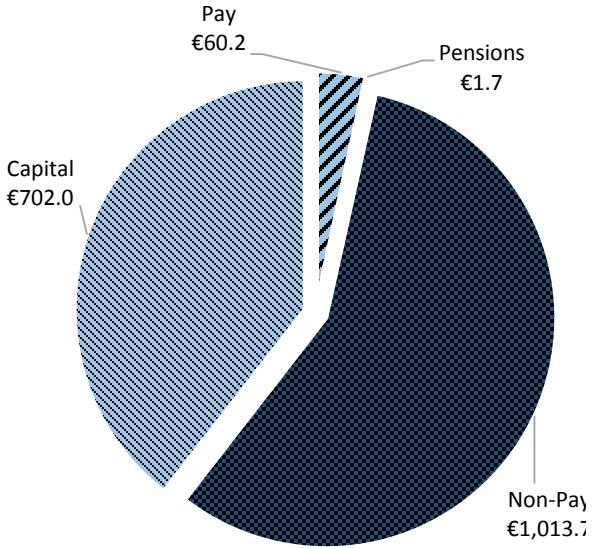


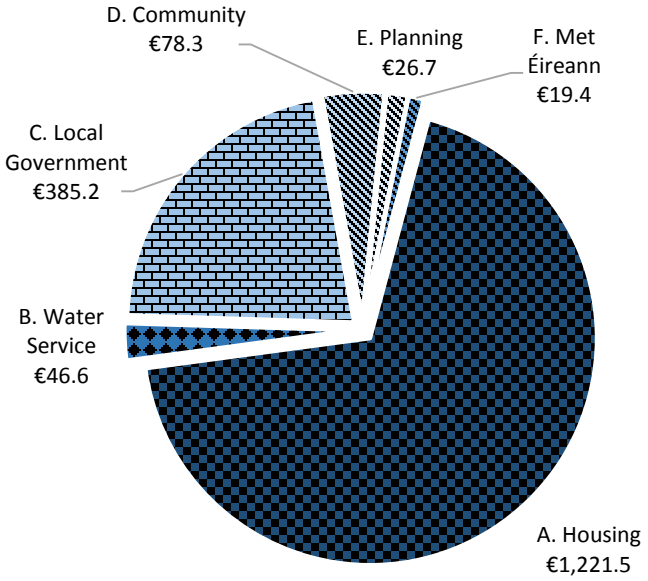
Key Measures for 2017:

- Funding for commitment to reduce waiting times for patients
- Make Medical Cards available to all children in respect of whom a Domiciliary Care Allowance is made
- Enhanced care pathways for people to find alternative suitable community care settings
- Additional 950 additional Home Care Packages

Housing, Planning & Local Government

2017 Expenditure Breakdowns



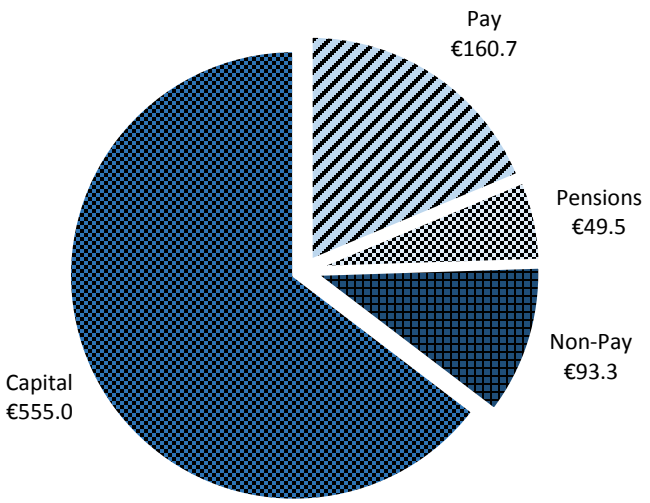


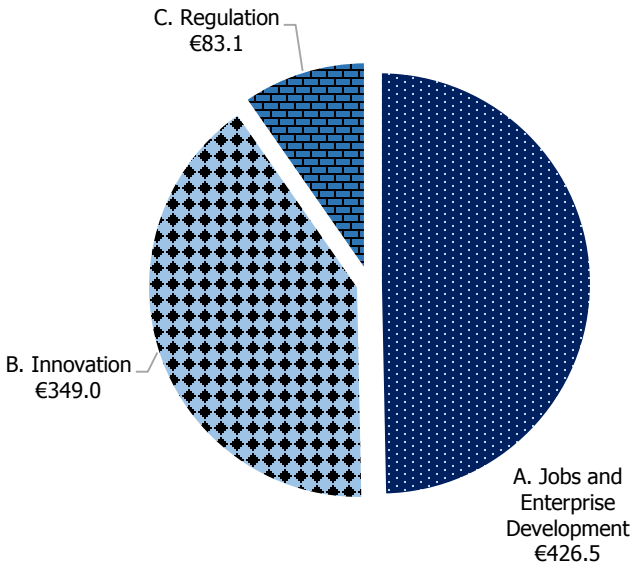
Key Measures for 2017:

- Additional 5,050 Social Housing to be delivered in 2017
- Increased allocation for Homeless Services and Emergency Accommodation
- A €200m Local Infrastructure Fund has been established to provide public off-site infrastructure to stimulate an increase in private housing in Dublin and in urban areas of high demand for housing

Jobs, Enterprise and Innovation

2017 Expenditure Breakdowns



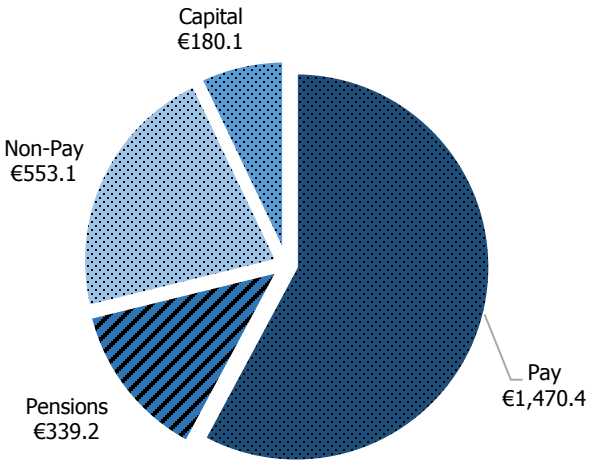


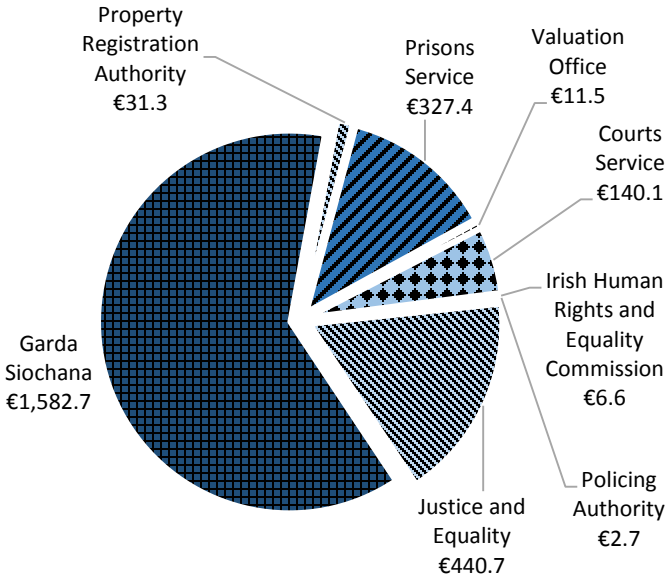
Key Measures for 2017:

- Additional capital funding to support enterprise agencies in achieving job creation targets
- Additional funding to support the Government's continued commitment to regional balance in the delivery of new jobs during 2017
- Additional Staffing in the Department and Agencies to develop opportunities as a result of Brexit

Justice and Equality

2017 Expenditure Breakdowns



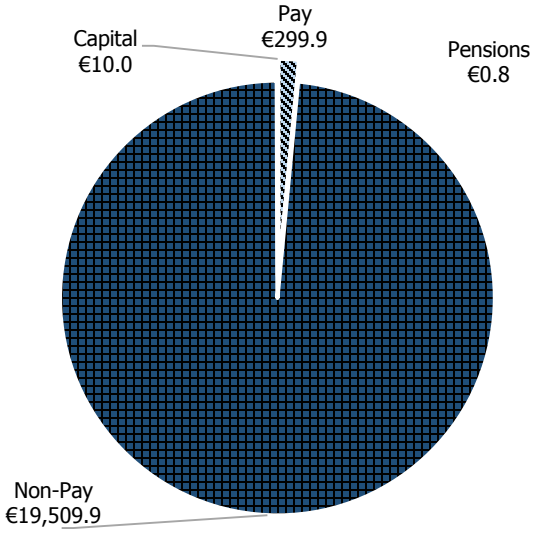


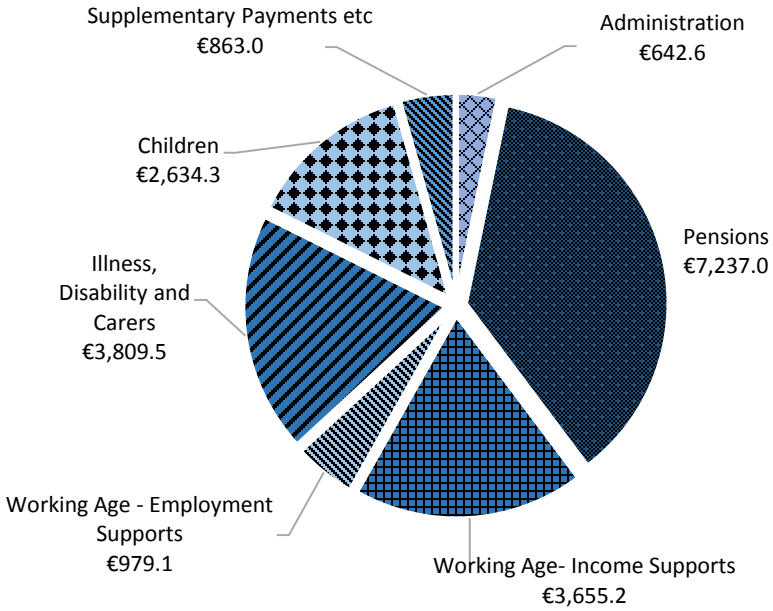
Key Measures for 2017:

- Increased funding for Special Operations dealing with organised crime and international terrorism risks
- Recruitment of 500 Civilian staff and 800 new trainee Gardaí as part of Garda Reform agenda
- Increased Legal Aid Board funding

Social Protection

2017 Expenditure Breakdowns



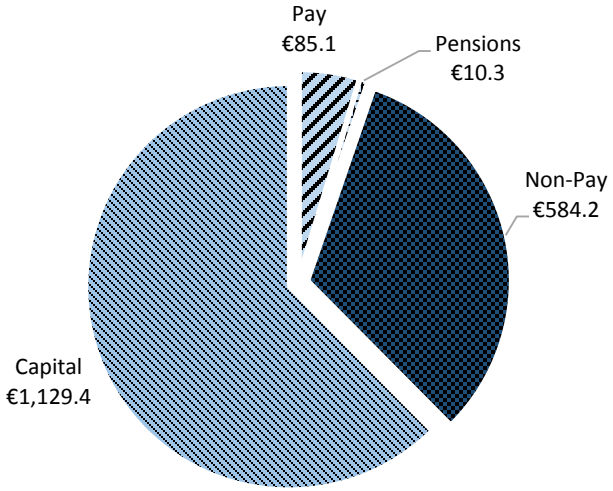


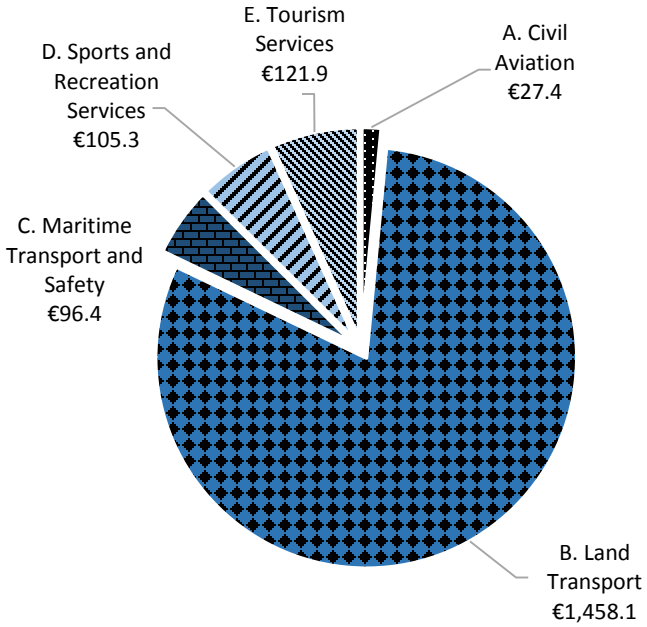
Key Measures for 2017:

- €5 increase in all weekly rates
- Increased income disregards for Farm Assist, One-Parent Family Payment and Jobseekers Transition payment
- Improved Social Insurance coverage for the self-employed
- Increased Dental and Optical Benefits for employed and self-employed

Transport, Tourism and Sport

2017 Expenditure Breakdowns

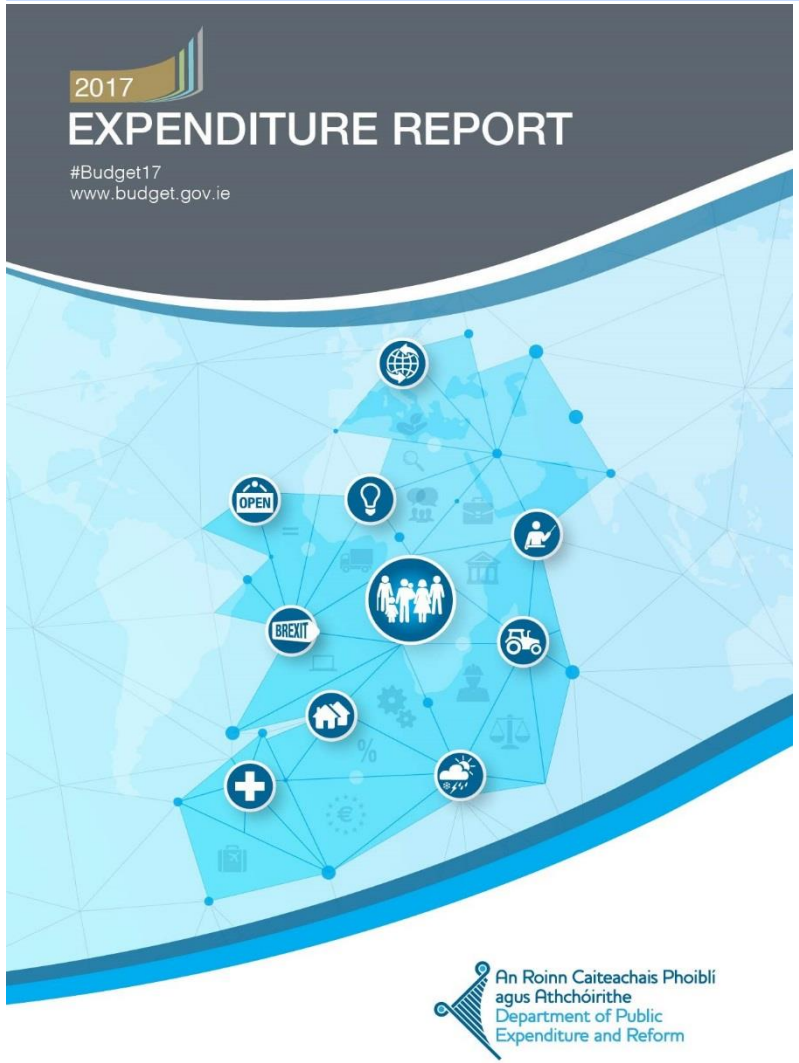




Key Measures for 2017:

- Progress the national road Capital programme, including the 3 PPP projects which are under construction
- Extra services under the Public Service Obligation and increased public sector transport investment in the bus sector
- Support for programmes aimed at increasing participation in sport
- Enable overseas tourism marketing activity

Report available at www.budget.gov.ie



Expenditure Report 2017:

- Part I *Expenditure Strategy*
- Part II *Expenditure Allocations*
- Part III *Estimates for Public Services 2017*

Irish Government Economic and Evaluation Service Staff Papers:

- Social Impact Assessment Framework
- Targeted Childcare Schemes
- General Medical Services Scheme
- Applying Behavioural Economics in Irish Policy
- Budgetary Impact of changing Demographics
- Spending Reviews in Ireland: Lessons for the Future

Building a Strong Economy for a Fairer Ireland (Infographic)

Response to the Oireachtas Budgetary Oversight Committee