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Pre-Budget 2021 PBO Commentary

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Disclaimer

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Pre-Budget 2021 PBO Commentary

Summary and key messages

This is the fourth pre-Budget Commentary from the Parliamentary Budget Office. This year it is longer than usual as it incorporates much of the economic and fiscal analysis that would normally have featured in the PBO's quarterly commentaries. The publication of the PBO's Quarterly Economic and Fiscal Commentary were suspended in Q2 so that the PBO could focus on providing members with information on the emerging impact of the COVID-19 pandemic on the State's finances (see Box 5 of this publication, pp.32-33).

Budget 2021 will be framed around two key issues:

1. The ongoing impact of and the State's response to the COVID-19 pandemic, and
2. The likelihood of having no trade agreement between the UK and the EU from 1 January 2021.

Both these issues and their potential impact on the economy and Government finances feature throughout this Commentary. The PBO has focused its analysis on the short-term, i.e. the period 2020 and 2021, given the current uncertainties.

This PBO Commentary covers:

- The macroeconomic situation – how the pandemic has impacted the economy and employment and how might it fare in 2021.
- Government revenue – how tax receipts have performed in 2020 and issues with Corporation Tax and tax volatility.
- Government spending – COVID-19 related spending and high-level issues that should be considered when setting priorities for Budget 2021.
- Overall fiscal position and Government debt – the emerging fiscal position in 2020 and 2021 and its impact on Government debt.

This Commentary also includes a detailed guide for Members of the Expenditure Report which will be published with the Budget. The Expenditure Report is the key budget document addressing spending on different areas of public services (such as Health and Housing) and our guide will help Members navigate it.

Below are the key messages that the PBO would bring to Members' attention while they are preparing for Budget 2021.

Macroeconomic overview

- Ireland's economy was in a relatively strong economic position prior to the COVID-19 pandemic. It had experienced strong economic and employment growth in the years to 2020.
- The COVID-19 crisis has resulted in a severe economic change for Ireland. GDP fell by 6.1% in Q2 2020 from Q1 and was 3% below its level in Q2 2019.

- There are approximately 400,000 persons receiving State unemployment payments (i.e. Jobseekers Benefit/Allowance or the Pandemic Unemployment Payment) with the COVID-19 Adjusted unemployment rate recorded at 15.4% at end-August. A further 300,000 jobs were being supported by the Temporary Wage Subsidy Scheme (replaced by the Employment Wage Subsidy Scheme on 1 September).
- The Department of Finance in its economic forecast underpinning Budget 2021 estimates that GDP will fall by 2.5% in 2020 before increasing by 1.4% in 2021. They also estimate that the unemployment rate will be 10.7% in 2021.
- Restrictions to control second and subsequent waves of COVID-19 will impact economic variables. This makes economic forecasting difficult, as the status of the virus and the response to it cannot be predicted.
- Overall, economic activity, especially domestic activity, will likely experience a reduction in 2020 – followed by an increase in 2021 unless further severe public health restrictions need to be imposed. However, it is unlikely that the level of domestic economic activity will recover to pre-pandemic levels for a number of years.
- International aspects of the Irish economy have held up remarkably well so far in 2020. However, lower international economic activity in Ireland's main trading partners may have an impact over the medium term.
- The lack of an EU/UK trade agreement from 1 January 2021 is a risk to economic growth in 2021 and beyond and the Government has prudently announced that it will be a key assumption underlying the economic forecasts underpinning Budget 2021.

Taxation and other revenue

- Taxes have broadly outperformed expectations to end-August, and the three largest tax heads (Income Tax, Corporation Tax, and VAT) are on course to exceed their forecast under the Department of Finance's "central" COVID-19 scenario (from March 2020).
- Taxes have also held up reasonably well on an annual basis. Receipts from Corporation Tax have exceeded their level at end-August 2019, and Income Tax has proven remarkably resilient year-on-year.
- The relatively strong performance of Corporation Tax and Income Tax through 2020, emphasises the varied impact of the COVID-19 pandemic, and exposes the reliance of the Exchequer on key sectors.
- These key sectors are dominated by foreign-owned multinational corporations (MNCs). The Exchequer's reliance on their tax contributions, and the concentration of tax payments more generally, poses a key systemic risk to the public finances.
- While the recent and persistent outperformance of Corporation Tax has helped to mitigate the fiscal impact of COVID-19, it serves as a reminder that this is a volatile and unpredictable source of income for the State that cannot be assumed to perform reliably year after year.
- Non-tax revenue and capital receipts have served to bolster the headline Exchequer position, with sizeable annual growth resulting from a non-recurring payment from the Irish Banking Resolution Corporation (IBRC) in 2019, as well as a significant transfer from the National Asset Management Agency (NAMA) in June 2020.

Government Spending

- Government spending has increased dramatically in 2020 in response to the pandemic – especially in relation to public health and the need to provide income support to the individuals and businesses affected.
- Voted spending is now expected to be more than €86 billion, or approximately €16 billion higher than planned in December last year as set out in the *Revised Estimates for the Public Services 2020*. This suggests that a further approximately €7 billion will have to be provided for in *Further Revised Estimates*, 'updated' Revised Estimates and/or Supplementary Estimates during the rest of 2020.
- It appears that the Government intends to prioritise spending on the following sectors/Votes in Budget 2021:
  - Communications, Climate Change and Environment (Vote 29);
  - Business, Enterprise and Innovation (Vote 32);
  - Housing, Planning and Local Government (Vote 34);
  - Employment Affairs & Social Protection (Vote 37 and including the Social Insurance Fund (SIF)); and
  - Health (Vote 38).
- Along with the pandemic, other pressures on spending in 2021 include a possible/likely Brexit and meeting the levels of capital investment set out in the National Development Plan (NDP).
- Employment Affairs and Social Protection (Vote 37) can expect a refund of more than €3 billion from the Social Insurance Fund (SIF) in late 2020. This will reduce the reserves of the SIF significantly.
- A substantial Supplementary Estimate will be required in 2020 to meet the spending requirements of Health (Vote 38).
- It is unclear what the exact impact of the pandemic will be on public sector employment and associated pay costs for 2020 compared to the pre-pandemic forecast. In some areas it is expected that pay costs may be higher than previously forecast (e.g. Health, Education). Conversely, the pandemic may have averted (or delayed) recruitment in other sectors.
- The pandemic postponed negotiations for a successor agreement to the Public Service Stability Agreement (PSSA). The impact of the pandemic may limit scope for increased pay (particularly across the board).
- Many infrastructure projects were suspended during the earlier restricted periods of the pandemic. This could mean that despite increased capital having been allocated to certain sectors, overall capital spending in 2020 may not be much different from its original allocation. Some Departments have indicated to the PBO that many projects will see a return to profiled spending by year end. Capital allocations may not increase significantly in 2021 – above what was already planned.
- The COVID-19 pandemic may reverse progress in some policy areas which the EU's Country-Specific Recommendations (CSRs) had focussed on. In addition, the issues where progress in implementing CSRs had been limited may be more important in the context of the post-pandemic fiscal situation. The urgency of addressing them has increased given that the rise in Government spending and debt may limit fiscal manoeuvrability when the pandemic is contained.
- The PBO has previously highlighted the difficulties in accurately assessing the level of Exchequer spending allocated for Brexit related measures. Brexit related funding in Budget 2021 should be linked to specific measures or projects and performance information provided.

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- The decision to postpone the increase in the State pension age in 2021 will increase pension spending by approximately €265 million in 2021 (it had been expected to fall by €218 million due to the age change). The PBO notes the lack of clarity on the cost of demographic pressures contained in the annual budgetary process (particularly the changes to the spending ceilings of individual Votes in the Budget's Expenditure Report).
- From the perspective of Dáil scrutiny of the delivery of public services, the Expenditure Report published on Budget day is probably the single most important Government document in the budgetary cycle. However, it is not easy to read or to use in examining the spending changes proposed at Budget time. More detailed financial and performance information is revealed only immediately before Christmas, in the Revised Estimates for Public Services.

Overall fiscal position and Government debt

- Both COVID-19 and Brexit-related uncertainties have complicated fiscal planning, with multiple sizeable revisions made to fiscal forecasts since Budget 2020. These uncertainties are likely to persist through 2021. This means that it is difficult to accurately predict tax revenues or cost budgetary policies (both revenue and spending).
- There is little detailed information of the projected budget deficit for 2020 or for subsequent years. The Government has stated the deficit for 2020 will be under €30 billion. Revenue developments especially in November (which is the month when the highest level of tax is collected) will likely determine how close to €30 billion the deficit becomes.
- According to the Department of Finance and the Department of Public Expenditure and Reform, the budget deficit for 2021 will range from $4\frac{1}{2}$-$5\frac{1}{2}$ per cent of GDP (€15-€19 billion). These broad figures are based on the assumptions that there will be no COVID-19 vaccine and a no-deal Brexit. They are also based on pre-Budget 2021 policy i.e. any additional expenditure or tax measures announced in Budget 2021 are not reflected in the figures. These will likely increase the deficit.
- Pre-pandemic Irish Government debt was high (95% of GNI* in 2019) in historical and international terms. It was €204 billion in nominal terms. The fiscal response to the pandemic will increase Ireland's Government debt over the next few years. It is likely to increase by €40-€50 billion by end-2021 and represent at least 120%-125% of GNI*.
- The high levels of public indebtedness could limit the options for fiscal policy in the event of a prolonged downturn. In the medium-term, when the short-term impacts of the COVID-19 crisis have subsided, fiscal policy will need to focus on the sustainability of Ireland's Government debt in order to reduce the risk of a fiscal crisis. This, in effect, means reducing the Government deficit to a sustainable level.

Macroeconomic overview

Introduction

The **COVID-19** crisis has produced a severe economic change for Ireland. GDP fell by 6.1% in Q2 2020 from Q1 and was 3% below its level in Q2 2019. As quarterly GDP also fell in Q1 Ireland is officially in recession. The duration and the extent of the economic impact of COVID-19 will depend on the progress of the virus in Ireland and globally and how governments respond to the virus, in terms of opening their economies and re-establishing international links between the economies. It is likely that quarterly GDP will increase in Q3 2020 as the economy re-opened. Monthly activity indices (see below) suggest that output will, however, be below its level in Q3 2019.

This is an **extremely uncertain environment** which makes it hard for economists to make predictions, e.g. when a vaccine will be found and deployed? will there be more waves of the virus? what measures will be taken to control these waves? what will be the economic result of repeat surges of the virus? how will individual behaviour change? Many different economic projections are possible, all depend on the scale of the virus outbreaks and the State's capacity to handle such a fluid situation. Some sectors face significant downturns e.g. aviation, tourism, whereas other sectors may experience substantial economic growth e.g. e-commerce.

Prior to 2020 Ireland had experienced high levels of economic and employment growth. In the four-year period 2016 to 2019 Ireland had annual average GDP growth of 6.2%. Modified Gross National Income[1] (a proxy for the domestic economy) grew by 4.75% *per annum*. Employment grew at 3.1% *per annum* with 265,000 additional persons in employment in 2019 compared to 2015.

This section outlines the economic context that Budget 2021 is set within. It discusses the current economic situation and the situation in the labour market. It examines the latest forecasts from the Department of Finance and discusses possible economic scenarios. It also discusses Brexit and the international economic situation.

Current macroeconomic situation

The Q2 national accounts figures show how much the restrictions and other changes brought about by the pandemic have altered the economic situation dramatically. Ireland experienced **negative growth** in economic activity in early 2020. Gross Domestic Product (GDP) fell by 2.1% in the first quarter of 2020 and by a further 6.1% in Q2.[2] However, surprisingly, cumulative output for the first half of 2020 is 1.2% above its level in 2019.

1 Modified GNI adjusts Gross National Income for income of redomiciled companies, depreciation on R&D service imports and trade in IP and depreciation on aircraft leasing i.e. activities which have little domestic economic impact.

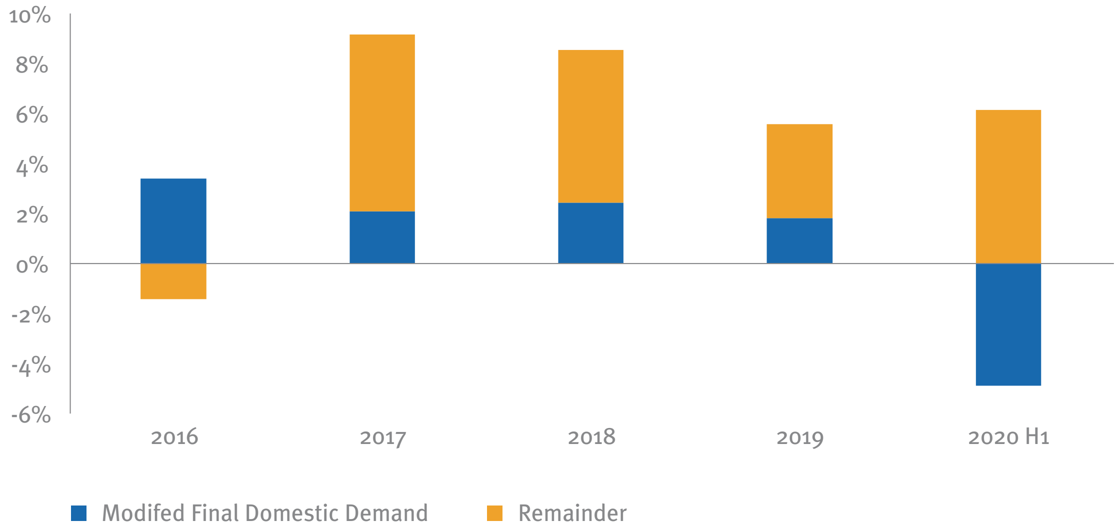
2 CSO Quarterly National Accounts Quarter 2 2020.

Modified Domestic Final Demand (a proxy for the domestic economy)[3] contracted by 1.3% in Q1 2020.[4] It contracted by a further 16.4% in Q2 2020. This was largely driven by a fall in personal consumption of 19.6% and modified domestic investment by 28.2%, offset a little by a rise in government consumption on goods and services.

Exports of goods and services were basically flat in Q2 (-0.2%) whereas imports fell by 37.2%. The reduction in imports was driven by a fall in service imports, more specifically a fall in research & development related intellectual property imports. The increase in net exports cushioned the fall in domestic economic activity. However, investment by multinationals also fell dramatically.

Figure 1 below provides a breakdown of the contribution of Modified Final Domestic Demand and the remainder (net-exports, intellectual property, aircraft leasing and stocks) to GDP growth. Since 2017 the majority of growth has been driven by global, as opposed to, domestic activity. The fall in domestic demand in the first half of 2020 over the same period in 2019 contrasts with the growth of the international side of the economy over the same period.

Figure 1: Contribution to GDP growth 2017 to 2020



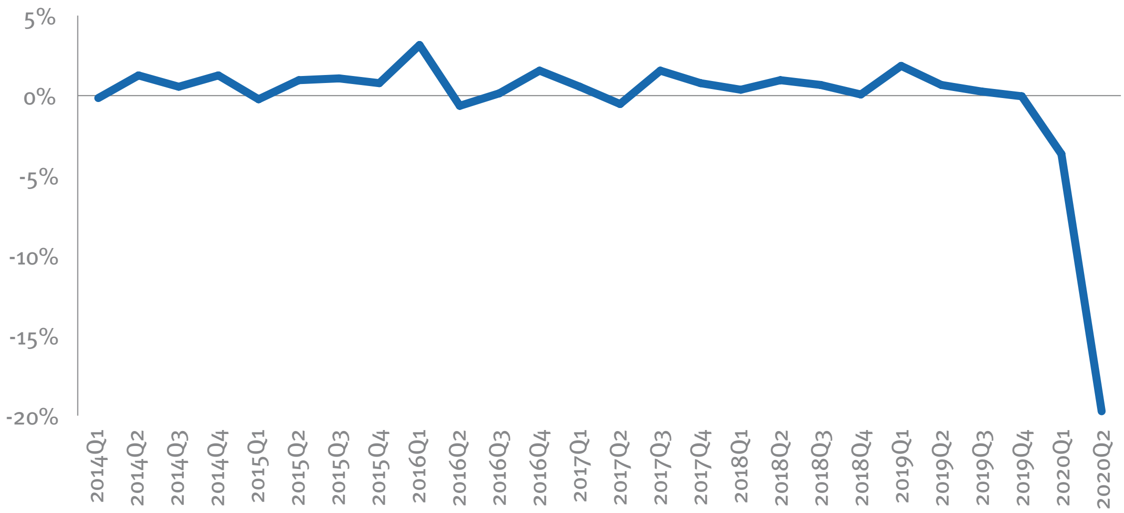
Source: CSO.

3 Modified Domestic Final Demand includes consumption (personal and government) and investment (excluding imports of Intellectual Property and imports relating to aircraft leasing activities).

4 CSO Quarterly National Accounts Quarter 2 2020, Annex 4A Modified Total Domestic Demand at Current Market Prices & Constant Prices.

Personal consumption of goods and services decreased by 19.6% in Q2 2020 compared with the previous quarter, having fallen 3.6% in Q1. Figure 2 below shows how unprecedented these figures are in recent times. However, given that lockdown prevented normal consumption for most of Q2 such a decline was expected. In Q3 personal consumption of goods and services will increase relative to Q2. However, it is likely that it not will return to 2019 levels for a number of quarters.

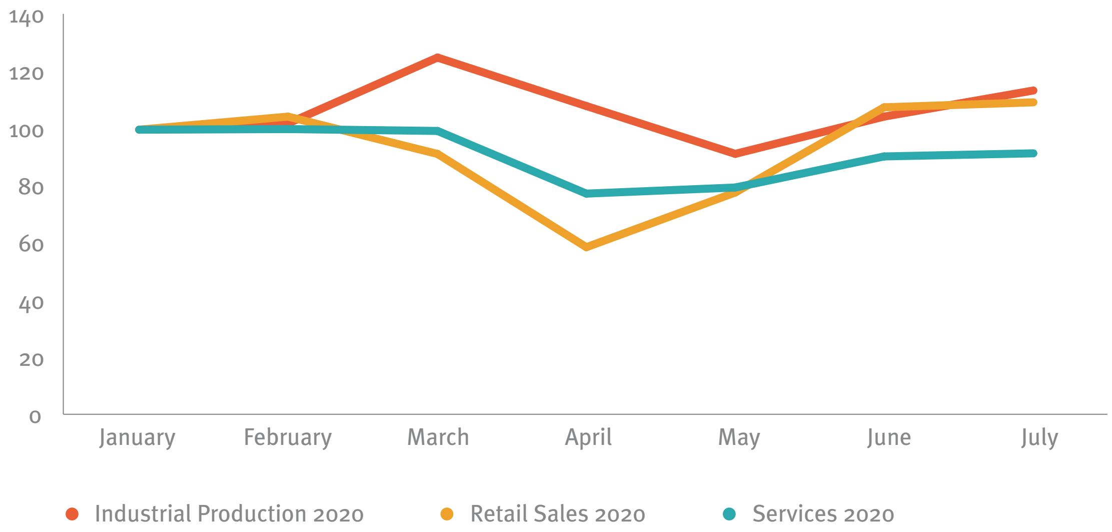
Figure 2: Quarterly change in Personal Consumption of Goods and Services, 2014-2020



Source: CSO.

Figure 3 over shows the main monthly production indexes for goods and services as well as for Retail Sales. It shows that, except for May, industrial production (mainly manufacturing) was above the level in January and February. Retail sales fell dramatically in April (40% below January figures) but recovered by June and in July were 9.4% above January 2020 levels. Some of this recovery represents pent-up demand that could not be fulfilled during the lockdown. However, Services did not fall as steeply as retail sales (22.5% below January levels in April) but have only grown slowly and are almost 9% below January levels (and over 10% below the level in the same month in 2019).

Figure 3: Monthly Retail Sales, Industrial Production and Services Indices (Jan 2020=100)



Source: CSO, Rescaled Jan 2020 = 100.

These Monthly indicators suggest that economic activity has bounced back from its lows in Q2 – though especially in the Services sector it is still not yet at pre-pandemic levels. This, in part, reflects the continued impact of restrictions in hospitality and tourism related sectors (accommodation and food services and transportation).

Box 1 shows the latest results from the PBO's weekly index. This gives a slightly more up-to-date picture. It suggests that economic growth at the beginning of September was still lower than average.

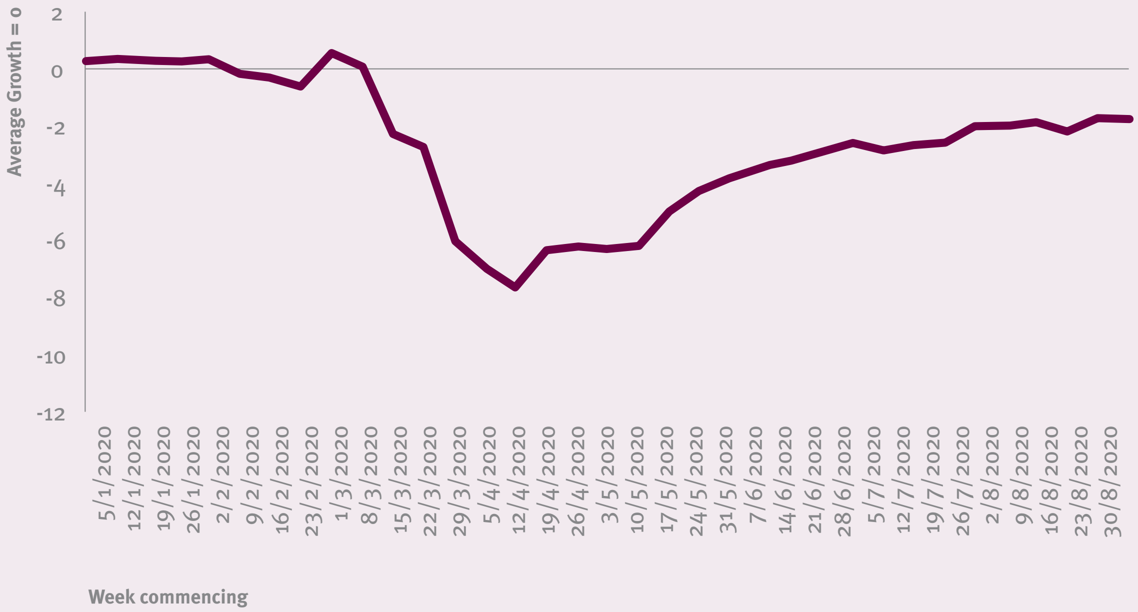
Box 1: Monitoring the Economic Impact of COVID-19 with the PBO Weekly Domestic Activity Tracker

To respond to the need for better tools that can facilitate a timelier reading of economic developments, the PBO developed a new "Weekly Economic Activity Tracker". This can be used to more closely monitor ongoing trends in the economy and the economic impact of COVID-19. The tracker is updated regularly and can be found on the *PBO's data visualization webpage*. This Box provides an update to the research incorporating data up to the first week of September 2020.

The activity tracker is informed by variables capturing labour market conditions, mobility, consumer activity and production. It is derived by applying a statistical method called Principal Component Analysis (PCA), which allows us to summarise in a single index the common information content in a set of economic activity series.

Box 1: Monitoring the Economic Impact of COVID-19 with the PBO Weekly Domestic Activity Tracker (continued)

Figure 4: Weekly Economic Tracker



Note: Values above 0 indicate periods of above average economic growth, while values below 0 suggest that the economy is operating below average growth. For more information on the variables included in the analysis and the methodology used see PBO (2020) Monitoring the Economic Impact of COVID-19 using the new PBO Weekly Domestic Activity Tracker.

Figure 4 illustrates the impact of COVID-19 on the domestic economy using the tracker. It shows a sharp decline in economic activity starting from 8 March when the first lockdown measures were introduced. The economic contraction continued until 12 April. At that point, consumer spending and traffic volumes reached their lowest levels, while the number of people claiming the Pandemic Unemployment Payment (PUP) payment reached 533,000. Economic activity remained suppressed until the first phase of restrictions were lifted. Once these restrictions were lifted activity improved significantly.

Despite this strong rebound, economic activity is still lower than pre-pandemic levels. While the recovery may continue, this will depend on a resurgence of COVID-19 and the re-imposition of economic restrictions.

Labour market

The COVID-19 pandemic and the restrictions associated with it have radically impacted the labour market. In Q1 2020 employment had peaked at 2.37 million persons. This was the highest ever recorded for Ireland and 135,000 higher than the pre-financial crisis peak in 2008.

In Q2 2020 total employment of 2,222,500 was recorded in the Labour Force Survey. This was a decrease in employment of 3.4% or 77,600 in the year to the second quarter of 2020. However, the COVID-19 adjusted measure of employment shows a lower bound for employment of 1,783,567 (see Table 1) i.e. it assumes that those on the PUP payment at end-June are unemployed.

Table 1: Employment and Unemployment

Indicator	Standard LFS Methodology (ILO) Q2 2020	COVID-19 Adjusted Methodology Q2 2020
Employed persons aged 15 years and over	2,222,500	1,783,567
Employment rate for those aged 15-64 years	65.7%	52.2%
Unemployed persons aged 15-74 years	118,700	531,412
Unemployment rate for those aged 15-74 years	5.1%	23.1%
In labour force	2,341,200	n/a
Not in labour force	1,632,600	n/a

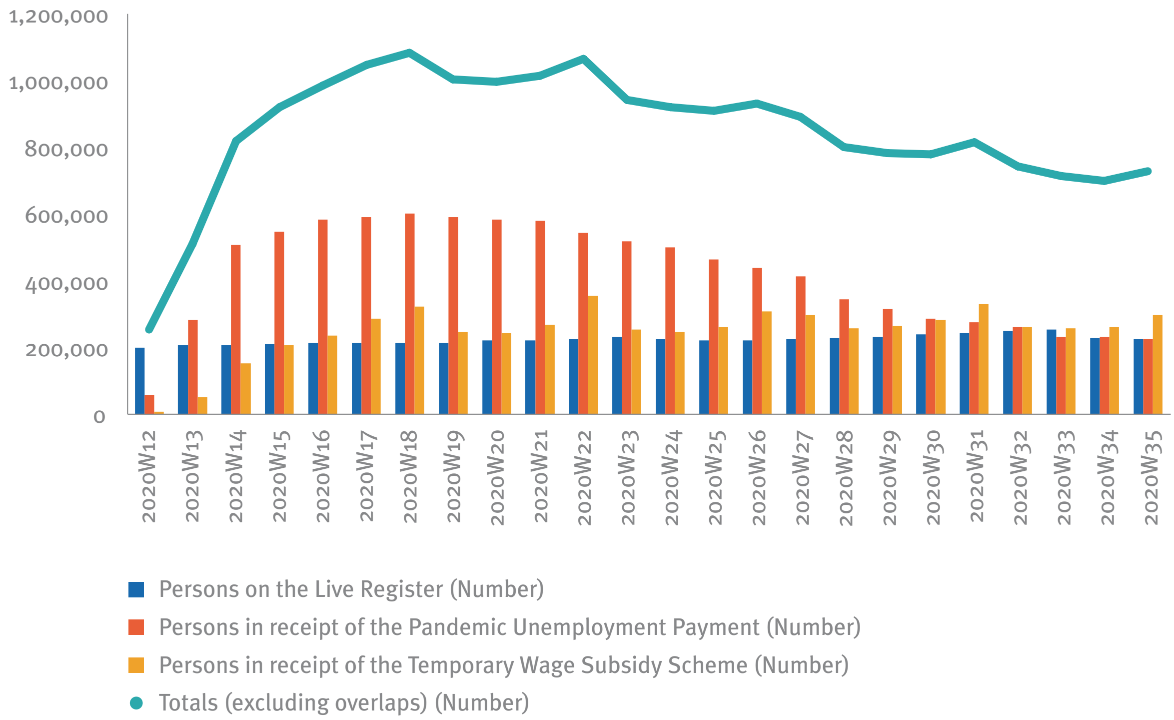
Source: CSO, Labour Force Survey Q2 2020.

In August 2020, there was an unemployment rate (ILO methodology) of 5.2% and a COVID-19 adjusted unemployment rate of 15.4%.[5] As the economy has re-opened the COVID-19 adjusted unemployment rate has fallen. However, this rate is still relatively high and if these levels persist could develop into long-term unemployment with potential significant scarring effects on individuals, in terms of skills development and employability.

Figure 5 shows the weekly totals of claimants on the Live Register, the Pandemic Unemployment Payment (PUP) and the Temporary Wage Subsidy Scheme (TWSS) (the latter schemes introduced by the government in response to the COVID-19 restrictions – see Box 7, pp.38-39 for details). At the height of the restrictions (April to June) over one million individuals were supported by these three schemes. At the end of August this had reduced to 730,000.

5 CSO (2020) *Monthly Unemployment August 2020*.

Figure 5: PUP, TWSS and Live Register Claimants March-August 2020



Source: *CSO. W12 is week ending 22 March, W35 is week ending 30 August. Some individuals can be registered under more than one scheme at a time, thus the total is less than the sum of the three schemes.*

Employment rate and participation rate

To assess the performance of the labour force in the COVID-19 pandemic, it is useful to examine participation rates and employment rates. Table 2 shows these rates at various points in time, peak of Celtic tiger (Q3 2007), peak of the financial crisis (Q1 2011), pre-COVID-19 (Q4 2019) and the COVID-19 height (Q2 2020). In Q4 2019, before the pandemic, the participation rate and the employment rate were recovering from the Financial Crisis but still below the pre-Financial Crisis peak. Demographics explain some of the difference – a greater share of older retired people reduces the participation rate and higher shares of 15-24-year olds in full time education reduces both the participation rate and employment rate.

Given the outbreak of COVID-19 and the economic restrictions, labour force activity has reduced significantly. The participation rate of 58.9% in Q2 2020 is below the downturn of the Financial Crisis of 61.4%. The unadjusted employment rate is substantially higher than at the height of the Financial Crisis, reflecting the Temporary Wage Subsidy Scheme (TWSS) which kept employees connected to their employers as well as the uncertainty over the classification of PUP recipients. If they were classified as unemployed, the employment rate falls to 52.2%. How these variables change over the medium term will reflect both the impact of the economic crisis and the impact of the Government's measures to tackle that crisis.

Table 2: Participation and employment rates, selected quarters

	Quarter	Participation rate % (persons aged 15-74 age)	Employment rate % (persons aged 15-64 age)
Pre-Financial Crisis	Q3 2007	67.4	72.5
Financial Crisis	Q1 2011	61.4	59.6
Pre COVID-19	Q4 2019	62.7	70.2
COVID-19 Peak	Q2 2020	58.9	65.7 (52.2%*)

Source: CSO.

* *COVID-19 adjusted.*

Wage growth

The change in wage levels as a result of the COVID-19 restrictions and its impact on the labour market is notable. Average weekly earnings increased from €771.63 in Q4 2019 to €819.13 in Q2 2020. Average weekly earnings are increasing as the pandemic is having a compositional effect on the labour market, with significant changes in employment in certain sectors. Job losses have been concentrated in lower paid sectors such as the accommodation and food services sector, and the arts, entertainment, recreation and other service activities sector. Thus, those remaining in employment are on average higher paid even though average wages have fallen in other sectors.

For example, the accommodation and food service sector had a 12.5% increase in average weekly earnings, the strongest sectoral wage growth in Q2 2020 i.e. those who kept their positions were the higher paid in the sector. The effect can also be seen in the Arts, entertainment, recreation and other service activities sector where the average weekly earnings increase by 3.4% in Q2 2020.

Others sectors that experienced wage growth include transportation (3.4%), education (2.2%), public administration (0.7%), and health and social work (0.1%). The sectors that saw average weekly earnings decreases are construction (-8.9%), financial, insurance and real estate (-8.8%), information and communication (-5.5%), professional, scientific and technical activities (-4.9%), industry (-4.6%), wholesale and retail trade (-4.1%), and administration (-3.4%).

As the worst affected sectors re-open it can be expected that average wages will fall in these sectors as the number and share of lower paid employees increase.

There was a drop in the job vacancy rate, 0.7% in Q2 2020, a reduction from 1.1% in Q2 2019. The economic restrictions and the pandemic are reducing job opportunities in a number of sectors.

Inflation

The Consumer Price Index was 1.0% lower in August 2020 compared with August 2019. There were yearly (August 2019 - August 2020) price decreases in communications (-8.4%), transport (-4.4%), clothing & footwear (-3.2%) and furnishings, household equipment & maintenance (-2.4%). There were yearly price increases in education (+4.1%), health (+3.5%), alcohol & tobacco (+2.9%) and recreation & culture (+1.6%).

These price trends reflect the changing demands and preferences from consumers as a result of the COVID-19 virus and the associated economic restrictions. This can be most clearly seen in the transport sector, with reductions in air fares and lower international market demand for diesel and petrol reducing consumer prices.

Macro-economic forecast 2021

The current uncertain environment makes it hard for economists to make forecasts. Economic models are based on historical relationships: these are likely disrupted by the pandemic as individuals and firms change their behaviour in response to restrictions and risks of disease (See Box 2).

The Government has based its economic forecasts [6] for 2021 on two key assumptions: no vaccine deployed in 2021 and that EU/UK trade will be on WTO terms from 1 January 2021. These seem prudent assumptions given the uncertainty about both situations at present. If a free trade deal is agreed and/or a safe effective vaccine or treatment is found and deployed, then economic growth should be higher than forecast. Vaccine development is usually a slow process and there is no historical precedent for a vaccine to be developed and deployed within a two-year period (the vaccine for Ebola took over five years for approval).[7] However, the resources deployed to develop a COVID-19 vaccine and/or treatment globally are considerable.

However, it is unclear what assumptions will be made about the path of the virus i.e. will further strict restrictions be needed. The *Resilience and Recovery 2020-2021: Plan for Living with COVID-19* has five levels of restrictions which seek to moderate the spread of the virus. Increased spread of the virus will increase the level of restriction (either locally or nationally e.g. Dublin in September/October) and some economic activity will be curtailed.

Table 3 shows the Department of Finance's economic forecasts which underpin Budget 2021 published on 29 September. These have been endorsed by the Irish Fiscal Advisory Council. They show that the Department estimates that GDP will fall by 2.5% in 2020 before increasing by 1.4% in 2021. The fall in GDP in 2020 is driven by the fall in domestic demand (-6.5%) as the international side of the Irish economy has performed well. The COVID-19 adjusted unemployment rate in 2021 is expected to be 10.7%.

Table 3: Department of Finance economic forecasts 2020 and 2021 (% Change unless stated)

	2020	2021
GDP	-2.5	1.4
GNP	-3.1	1.3
Domestic Demand	-6.5	3.9
Unemployment rate*	15.9	10.7

*Source: Department of Finance, * share of labour force.*

6 Department of Finance (2020) Ministers Donohoe & McGrath announce Budget 2021 Strategy.

7 FDA (2019) *First FDA-approved vaccine for the prevention of Ebola virus disease, marking a critical milestone in public health preparedness and response.*

The domestic economy will experience increased growth as domestic demand recovers from its Q2 low as restrictions eased in Q3. However, the evolution of domestic demand in Q4 2020 and 2021 could be impacted by new restrictions to control the virus and changes in consumer behaviour.

To illustrate the potential effect of different assumptions on the path of the virus the Central Bank published a scenario analysis (Table 2). They modelled two scenarios – a single wave of the virus (limited outbreak) or a second and multiple waves of the virus (severe outbreak). In the severe outbreak scenario with additional restrictions in Q3 or Q4 2020 economic activity is projected to be four percentage points lower than in the less severe scenario. In addition, the severe scenario is expected to slow economic growth in 2021 compared to a limited outbreak. GDP was projected to be five percentages points lower at end-2021 in the severe scenario.

Table 5: Central Bank scenarios – limited outbreak v severe outbreak, Irish GDP growth (% change):

2020		2021	
Limited outbreak	Severe outbreak	Limited outbreak	Severe outbreak
-9.0	-13.8	5.7	4.9

Source: Central Bank Quarterly Report Q3 2020 (July 2020).

Even if the impact of COVID-19 is less than expected it should be borne in mind that forecasts pre-COVID were for the Irish GDP to increase by 3.9% of in 2020 and 2.9% in 2021. Overall, economic activity, and thus the resources available to the Government to tackle pressing problems in public services such as health and housing, will be much lower than what was expected at the beginning of 2020.

In addition, there will be increasing uncertainty on the international side of the Irish economy. As discussed above the large increase in net exports cushioned the headline decrease in economic activity in Q2. However, there will be lower external demand and increased uncertainty in Ireland major trading partners (see below). Supply chain disruptions due to the lack of a trade agreement with the UK (and possibly the virus) could impact on exports.

Box 2: Structural change in the economy

Economic models are based on historic relationships between economic variables. The pandemic has seen such relationships break down. On a basic level it is easy to show why. For example, people working from home no longer have everyday travel costs, they stop buying coffee and sandwiches in shops near their offices, they buy fewer formal work clothes, etc. They save more and perhaps spend more on e-commerce, broadband, electricity, entertainment packages, etc. This impacts sectors or even businesses within sectors differently, travel and international tourism has reduced as have dining out and shopping in city centre locations. A CSO survey[8] showed that 9.6% of businesses had turnover higher than normal in August 2020, with 40% trading at normal levels. However, 10.1% were trading at over 75% less than normal.

8 CSO (2020) *Business Impact of COVID-19 Survey*.

Box 2: Structural change in the economy (continued)

The change in behaviour may be temporary or permanent. It may increase trends that were already in progress. If the change in behaviour, especially something like working from home full-time or even part-time or a reduction of business travel becomes permanent it will have inevitable consequences on the patterns of economic activity in the future. Changes in behaviour also makes economic forecasting more difficult.

Such changes in behaviour, are both a challenge and opportunity for the economy and society. Some businesses will benefit, and others lose out. It will change resource allocation both capital and labour. Investments may be postponed until more certainty regarding the situation is achieved.

Governments can use stimulus packages to influence behaviour and encourage spending or investment in certain sectors. However, if subsidies are used to keep businesses which are going to fail in the medium-term due to the permanent change in behaviour going, then the value-for-money of such subsidies is questionable. The OECD has recommended that Governments gradually move from general subsidies introduced at the start of the pandemic to more specific targeted subsidies and avoid supporting companies whose long-term survival prospects are low. As the OECD puts it “as the recovery progresses, a key requirement of such programmes will be to ensure that support remains focused on jobs and companies that are temporarily unviable, rather than helping to maintain ones that are ultimately unviable”.

The change in behaviour is not just localised to Ireland. The pandemic may lead to changes in trade patterns as businesses re-evaluate their supply chains and the risks involved. The pandemic may lead to a pause in globalisation or even deglobalisation, especially in the tourism and aviation sectors. As a highly globalised economy Ireland is particularly exposed to this risk.

Brexit

The UK formally left the EU on 31 January 2020 with a transition period, in respect of trade, which will expire on 31 December 2020. If no trade agreement between the EU and the UK is agreed (a no-deal Brexit), it would have significant adverse impacts on the Irish economy, on the UK economy and the wider European economy. It will impact on trade, supply chains, competitiveness, and employment in the sectors which have the strongest links with the UK through tariffs (especially in food and agricultural produce), non-tariff barriers and supply chain disruption between the EU and the UK.

The ESRI[9] and the Fiscal Council[10] have shown that these sectors, such as agriculture, food and traditional manufacturing and financial services) were mildly impacted by COVID-19 thus far. A no-deal Brexit would broaden the economic problems to more sectors of the economy.

9 Daly and Lawless (2020) *COVID-19 and Brexit hit different parts of the economy*.

10 Fiscal Council (2020) *Pre-Budget Statement 2021*.

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In general, there are four potential scenarios relating to a no-deal Brexit and the progress of the virus (i.e. potential multiple severe waves) (Table 5). The most beneficial scenario would be an EU-UK trade agreement and a limited virus outbreak. A no-deal Brexit and severe virus outbreaks would be a huge challenge for the Irish economy.

Table 5: Alternative scenarios for EU-UK relations and the progress of the COVID-19 virus

EU UK trade agreement, limited virus outbreak	No EU UK trade agreement, limited virus outbreak
EU UK trade agreement, severe virus outbreak	No EU UK trade agreement, severe virus outbreak

The current status of the EU-UK negotiations suggest it is reasonable and prudent to use a no-deal Brexit as a central scenario for macroeconomic forecasts for Budget 2021.

The UK will no longer apply the rules of the EU's Single Market for Services regardless of an EU-UK Free Trade agreement in goods. This will generate some difficulties for financial services in Ireland. However, according to the Government, extensive preparations have already been implemented to mitigate this impact.[11]

Furthermore, the implementation of the Withdrawal Agreement has been called into question by clauses in the UK's Internal Market Bill. This adds uncertainty as to how trade will operate between Northern Ireland and Ireland from 1 January 2021 as, in the absence of a trade agreement, trade to/from Northern Ireland was to operate under the Withdrawal Agreement.

The pandemic presents an additional hurdle – increasing the likelihood and potential scope of negative consequences of a no-deal Brexit. It has "made things more difficult, undermining some existing preparations, delaying others, and making it harder to prepare for the end of the year."[12]

The international economy

The global economic outlook is also very uncertain, with the likelihood of economic growth or contraction depending on the progress of the COVID-19 virus. The main economies driving global growth and Ireland's key trading partners are China, the Euro area and the United States. They all had significant economic deterioration in 2020, according to the IMF (Figure 6). However, each economy is expected to rebound strongly in 2021, though this depends on the status of the COVID-19 pandemic. If this expectation materialises, it will help Ireland's economic recovery.

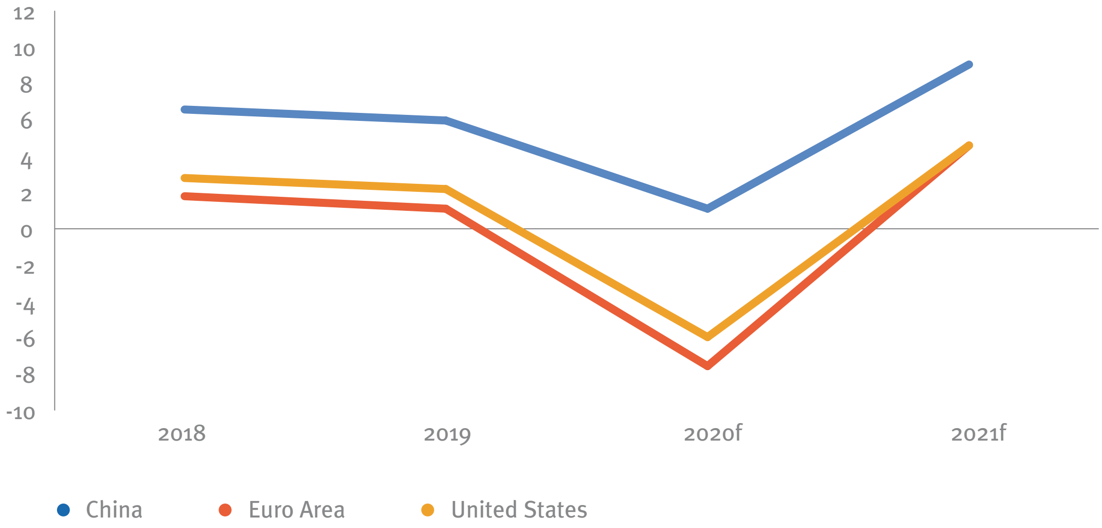
The EU has announced an unprecedented fiscal intervention to help its member states' economies to overcome some of the economic effects of the crisis over the period 2021-2024 (see Box 3). In addition, the European Central Bank (ECB), has increased financial market liquidity through an expansion of its assets purchase schemes, as well as easing some capital restrictions to allow banks to absorb losses and increase liquidity.[13] These actions should help support the recovery in the European economy.

11 Department of Taoiseach (2020) *Trade in Services: Brexit Readiness Action Plan*.

12 Institute for Government (2020) *Preparing Brexit: The scale of the task left for UK business and government*.

13 See ECB (n.d.) *Our response to the coronavirus pandemic*.

Figure 6: GDP growth selected economics 2018-2021 (% GDP Growth)



Source: IMF.

Box 3: European Commission Next Generation EU Instrument

The European Commission announced an economic and financial plan[13] to help the European economy recover from the COVID-19 pandemic. The plan consists of two key elements. The first is the standard Multi-annual Financial Framework (MFF) from 2021-2027. The new proposals suggest that this will amount to €1.1 trillion and will be funded by the EU budget and contributions from EU member states.[14] Countries were already negotiating the specifics of this prior to the COVID-19 pandemic. However, in addition to the MFF there will be a "Next Generation EU instrument". This will amount to an additional €750 billion and will be temporary from 2021-2024. While the standard MFF will be funded by EU contributions, the European Commission will fund the Next Generation EU instrument by borrowing from capital markets.

The Next Generation EU instrument will have three main pillars: 1) Supporting Member States to recover, repair and emerge stronger from the crisis; 2) Boost private investment and support ailing companies; and 3) Reinforce key EU programmes to make the single market stronger and more resilient.

14 European Commission (2020) *Europe's moment: Repair and prepare for the next generation*.

15 European Commission (2020) *The EU budget powering the recovery plan for Europe*.

Box 3: European Commission Next Generation EU Instrument (continued)

A number of fiscal measures had already been implemented to support European economies in dealing with the COVID-19 pandemic. These measures include:

- Relaxation of EU State Aid and Eurozone Fiscal Rules.[15]
- Pandemic Credit line to Eurozone countries worth €240 billion which will be facilitated by the European Stability Mechanism.[16]
- A €100 billion employment support scheme (i.e. SURE-Supports to mitigate Unemployment Risks in an Emergency) where the European Commission will raise money backed by €25 billion of contributions from Member States.[17]
- EIB Guarantee Fund for Businesses and Workers worth €200 billion.[18]

16 EURACTIV (2020) *Commission proposes unprecedented suspension of EU's fiscal rules*.
17 European Stability Mechanism (ESM) (2020) *ESM's role in the European response*.
18 EUobserver (2020) *EU rift deepens as Commission sticks to €1trn*.
19 European Commission (2020) *The EU budget powering the recovery plan for Europe*.

Exchequer revenue

Introduction

COVID-19 has had an unprecedented impact on the stability of the public finances. The policy response to-date has been to limit the transmission of the virus through administrative restrictions on commercial and social activity. These restrictions have resulted in significant economic disruption, large-scale business closures and job losses. However, tax receipts have proven remarkably resilient. €34.2 billion was collected by end-August. This was €6 billion (or 21.2%) ahead of profile,[20] and just €0.8 billion (or 2.3%) lower than receipts collected in the same period last year.

The profiles underpinning the Government's "central" COVID-19 scenario were first published in April,[21] alongside alternative estimates relating to "mild" and "severe" scenarios. These updated profiles attempt to take account of the impact of the pandemic on tax receipts. The preceding forecasts, published in January,[22] updated the figures included in Budget 2020 (October 2019). The original budgetary forecasts were prepared under the assumption of a "disorderly" Brexit commencing January 2020, which did not ultimately arise. However, the details of the future relationship between the UK and the EU remain uncertain, with trade negotiations ongoing (the Government has confirmed that Budget 2021 will based on a no EU/UK trade agreement outcome).[23]

Exchequer revenue 2020

Taxes have broadly outperformed expectations to end-August, and the three largest tax heads (Income Tax, Corporation Tax, and VAT) are on course to exceed their forecast under the Department's "central" COVID-19 scenario.

Figures 7a and 7b show the Department's prior "pre-COVID" profiles, the current "post-COVID" profiles, and tax revenue outturns to end-August, on a monthly and cumulative basis respectively. Despite the sizeable revisions to January's pre-COVID profiles, revenue outturns to end-August suggest that taxes have been performing closer to January's "pre-COVID" figures than to the updated figures reflecting the Department's "central" scenario. That is, the impact of the pandemic on tax receipts to-date has been considerably less than expected.

20 *Fiscal Monitor August 2020*, September 2020.

21 *Stability Programme Update*, April 2020.

22 *Medium-Term Fiscal Strategy*, January 2020.

23 *Press Release*, Department of Finance, and Department of Public Expenditure and Reform, 16 September 2020.

Figure 7a: Outturns against monthly profiles

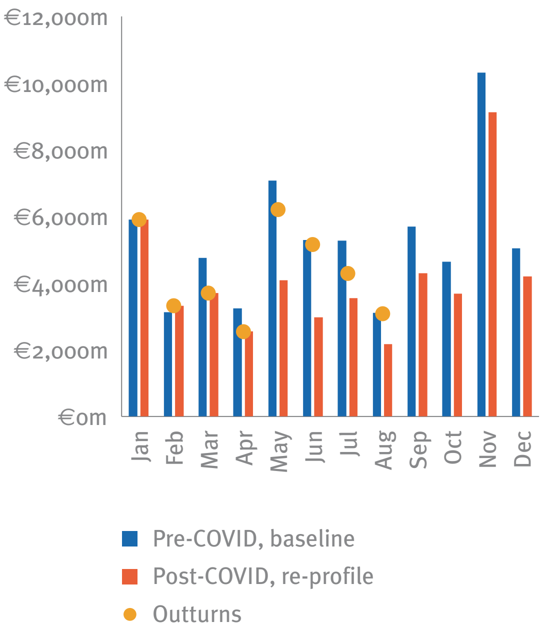
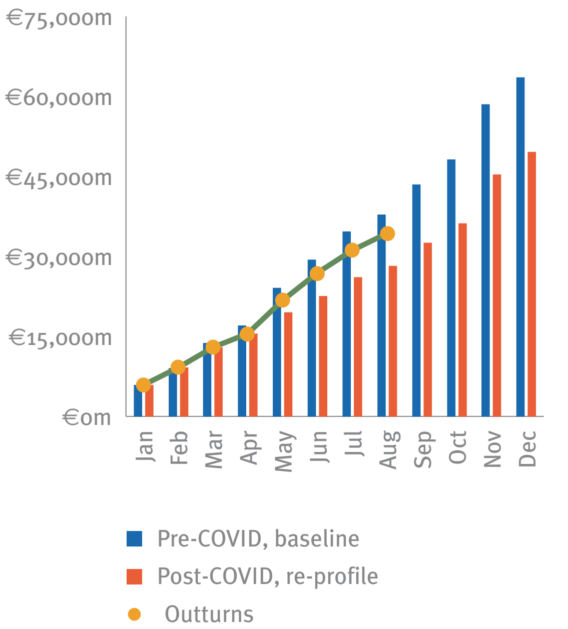


Figure 7b: Outturns against cumulative profiles



Source: PBO based on data included in Medium-Term Fiscal Strategy (MTFS, January 2020); Stability Programme Update (SPU, April 2020); Fiscal Monitor (September 2020); and correspondence with the Department of Finance.

Note: These charts show the performance of total tax revenue against both the pre-COVID (January) and post-COVID (April) tax profiles, as estimated by the Department of Finance, on a monthly and cumulative basis. The post-COVID profiles are those that relate to the Department's "central" scenario, as outlined in the SPU.

Figure 8a shows the outperformance of tax revenue since April (excluding the strong tax performance in Q1, pre-pandemic). As shown, this outperformance has been mostly driven by better than expected returns for Income Tax and Corporation Tax.[24] In fact, of the total amount by which tax revenue has outperformed (€6 billion), over a third of this is attributable to Income Tax receipts received between April and August.

Figure 8b shows the expected level of receipts for the three largest taxes under the Government's "mild", "central", and "severe" COVID-19 scenarios, and outturns to end-August. Based on their performance to-date, all three appear likely to exceed their "central" scenario forecast for the year.

Taxes have also held-up reasonably well on an annual basis. Receipts from Corporation Tax have exceeded their level at end-August 2019, and Income Tax has proven remarkably resilient year-on-year.

24 The Department has indicated that the outperformance of Excise (by €408m from April to August) may relate to an increase in domestic spending on alcohol and tobacco products (see *TSG 20-08 General Excise*, Department of Finance, 14 September 2020).

Figure 8a: Tax revenue outperformance, Apr-Aug 2020

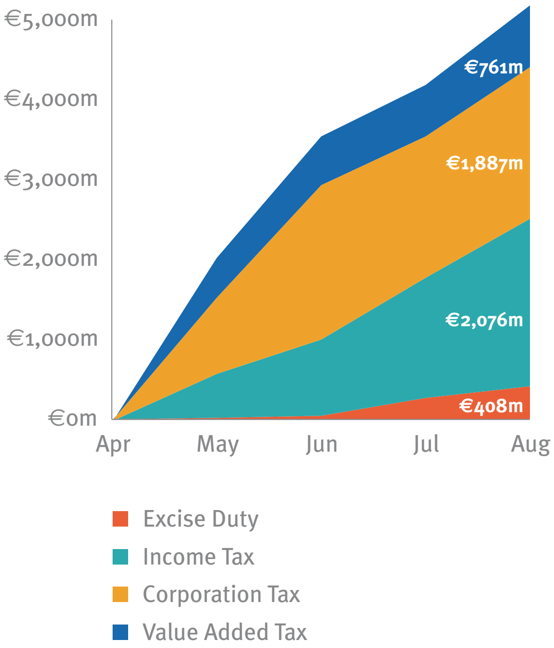
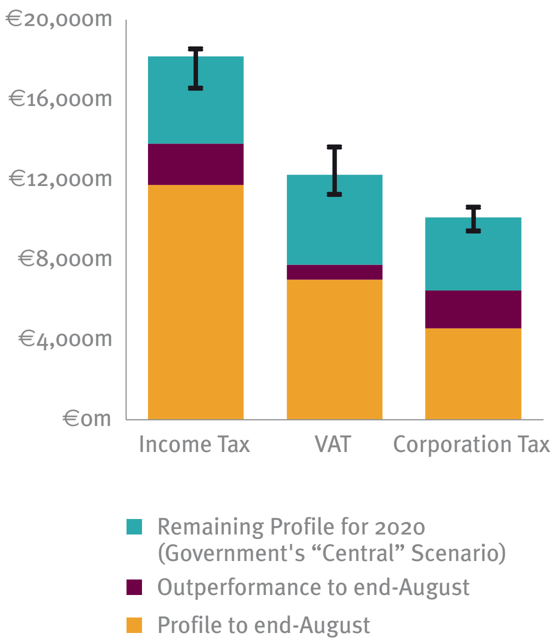


Figure 8b: Profiles under alternative scenarios, 2020



Source: PBO based on data included in Irish Fiscal Advisory Council Fiscal Assessment Report (May 2020); Stability Programme Update (SPU, April 2020); and Fiscal Monitor (September 2020).

Note: Figure 8a shows the source of the outperformance of tax revenue versus profile between April and August (post-COVID-19). Figure 8b shows the range of estimates of tax revenue for the three largest taxes for 2020, from the Government's "mild", "central" and "severe" COVID-19 scenarios (as published in the SPU, April 2020). The error-bars show the spread of potential revenue between the "mild" and "severe" scenarios.

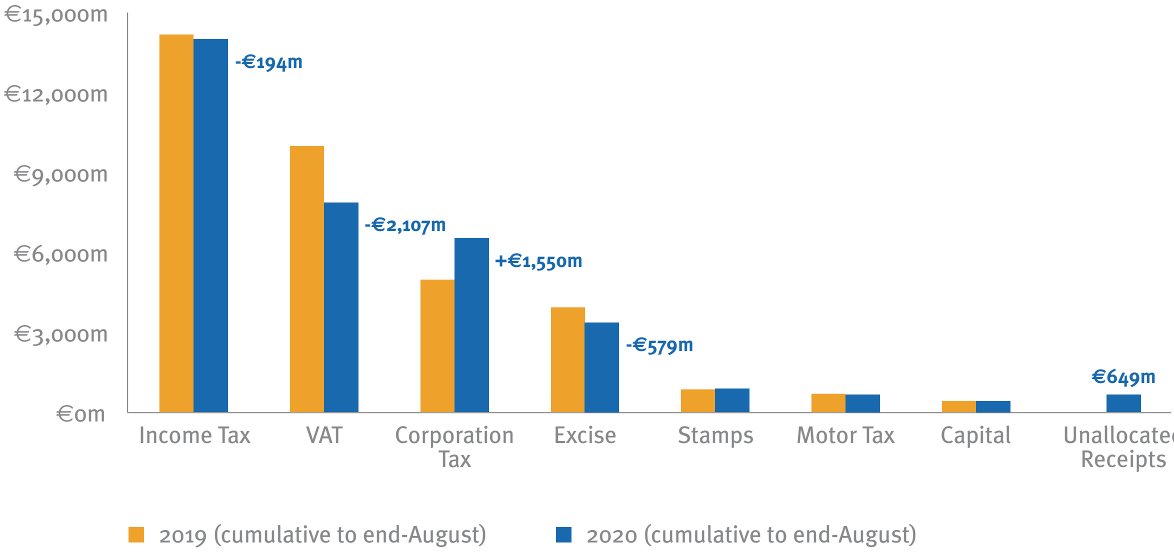
Figure 9 shows the cumulative performance of each tax to end-August relative to the same time in 2019. Overall, taxes were just €0.8 billion lower than last year. Corporation Tax is the only major tax to outperform on an annual basis (by €1.5 billion), while Income Tax came in just €194m below end-August 2019. The sustained outperformance of Corporation Tax has played a key role in buffering the Exchequer against the annual decline in other taxes.

Unsurprisingly, VAT has suffered the largest annual decline (falling by €2.1 billion). This reflects the implications for consumption of various administrative restrictions that have been imposed on commercial activity since the onset of the pandemic, as well as the forbearance measures that have been introduced to provide cash-flow support to impacted firms. While real-time indicators showed some signs of a rebound in consumption as restrictions were eased through the summer, this appears to have slowed by end-August.[25] Uncertainty regarding the trajectory of the virus, and expectations of additional restrictions, could continue to weigh on consumer sentiment and limit the recovery in VAT receipts moving forward. In addition, the temporary rate cut from 23% to 21% (announced as part of the fiscal stimulus package in July – see Box 4) will further weigh on receipts in the coming months (this has been estimated to cost €440m over a six-month period). Excise (another transaction-based tax) is also down in annual terms (by €579m).

25 See *Fiscal Monitor for August – Revenue Analysis*, Parliamentary Budget Office, 3 September 2020.

It is important to note that a sizeable level of receipts (€649m) remained unallocated at end-August. This could explain a significant portion of the under-performance of certain taxes in annual terms.

Figure 9: Annual performance by tax head, Jan-Aug 2019 vs. Jan-Aug 2020



Source: PBO based on data from DPER Databank (September 2020).

Note: "Capital" refers to Capital Gains Tax and Capital Acquisitions Tax. It is important to note when comparing the performance of each tax to the same period last year, a significant sum (€649m) remained unallocated at end-August 2020. This could explain a substantial portion of the underperformance of certain taxes in annual terms.

Box 4: Overview of tax-policy changes included in the fiscal stimulus plan (July 2020)

The fiscal stimulus package published in July,[25] details several tax measures designed to support economic activity impacted by COVID-19 related closures. The tax package totals approximately €950m. These measures were transposed in legislation *via* the *Financial Provisions (COVID-19) (No.2) Act*. The measures include:[26]

- **Tourism –** The "Stay and Spend" incentive provides the individual taxpayer with 20% relief on accommodation and food spending (to a maximum of €625 i.e. it provides a €125 rebate) incurred between 1 October 2020 and 30 April 2021. It is estimated that this scheme will cost €270m (upper estimate).

26 *Minister Donohoe announces details of tax measures contained in the July Stimulus Plan*, Press Release, Department of Finance, 24 July 2020.

27 The costings included here are presented as published in the Department of Finance's Tax Strategy Group Paper, *TSG 20-01 Response to COVID-19*, 14 September 2020.

Box 4: Overview of tax-policy changes included in the fiscal stimulus plan (July 2020) (continued)

- **Corporation Tax loss relief –** This accelerated relief may release up to €450m of liquidity to companies in respect of losses expected to be incurred as a result of COVID-19. Ordinarily, this payment can be claimed up to 9 months after a loss-making year, however, this initiative (designed to free up cash-flow for businesses) can be claimed in respect of expected losses for the current year. This is expected to be a revenue neutral measure.
- **Self-employed relief on Income Tax loss –** This cash flow enhancing initiative allows for losses incurred for 2020 to be set against profits filed for 2019, essentially allowing for a refund of preliminary tax already paid in respect of 2019. €25,000 is the maximum loss that can be utilised, meaning self-employed individuals may claim back €5,000 or €10,000 depending on the rate of tax applicable (20% or 40% respectively). It is estimated that this scheme will cost €350 million in 2020.
- **VAT reduction –** On 1 September 2020 the standard rate of VAT of 23% was reduced to 21%. This is in effect until 28 February 2021. Businesses can decide if they wish to pass on this reduction to their customer or use it as a supporting stimulus to assist with sustainability. It is estimated that this scheme will cost €440 over 6 months.
- **Help-to-buy enhancement scheme –** This is an Income Tax relief designed to assist first-time buyers in purchasing a new build. The level of support available has increased to €30,000 (from €20,000) or 10% (from 5%) of the purchase price of a new build (whichever is the minimum).[27] This amendment to the existing scheme is estimated to cost approximately €18m.
- **Cycle to work scheme –** The allowable expenditure for this existing scheme has been increased to €1,500 for e-bikes and €1,250 for regular bicycles. An employer covers the cost of a new bicycle (used by the employee to commute to and from the workplace) with the repayment being deducted from gross salary in instalments. It is estimated that this scheme will cost approximately €4m (based on a take up rate of 20,000 applicants).
- **Tax deferral (ware-housing) –** SME's can avail of liquidity support by deferring tax debts resulting from the COVID-19 crisis. Essentially, interest charges will be suspended under the scheme, up to 31 December 2022. As of 31 July, deferred payments have amounted to €1.9 billion.
- **Tax liability interest rate reduction –** Tax liabilities existing outside of the COVID-19 tax deferral scheme may benefit from a reduction in the interest rate applicable to declared liabilities. The reduction (in the interest rate) could impact (i) debts available for collection and (ii) debts subject to current instalment arrangements and enforcement. This may benefit businesses who are having difficulties in meeting existing payment obligations. Revenue have estimated that this could cost €5m in 2020 and €20m 2021.

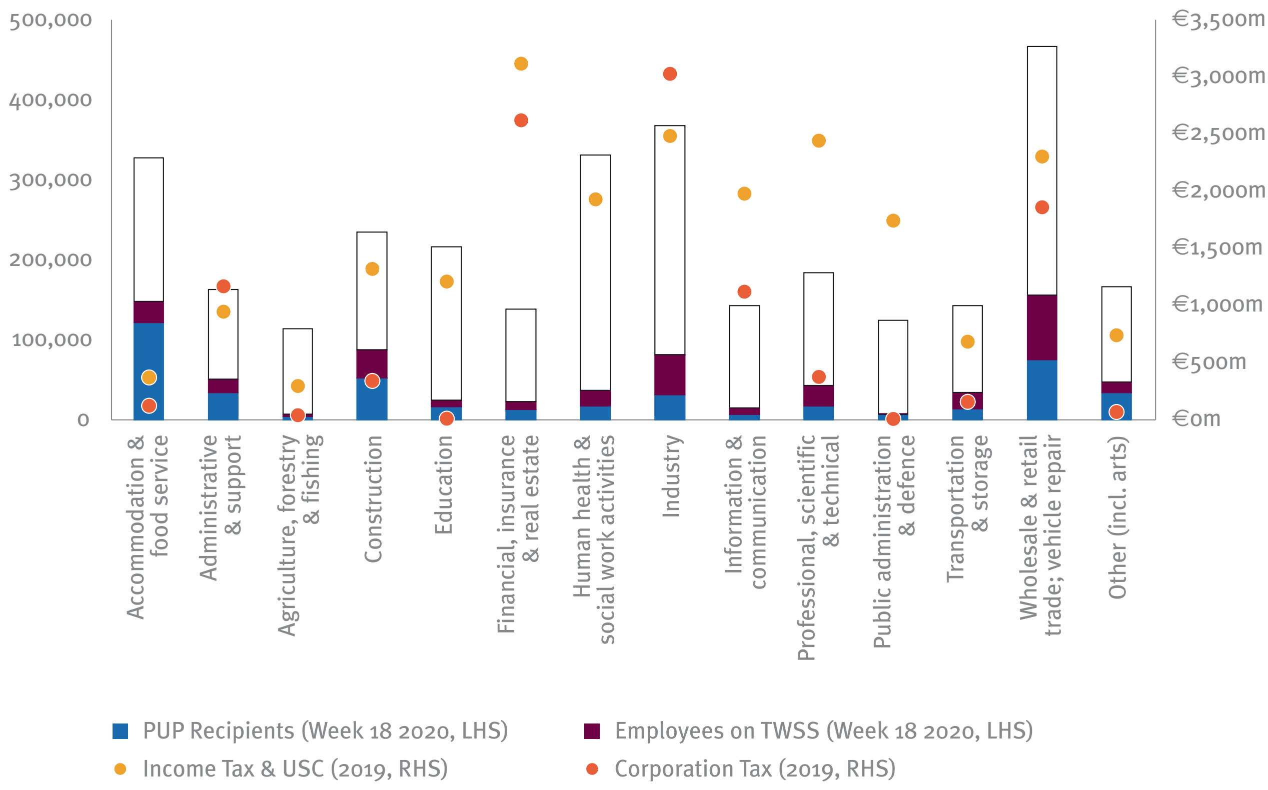
28 In a previous publication (*PBO Publication 51 of 2019*), the PBO found that the Help-to-Buy scheme disproportionately assisted higher-income buyers who may otherwise have had the financial capacity to save funds for a deposit without the need for additional assistance.

Dependence on foreign-owned multinational corporations

The relatively strong performance of Corporation Tax and Income Tax through 2020, emphasises the varied impact of the COVID-19 pandemic, and exposes the reliance of the Exchequer on key sectors.

For Corporation Tax, receipts in 2020 are partly based on last year's profits (meaning that the impact of COVID-19 on payments will likely be felt through 2021).[29] Furthermore, the majority of payments are generally made by firms operating in sectors that have been relatively less affected by COVID-19-related closures. The employees of these firms also tend to contribute a substantial portion of Income Tax and USC receipts. This can be seen in Figure 10.

Figure 10: PUP & TWSS recipients as a proportion of total employment by sector (at Q4 2019), and total Corporation Tax, Income Tax and USC contributions by sector (at end-2019)



Source: PBO based on data from Department of Employment Affairs and Social Protection; Revenue Commissioners; and CSO.

Note: To determine the most impacted sectors, the number availing of either the PUP or the TWSS at the peak of the PUP (5 May 2020) is assessed as a proportion of the overall number employed in the sector at Q4 2019 (using data from the Labour Force Survey covering the period before the onset of the COVID-19 pandemic in March). Income Tax, USC and Corporation Tax data refers to 2019.

29 The fiscal stimulus package in July announced an acceleration of loss relief for firms impacted by COVID-19 (it was estimated that this would contribute €450m in liquidity for firms). This will have implications for the timing of payments.

As shown, "Industry" (which encompasses manufacturing and utilities), "Financial, Insurance and Real Estate" and "Information and Communication", were among the main contributors of both Corporation Tax and Income Tax payments in 2019 (the Corporation Tax payments of these three sectors combined were twice that of all others). These sectors have also had relatively few employees availing of pandemic-related income supports (see Figure 10, which shows the number of Pandemic Unemployment Payment (PUP) recipients at the time of the peak on 5 May). In contrast, "Accommodation and Food Services" has had a relatively large proportion of employees availing of supports. However, despite being a labour-intensive sector, it contributes a relatively small amount in Corporation Tax and Income Tax payments, compared to others.

As examined in PBO Publication 9 of 2020,[30] earnings in the most impacted sectors tend to be lower than average (with the original PUP of €350 per week covering a significant portion of the loss in income for employees in retail, recreation and hospitality).[31]

These key sectors are dominated by foreign-owned multinational corporations (MNCs). The reliance of the Exchequer on their tax contributions, and the concentration of tax payments more generally, poses a key systemic risk to the public finances.

As shown in Figure 11a, the sectors that contribute relatively more in Corporation Tax and Income Tax, are also dominated by foreign-owned MNCs. In 2019, these firms were responsible for 27% of all employment, 45% of all Income Tax receipts, and were liable to pay 79% of all Corporation Tax.

While the activities of MNCs have helped to cushion the impact of COVID-19 on headline macroeconomic and fiscal indicators, the over-reliance of the State on these firms could prove more precarious post-COVID-19. Should the pandemic accelerate a process of deglobalisation, this could have implications for future flows of foreign direct investment into the State, and for the profitability of multinational firms already operating here. More specifically, MNCs could seek to shorten global supply chains in response to weaknesses exposed by the pandemic, relocating their operations. Similarly, a rise in protectionist trade policy could have implications for the profitability of export-intensive, multinational-dominated industries operating in the State.

There is also considerable concentration in the distribution of Income Tax and USC receipts (see Figure 11b). Almost half of all revenue comes from those earning over €100,000 (as of 2018), with these individuals representing just 7% of all Income Tax cases. In contrast, those earning less than €30,000 represent half of all Income Tax cases and contribute 4% of revenue. While indicative of the progressivity of Ireland's Income Tax structure, this narrow tax base could pose a sustainability risk.

Further, several tax expenditures have been announced to stimulate economic activity and assist in the COVID-19 recovery (see Box 4). The Government have further announced a deferral to the Local Property Tax revaluation process until November 2021. Measures like these are necessary to mitigate the adverse impact of the pandemic on living standards, and to prevent a protracted downturn. However, it is important that any subsequent narrowing of the tax base be targeted and temporary. In successive Country Specific Recommendations, the European Commission have called for a broadening of Ireland's tax base (see *Country Specific Recommendations 2020*, discussed on page 50).

30 *Employment in Sectors Most Exposed to the COVID-19 Pandemic*, PBO Publication 9 of 2020, Parliamentary Budget Office, 30 March 2020.

31 This suggests that, while TWSS and PUP recipients are liable to pay Income Tax on payments at year-end, this is unlikely to yield significant additional receipts for the Exchequer, given the progressivity of the tax structure.

Figure 11a: Tax contributions of foreign-owned MNCs, 2019

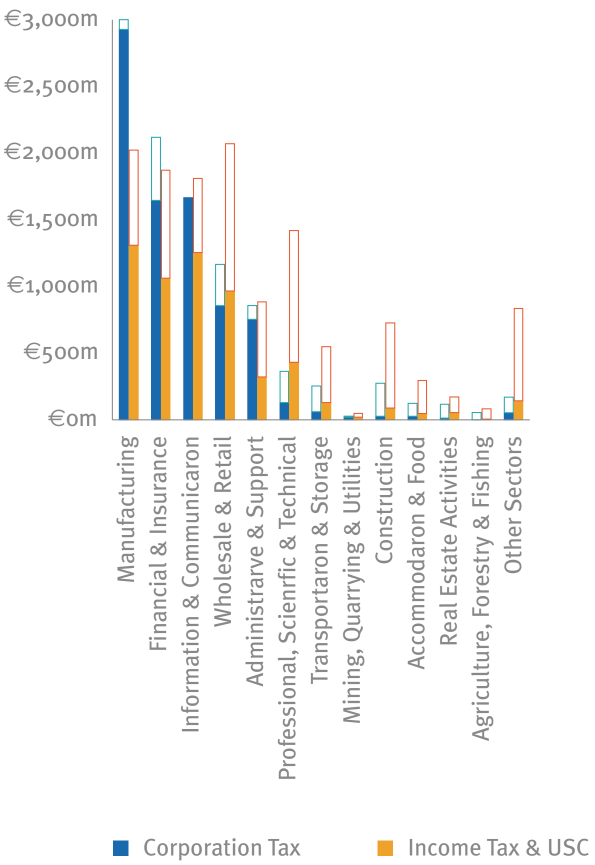


Figure 11b: Distribution of Income Tax receipts, 2018

Source: PBO based on data from the Revenue Commissioners and CSO.

Note: In Figure 11a, the shaded portion of each column shows the contribution of foreign-owned MNCs to the overall level of receipts.

Tax volatility

While the recent and persistent outperformance of Corporation Tax has helped to mitigate the fiscal impact of COVID-19, it serves as a reminder that this is a volatile and unpredictable source of income for the State, that should not be relied upon year-on-year.

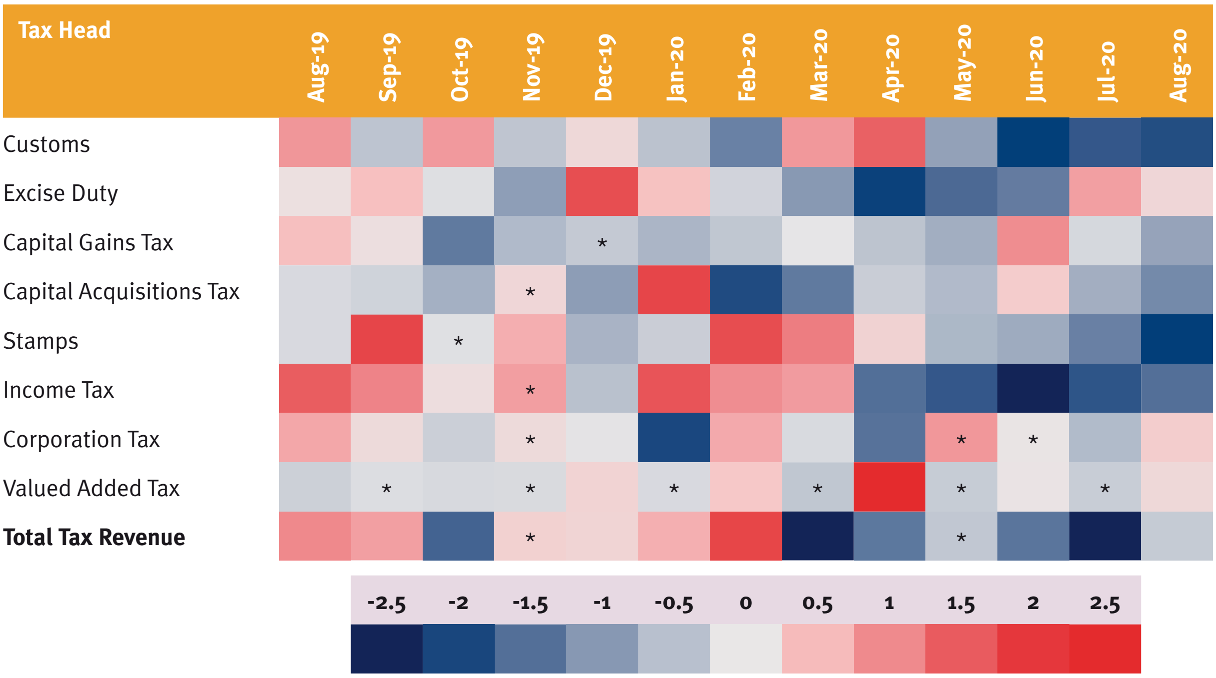
As previously emphasised by the PBO, the State should avoid using volatile revenues to fund permanent spending, and appropriate mechanisms should be employed to reduce the risk of this occurring (see Bedogni and Fitzgerald, 2020).[32] Figure 12 provides a visualisation of the volatility of each tax on an annual basis, over the last 12 months.

32 Bedogni, J. and K. Fitzgerald, 2020. *Revenue Volatility and the Role of the Rainy-Day Fund*, PBO Working Paper Series, No. 1 of 2020.

Heat maps are useful tools for monitoring macroeconomic and fiscal imbalances, and can be used to facilitate within-year monitoring of revenue volatility.[33] For each month, the heat map in Figure 12 illustrates how far the revenue growth rate is from the long-term average.

This approach shows the strong growth in Income Tax receipts experienced in quarter one (January through March) before the onset of COVID-19. It further highlights the general downward trajectory of tax revenue since March (beginning with a large annual decline in VAT due to the introduction of forbearance measures designed to provide cash-flow support to affected firms). It also shows the sharp but temporary growth in VAT receipts in April (resulting from a low base in 2019 due to the large amount repaid).

Figure 12: Heat map highlighting year-on-year revenue volatility for each tax, August 2019 - August 2020



Source: PBO based on data from DPER Databank.

*Note: * indicates a significant month for the tax (e.g. a VAT-due month, or a month in which there is traditionally a large volume of receipts). For each tax, the colours in the map indicate how far annual revenue growth for the month was relative to the medium-term average, in terms of standard deviations. Shades of red indicate that annual revenue growth was above average for the tax, while shades of blue indicate that annual revenue growth was below average for the tax.*

33 A similar tool has been developed by the Department of Finance, as published in the *Stability Programme Update* (April 2020). This follows on from previous work by the *Tax Forecasting Methodological Review Group* (December 2019). While the heat-map included in the SPU assessed revenues on a quarterly basis, we examine monthly outturns.

Non-tax Exchequer revenue

Non-tax revenue and capital receipts have served to bolster the headline Exchequer position, with sizeable annual growth resulting from a non-recurring payment from the Irish Banking Resolution Corporation (IBRC) in 2019, as well as a significant transfer from the National Asset Management Agency (NAMA) in June 2020.

Non-tax revenue[34] to end-August was €4.5 billion (up €1.6 billion on the same period in 2019). This figure was flattered by a payment of €2 billion from NAMA in June. Excluding Central Bank surplus income and this sizeable NAMA payment (which together total €3.2 billion), remaining non-tax revenue of €1.3 billion represents an improvement of 3.3% year-on-year.[35]

Capital receipts to end-August were down €209 million compared to the same period in 2019, amounting to €1 billion. This decline is the result of a non-recurring payment from the IBRC received in 2019.

Taken together, combined non-tax revenue and capital receipts at end-August amounted to €5.4 billion, an increase of €1.3 billion year-on-year.

34 This includes the National Lottery surplus, Central Bank surplus income, dividends from the ESB and Ervia (amongst others), and other miscellaneous receipts received by the Exchequer.

35 *Fiscal Monitor*, September 2020.

Government spending

Introduction

Monies approved for spending by Dáil Éireann during the budget process is referred to as Voted expenditure (spending). Most Government spending is Voted and is approved by Dáil Éireann when it scrutinises and considers Votes (i.e. a Department's or State Agency's spending). The Government's Budget Day *Expenditure Report*[36] sets out each Vote's spending plans at a high level – called Programmes. More granular detail (at subhead level) is provided in the *Revised Estimates for Public Services* (in December).[37]

The Government has responded to the pandemic through increasing (Voted) spending (see Figure 13). with the aim of:

(i) Providing the health service with further funding to meet the public health challenge; and

(ii) Protecting the social and economic wellbeing of the state through a range of employment, unemployment and business supports.

An appendix to this Commentary sets out the status of Votes' spending approved by Dáil Éireann for 2020 (see Appendix 1: Summary of 2020 Spending: Approved and Not Yet Approved). Almost €56.19 billion (capital and current spending) has been approved to date in 2020. In addition, Dáil Éireann has been notified of almost €12.15 billion in related spending which is not approved by the Dáil through the Estimates process although it is included with the Estimates documents (the Social Insurance Fund and the National Training Fund). The remaining Revised Estimates (published December 2019, but not yet approved) set out spending of almost €11.4 billion. Cumulatively – this amounts to over **€79.3 billion** in spending on public services for 2020.

However, in its pre-Budget 2021 press release the Government has indicated that it expects that gross voted spending will be more than €86 billion this year, €16 billion higher than the level set in the *Revised Estimates for Public Services 2020* published in December last year.[38] **This suggests that an additional €7 billion will be requested for Dáil approval via Further Revised Estimates, 'new' Revised Estimates and Supplementary Estimates during the rest of 2020.**

Spending levels in 2020 are highly atypical (see Box 5 below). This will have a knock-on impact into 2021 and possibly beyond if the increased spending is built into Government Departments' spending base.

The Government has indicated that:

> Budget 2021 will prioritise preserving and maintaining existing levels of service. Additional crisis-related supports will be tailored to those sectors and workers who are most in need. As per the Programme for Government, sectoral priorities will be health, housing and climate change.[39]

36 The Budget 2020 *Expenditure Report* is available *here*, for reference.

37 The Revised Estimates may be supplemented during the year by Further Revised Estimates and Supplementary Estimates.

38 *Ibid*.

39 Departments of Finance and of Public Expenditure & Reform. '*Ministers Donohoe & McGrath announce Budget 2021 Strategy*' (16 September 2020).

This suggests prioritising the following Votes:

- Communications, Climate Change & Environment (Vote 29);
- Business, Enterprise & Innovation (Vote 32);
- Housing, Planning & Local Government (Vote 34);
- Employment Affairs & Social Protection (Vote 37 and the Social Insurance Fund, SIF); and
- Health (Vote 38).

Pre-pandemic, these Votes were forecast to represent 66.6% and 50.4% of the gross current and capital spending set out for 2020. While Revised Estimates have yet to be approved for Communications, Climate Change & Environment, or Housing, Planning & Local Government, it can be anticipated that collectively these Votes will represent a greater proportion of gross Voted spending in 2021 than was anticipated. Spending to date, in 2020, suggests that this increase will primarily be driven by Health, Employment Affairs & Social Protection, and Business, Enterprise & Innovation.

Box 5: The Evolving Response to the Pandemic as charted by the PBO

Throughout 2020 the PBO has attempted to track the impact of the COVID-19 pandemic on Exchequer revenues and spending, and specifically how the pandemic has impacted on Revised Estimates approved to date. However, the PBO has gone further in examining specific pandemic related issues, including:

- *Ireland's Fiscal Response to COVID-19 – March 2020* (March 2020);
- *Ireland's fiscal response to COVID-19 – A PBO Analysis of the Emergency Measures in the Public Interest (COVID-19) Bill 2020 and previous Act* (March 2020);
- *Employment in Sectors Most Exposed to the COVID-19 Pandemic* (March 2020);
- *Corona Bonds: A brief introduction and explainer* (April 2020);
- *PBO COVID-19 Series: Ireland's Trade in Medical Products used to treat COVID-19* (April 2020);
- *The COVID-19 Pandemic: Employment and Unemployment Supports* (April 2020);
- *The COVID-19 Pandemic: Implications for the Social Insurance Fund* (May 2020);
- *European Stability Mechanism and the COVID-19 pandemic* (May 2020);
- *The COVID-19 Pandemic-State Spending in the Childcare Sector* (May 2020);
- *COVID-19 and State-owned companies in the Irish transport sector* (May 2020);
- *The COVID-19 Pandemic: Government Supports for Business* (June 2020);
- *The Environmental Impact of COVID-19: Will pandemic restrictions help Ireland meet EU emissions targets?* (July 2020);
- *July Jobs Stimulus: A Visual Presentation and Analysis* (July 2020);
- *Economic update (including impact of COVID-19): A Visual Presentation and Analysis* (August 2020);
- *Financial implications of COVID-19 for Ireland's university sector* (September 2020).

Box 5: The Evolving Response to the Pandemic as charted by the PBO (continued)

Prior to the *July Jobs Stimulus* (23 July 2020) there were some €14.6 billion of pandemic related enterprise and labour supports in place, which were then supplemented by a further €7.4 billion in measures in the stimulus. While not all of these measures require direct spending (being guarantees or revenue measures) – the cost of these various supports is significant.

In addition to pandemic related supports/schemes, there are also costs that have been driven directly by it. In particular, extra costs have arisen in the Health Sector alongside a loss of HSE income. Therefore, substantial additional spending will be sought from the Dáil through a Supplementary Estimate in November/December.[39]

Although the amounts are small, the Government has adopted an approach of enhancing supports in counties severely affected by COVID-19 (those requiring re-imposition of restrictions). These enhanced supports will mean extra costs although the indications are that the direct cost may be reasonably small.[40] There is a risk that re-imposition of restrictions will have knock-on consequences which result in significantly greater indirect costs – these could arise, for example, if the restrictions affect the viability of struggling businesses in affected areas – leading to increased unemployment.

Apart from the pandemic, pressures on Voted spending include the likelihood of a disorderly Brexit and of meeting the levels of capital investment set out in the National Development Programme (NDP). The economic damage from the pandemic, in conjunction with the prospect of a disorderly Brexit has led to significant pre-Budget 2021 demands from the private sector for Exchequer assistance in one form or another.

The duration of the pandemic cannot yet be estimated; however, the longer its duration the greater the likelihood that:

- Structural changes to the delivery of public services will become embedded; and
- The scope to increase spending on non-pandemic policies will contract.

This part of the Commentary will now discuss Government Spending Priorities in 2020 in order to better understand the context for Budget 2021. It will then examine Spending Issues for 2021 under a number of headings:

- Public sector pay and numbers;
- Capital spending;
- The EU's Country Specific Recommendations (CSRs) for Ireland;
- Brexit related spending; and
- Demographics.

40 PBO, *Voted Spending at end-July 2020 (August 2020)*.

41 Gov.ie, '*Government announces package for businesses in Kildare, Laois and Offaly*' (14 August 2020).

These issues have been chosen by the PBO for the same reasons that they have been the subject of ongoing analysis in our publications – they are central to the sustainable fiscal position of the country. Absent a sustainable fiscal position, the State will be unable to provide the scale and/or quality of public services the population require.

- Spending priorities in 2020 have a bearing on Budget 2021;
- Public sector pay and numbers are a significant component of Government's current spending which has long-term implications;
- Ireland has, in the past, reacted to recession by reducing capital spending which has impacted on the ability to recover from those recessions;
- As a Member State of the EU it is imperative that its recommendations on the State's policies be taken into account so that greater cohesion be achieved across the Single Market; and
- The demographic profile of the State is fundamental to the delivery of, and planning for, the economy and public services.

The format of the Budget day *Expenditure Report* and a guide to it are also provided in a following section. The Dáil relies upon the *Expenditure Report* to scrutinise the Budget – it is essential therefore that it be an accessible and useful document that facilitates understanding and debate. Unfortunately, the Expenditure Report cannot currently be described in such terms – thereby necessitating the PBO's attempt to provide a guide to it.

Box 6: Technical note on how spending is reported

A number of areas are not accounted for by Exchequer spending at either national or local levels. These include:

- The Social Insurance Fund (SIF);
- The National Training Fund (NTF);
- Semi-state bodies;
- Local authorities' own funds; and
- Other State funds such as the Ireland Strategic Investment Fund.

The *Ministers And Secretaries (Amendment) Act 2013* defines 'Government expenditure' as the sum of spending which is met out of Money:

- Supplied out of supply grants and Appropriations-in-Aid (A-in-A)[41] in respect of supply services;
- Paid out of the SIF; and
- Paid out of the NTF.

Therefore, both the SIF and NTF are included in the Estimates for Public Services even though they are not Voted, i.e. they are not presented to the Dáil for scrutiny, consideration and approval. Appropriations-in-Aid are also presented in the Estimates. This makes sense in practical terms as that money would have to be provided for through the Voted Estimates if it were not provided in the SIF, etc.

42 Departments/Offices' own income.

Box 6: Technical note on how spending is reported (continued)

This PBO analysis of Government spending on public services was prepared without the Department of Public Expenditure and Reform's (DPER) *Mid-Year Expenditure Report* (MYER) or the Irish Government Economic Evaluation Services' (IGEES) Spending Review papers. The timetable for these publications is not known. The PBO wishes to acknowledge the co-operation of the Department of Employment Affairs and Social Protection (DEASP) and, especially, of the Department of Health for providing data for this Commentary.

Spending priorities in 2020

Overview

Figure 13 shows the increase in Exchequer spending originally expected in 2020 compared to estimated outturn for 2019. A large increase in spending was anticipated for 2020 even before the pandemic (more than €2.7 billion Voted, and €400 million non-Voted).[43] However, as of August, spending in 2020 is approximately €12.5 billion above spending in 2019. This comprises an increase of almost €10.75 billion in Voted spending and almost €1.75 billion in non-Voted SIF and NTF spending.

This section discusses this increase concentrating on the two Votes where most of the additional expenditure is concentrated, Employment Affairs and Social Protection and Health. It also examines other Votes where a Supplementary Estimate may be needed in 2020.

As of mid-September 2020, the majority of Votes have had a Revised Estimate approved by Dáil Éireann (see Appendix 3: Status of the Revised Estimates 2020). The largest outstanding non-approved Votes are Vote 34: Housing, Planning and Local Government, Vote 31: Transport, Tourism & Sport, Vote 30: Agriculture, Food & the Marine and Vote 40: Children & Youth Affairs.[44]

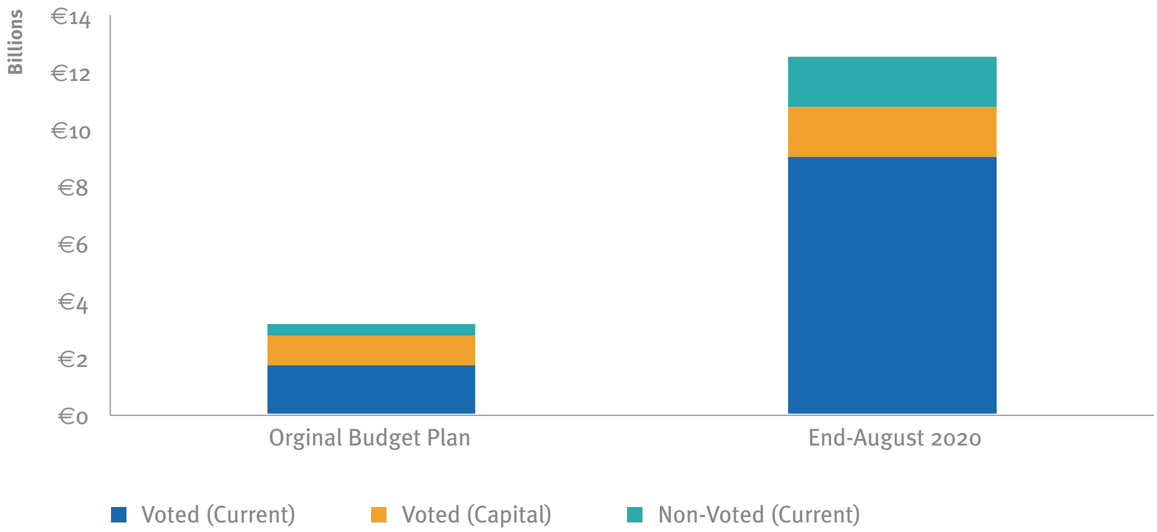
Supplementary Estimates are a certainty for some Votes.[45] In addition, Further Revised Estimates are necessary where the structures of Votes are to be changed (resulting from transfers of functions) – for example Vote 40: Children & Youth Affairs portfolio is to grow to incorporate aspects of Vote 24: Justice and Equality and a new Department – Further and Higher Education, Research, Innovation and Science – was established but needs its own Estimate.

43 Revised Estimates for Public Services 2020 (December 2019).

44 Outstanding Votes are Votes 16, 23, 29, 30, 31, 34, and 40.

45 PBO, *Voted Spending at end-July 2020* (August 2020).

Figure 13: Government Spending increases 2020 against 2019 Outturn*



Source: PBO based on the Revised Estimates for Public Services 2019 (December 2018); DPER Databank, Revised Estimates for Public Services 2020 (December 2019); and the various Revised Estimates approved by end-August 2020.

* *Spending on the pandemic unemployment payment (PUP) was subsequently recategorised as Non-Voted spending (Current) rather than Voted (Current).*

Employment Affairs and Social Protection: Vote 37 and the SIF

As of end-August, gross spending across all Vote Groups was €7.83 billion over profile. Vote 37 alone was responsible for almost €6.2 billion (79%) of this extra spending.[46] As of its *Revised Estimates* (2020), Vote 37 has a gross allocation of more than €16.5 billion. This was a 51% increase on 2019 levels. This Revised Estimate will not reflect the end-year position for Vote 37 as:

- Policy changes introduced after the Revised Estimate placed greater spending pressure on the Vote (the duration of pandemic schemes was increased – albeit with changes to rates of payment); and
- A legislative change (discussed below) serves to redistribute spending between Vote 37 and the Social Insurance Fund (SIF).

The PBO anticipates that Vote 37: Employment Affairs & Social Protection will be refunded by the SIF in respect of all Pandemic Unemployment Payment (PUP) spending to date.[47] The *Social Welfare (Covid-19) (Amendment) Act 2020* states that:

46 Department of Finance, *Fiscal Monitor: August 2020* (September 2020).

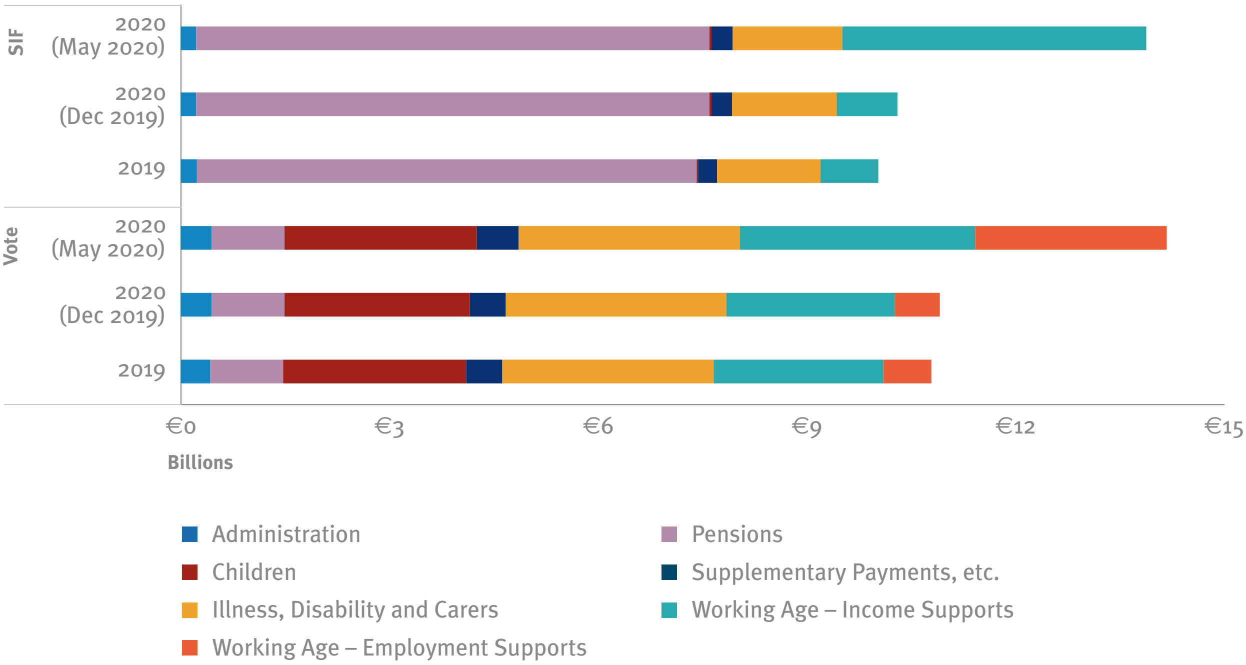
47 See PBO, *Voted Spending at end-July 2020* (August 2020) p.5.

> Benefit to be paid or provided for out of the Social Insurance Fund shall include such sums as the Minister may estimate on the basis that may be agreed between the Minister and the Minister for Public Expenditure and Reform in respect of the payments, commonly known as the pandemic unemployment payments, made under section 202 on and after 13 March 2020 to the relevant date to address the adverse economic effects of the spread of the disease known as COVID-19...

This spending reached an estimated €3 billion at end July.[48] This suggests that the Vote can expect a refund of more than €3 billion from the SIF (it is not yet clear when this refund may occur). This will reduce the reserves of the Social Insurance Fund (SIF) significantly. Future payments of the PUP will also be taken from the SIF rather than the Vote.

Figure 14 shows Vote 37 and the Social Insurance Fund spending by broad payment category comparing the pre- and post-pandemic situations. Working age – employment supports (e.g. Temporary Wage Subsidy Scheme – TWSS) and working age income supports (e.g. the Pandemic Unemployment Payment) are the categories most affected by the pandemic. Figure 14 re-categorises the allocation for the Pandemic Unemployment Payment from Voted spending to SIF spending in line with the Social-Welfare (Covid-19) (Amendment) Act 2020. However, further changes to the level of spending are expected as the Pandemic Unemployment Payment was extended, and a new Employment Wage Subsidy Scheme introduced in the *July Jobs Stimulus* package to succeed the TWSS. See Box 7 for more details on these schemes introduced in response to the pandemic.

Figure 14: Employment Affairs and Social Protection Spending Allocations by category



Source: Revised Estimates for Public Services 2020 (December 2019 and May 2020). PUP is attributed to the SIF.

48 Correspondence from the Department of Employment Affairs and Social Protection (31 July 2020).

Box 7: Pandemic Unemployment Payment and Wage Subsidy Schemes

COVID-19 Pandemic Unemployment Payment (PUP)

The COVID-19 Pandemic Unemployment Payment (PUP) is an emergency payment, available to employees whose employers cannot retain them on their payroll and to the self-employed, to compensate them for loss of employment and earnings due to the COVID-19 pandemic and the resultant Government restrictions. The PUP will remain in place until April 2021. From March to August, PUP payments cost an estimated €3.3 billion.[48] At the peak in early May 2020, just under 600,000 persons were receiving the PUP.

Originally introduced at a flat rate of €350 per week, from 29 June to 17 September, the PUP was paid at 2 rates:

- If the recipient previously earned €200 per week or more, the PUP rate was €350 per week; and
- If they earned less than €200 per week – the PUP rate was €203 per week, the same as Jobseeker's Benefit.[49]

From 17 September 2020 until 31 January 2021 the PUP is to be paid at 3 rates:

- If the recipient previously earned less than €200 per week, the PUP rate is €203 per week;
- If they earned between €200 and €300 per week, the PUP rate is €250 per week; and
- If they earned over €300 per week – PUP rate is €300 per week.[50] From 1 February 2021 the €300 rate is due to fall to €250 per week.

The PUP is due to cease on 31 March 2021, with recipients at that stage moving to a Jobseeker Benefit/Allowance payment if they are eligible.

Temporary Wage Subsidy Scheme (TWSS)

The Temporary COVID-19 Wage Subsidy Scheme (TWSS) started in March 2020. It replaced the Revenue Employer COVID-19 Refund Scheme.[51] The cost of TWSS is estimated at €2.7 billion at the end of July and between March and July an estimated 69,500 employers availed of the scheme, covering over 600,000 employees.[52] The aim of the scheme was to keep a strong link between employees and their workplace, by enabling employers to pay their workers during the COVID-19 pandemic.

Employers who lost a minimum of 25% of turnover because of COVID-19 were eligible. The payment was provided for people who are also receiving the state pension and for apprentices. The subsidy was based on level of the employee's pay (see below table).

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49 PBO (2020) *Government Spending on Public Services at end of August 2020*.
50 Department of Finance (2020) *COVID-19 Pandemic Unemployment Payment*.
51 Department of Finance (2020) *COVID-19 Pandemic Unemployment Payment Rates until April 2021*.
52 Citizens Information (2020) *COVID 19 Wage Subsidy Scheme*.
53 Department of Finance (2020) *Minister Donohoe encourages employers to avail of the new Employment Wage Subsidy Scheme*.

Income thresholds	Level of subsidy payment
Previous average take home pay below €412 per week	85% of the weekly average take home pay
Previous average take home pay between €412 and €500 per week	Subsidy of €350 per week
Previous average take home pay between €500 and €586 per week	70% of the weekly average take home pay, up to a maximum of €410
Previous average take home pay between €586 and €960 per week	1) Subsidy of €350 per week, where the employer pays a top up payment up to 60% of the employee's previous weekly take home pay 2) Subsidy of €205 per week, where the employer pays a top up payment between 60% and 80% of the employee's previous weekly take home pay 3) No subsidy is payable, where the employer pays a top up payment above 80% of the employee's previous weekly take home pay
Previous average take home pay above €960 per week	No subsidy applies for employee's whose current pay is more than €960

Source: Citizens Information.

Employment wage subsidy scheme (EWSS)

The Employment Wage Subsidy Scheme (EWSS) will replace the TWSS from 1 September 2020 to 31 March 2021. EWSS is a subsidy to businesses that expect to experience at least a 30% reduction in turnover or customer orders between 1 July and 31 December 2020 and is based on the number of employees including seasonal staff and new employees.[53] The subsidy is based on employee's gross weekly wage. The estimated cost of EWSS is €1.9 billion.[54]

Employee Gross Weekly Wages	Subsidy Payable
Level of subsidy the employer will receive is per paid employee	
Less than €151.50	Nil
From €151.50 to €202.99	From €151.50 to €202.99
From €203 to €1,462	€203
More than €1,462	Nil

Source: Revenue Commissioners.

54 Citizens Information (2020) *Employment Wage Subsidy Scheme*.

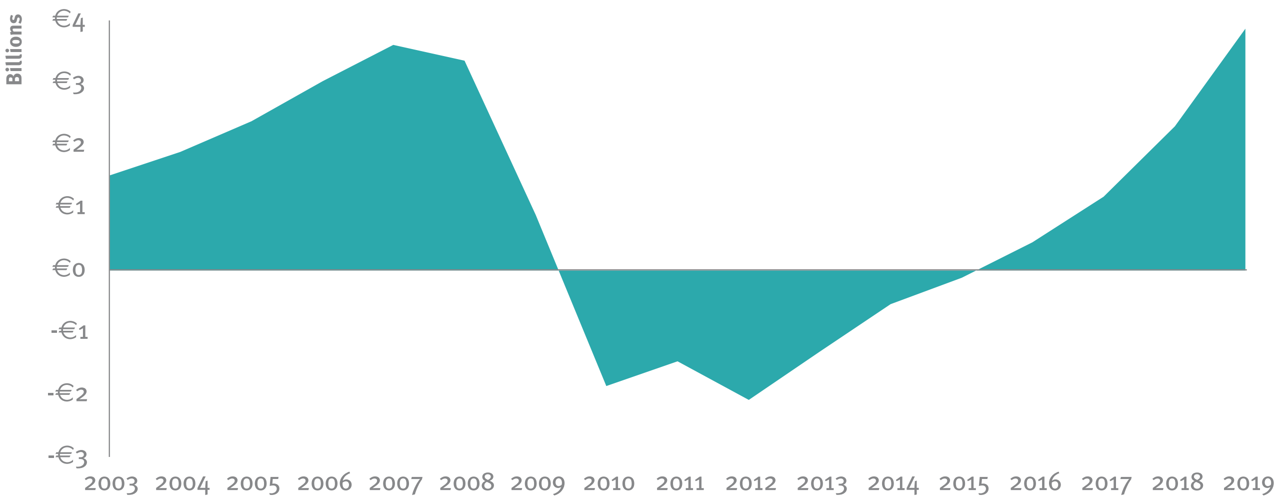
55 PBO (2020) *Government Spending on Public Services at end of August 2020*.

Pre-Budget 2021 PBO Commentary

Figure 15 illustrates recent developments in the SIF's reserves. In years where the SIF runs a surplus, the reserves of the SIF grow (2003 to 2007, and 2016 to 2019). However, in years where the SIF's income is insufficient to meet its liabilities it will reduce its reserves (2008 to 2010). In years where the SIF's reserves are exhausted, and its income is insufficient to meet its liabilities, direct funding from the Exchequer (a subvention) is required to meet the shortfall (2010 to 2014).

The SIF is counter cyclical as its income and expenditure are closely linked to the economic cycle. As the SIF's income is driven by Pay Related Social Insurance (PRSI) – periods of full (or near full employment) will lead to a combination of strong income flows and reduced spending on unemployment/employment supports.[56] During recessions its income falls and payments rise thus automatically providing a counter-cyclical buffer.

Figure 15: The Cyclical Nature of SIF Reserves



Source: Databank.

However, the PBO has previously indicated that the SIF is subject to significant volatility and has limited counter-cyclical capacity.[57] Recent years have highlighted the fragility of SIF reserves in response to short-term pressures (or pressures likely to be relatively short-term) i.e. the fiscal crisis and, more recently, the COVID-19 pandemic. Funding the PUP will likely use up the SIF reserves.

In normal times the main payments from the SIF are pension payments. In 2018, the most recent year for which accounts of the SIF are currently available, pensions represented almost 60.2% of SIF expenditure.[58] While the Irish State pension system is not pre-funded, SIF reserves are useful in meeting some of the pension pressures the State faces. Population ageing had meant that the SIF (without reform) was expected to begin running annual deficits in the near future.[59] The increase in PRSI receipts in recent years (as a result of strong employment growth) had pushed forward the date

56 Pensions represent the biggest proportion of SIF spending and this is driven by demographic trends rather than economic trends.

57 See PBO, *Revised Estimate for Public Services 2020 [Vote 37]: Employment Affairs and Social Protection* (May 2020) pp.10-11; and PBO, '*Vote 37: Employment Affairs and Social Protection (Revised estimate): A visual presentation and analysis*' (May 2020).

58 In ordinary circumstances pension payments would be expected to comprise the majority of SIF expenditure. See Department of Employment Affairs and Social Protection, *Social Insurance Fund: Financial Statements 2018* (2019) p.9.

59 See Department of Social Protection (2017) *Actuarial Review of the Social Insurance Fund 31 January 2015*.

when SIF income would have exceeded expenditure. However, with reserves now (likely) to be exhausted by the PUP, and PRSI receipts falling due to the drop in employment the SIF is likely to go into deficit and need Exchequer funding (a subvention from Vote 37) in future years.

Pension reform will be essential in providing for the long-term viability of the SIF, as well as examining the PRSI system. In summary, if a single year of crisis can significantly reduce the accumulated reserves of the SIF, it is clear that the SIF in its current form will fail to meet long-term demographic challenges. The PBO has discussed the SIF in a range of documents previously; however, more detailed and up to date analysis of the challenges facing the SIF can be found in the Fiscal Council's *Long-term Sustainability Report: Fiscal challenges and risks 2025-2050* (July 2020).[60]

Depending on the timing of the SIF refund to the Vote (in respect of costs associated with the Pandemic Unemployment Payment), Vote 37 may not require additional funding for 2020.

Health: Vote 38

The COVID-19 pandemic has had a significant impact on the delivery of health services in Ireland. It is expected that this will result in demands for additional funding. The PBO has regularly commented on the scale of health expenditure and the challenges in conducting effective scrutiny of that spending.

Health spending has grown consistently since the dis-establishment of the HSE Vote (2014).[61] That, in itself, is not the key issue – the PBO's concern relates to how and when these increases occur – with budgetary allocations regularly exceeded and additional provision being made by Supplementary Estimates. While overall levels of spending should not be ignored – it is of more concern that these levels of spending have not been accurately estimated in recent years with Supplementary Estimates being the norm. In addition, the PBO has also pointed out that:

- The relationship between the funding sanctioned by the Dáil through the Health Vote and how it is spent by the HSE is opaque;[62] and
- The Dáil is not in a position to scrutinise the Health Vote based on the performance information provided in the Revised Estimates.[63]

In the *Revised Estimate for Health* (June 2020) some €1,997 million was sought (and approved by Dáil Éireann) for three subheads specifically related to COVID-19 spending. This was in addition to increases previously set out in the (unapproved) *Revised Estimates for Public Services 2020* (December 2019) which amounted to an €871.55 million increase over the provisional outturn for 2019.[64]

60 For an introduction to the SIF, and the long-term challenges it faces, see PBO, *An overview of the Social Insurance Fund (SIF)* (2018).

61 See PBO infographic (Publication 75 of 2019), *Exploring Health Vote Budget Developments from 2015 to 2020*.

62 See PBO Briefing Paper 14 of 2018, *The HSE National Service Plan and its Relationship with the Health Vote*.

63 See PBO infographic (Publication 44 of 2019), *The Health Vote: What is the link between funding and performance?*

64 PBO, *Revised Estimate for Public Services 2020[Vote 38]: Health* (June 2020).

A substantial Supplementary Estimate will be required in 2020 to meet the spending requirements of Vote 38 and the challenges identified by the Department of Health in correspondence to the PBO. See Box 8 for more details on the Health Services COVID-19 response. Gross health spending in 2020 may exceed €21 billion (approximately €1 billion over its approved Estimate).[65] The PBO is also conscious that an ever evolving public health response continuously necessitates re-estimation of Health spending – with the creation of a new permanent unit in the HSE for the purposes of testing, tracking and tracing announced in August.[66, 67]

The pandemic response was bound to be costly; however, the PBO notes that the Department of Health has clearly indicated "it will cost more to do less" in future – meaning that service delivery will either have to be reduced or alternatively – health spending will need to increase to maintain delivery of a 'normal' level of service during the pandemic. The HSE's *Winter Plan* was published on 24 September and it makes provision for €604 million in additional spending (€200 million in 2020 and €404 million in 2021), including, amongst others, an additional 4.7 million home support hours. Home support is intended to ease pressure on hospitals.[68] The Plan allocates €59 million to purchase services from the private hospital sector if required.

The PBO has already noted[69] that the pandemic may increase costs indirectly for the Health Service – with these increased costs occurring as service delivery resumes (either in late 2020 or throughout 2021).

In a non-pandemic scenario, the PBO would still anticipate rising health spending in 2021; however, it is now unclear how the pandemic will interact with pre-existing health spending trends and whether it will obscure underlying growth in health spending.[70] The provision of standalone COVID-19 subheads in the *Revised Estimates for Public Services 2020* (June 2020) help to explain the dynamic of underlying health spending increases alongside COVID specific costs. However, it will remain challenging to isolate underlying health spending increases from the increased costs of service delivery due to the pandemic.

While standalone COVID-19 subheads are useful in isolating pandemic spending in the short-term, should the pandemic necessitate long-term or fundamental changes in health service delivery then ultimately these subheads should cease and costs allocated directly to the affected subheads.

65 PBO, *Voted Spending at end-July 2020* (August 2020).

66 Mr Paul Reid, '*Special Committee on COVID-19 Response debate – Wednesday, 26 Aug 2020*' (August 2020).

67 Martin Wall and Harry McGee, '*Ireland's COVID plan will see five levels, billions spent on health, public pay hikes unlikely*' (12 September 2020, The Irish Times).

68 Pat Leahy, Simon Carswell, and Martin Wall, '*Coronavirus: Dublin restrictions on the table as new COVID-19 plan is finalised*' (14 September 2020, The Irish Times).

69 PBO, *Revised Estimate for Public Services 2020 [Vote 38]: Health* (June 2020) p.7.

70 This would have been a continuation of trends in healthcare spending and would also be understandable in the context of Ireland's increasing and ageing population.

Box 8: Health Services – Living with COVID-19

In the Government's *Resilience and Recovery 2020-2021: Plan for Living with COVID-19* (September 2020) a range of health measures are described which will necessitate additional health spending. Up to 11 September, COVID-19 measures are estimated to have cost €1,637 million in current and €215 million in capital spending – in addition to an income loss of €126 million.[70] The Plan's health measures relate largely to recruiting additional staff and investment. In terms of recruitment it states that:

- The HSE will recruit up to 150 permanent staff (and other temporary staff) to ensure that there is capacity to deal with public health emergencies (p.30);
- The new testing service will employ a 3,000 strong workforce – with recent competitions to recruit 700 swabbers and 500 contact tracing staff (p.31); and
- There will be additional staffing for mental health community teams to address any increased demand on services arising from the pandemic (p.42).

The testing and tracing workforce will be "in excess of 3,000 staff" (p.31). It is not clear, as yet, if this workforce will be a combination of seconded staff alongside the 1,200 new staff (700 swabbers, 500 contact tracing) or if it is intended to recruit the entire 3,000+ staff.

The issue of staffing was not clarified in the HSE's Winter Plan which did however categorise how much would be spent under various headings in 2020 and 2021 (to April). The Plan did not specify whether all the €604 million set out was in response to the pandemic or whether some of it might have been required absent a pandemic.

Potential Supplementary Estimates 2020

It is challenging to identify which Votes will seek Supplementary Estimates in November/December 2020 – with the exception of Vote 38: Health as detailed above.

In some cases, Votes have yet to have even their Revised Estimate for 2020 approved and therefore remain bound by the $^4/_5$ths rule (limiting their spending this year to 80% of what was approved for 2019) – in particular, Votes within the Housing, Planning and Local Government Vote Group have yet to receive a voted allocation for 2020. Other Votes outstanding include Vote 31: Transport, Tourism and Sport, Vote 30: Agriculture, Food and the Marine and Vote 40: Children and Youth Affairs.

There is however a likelihood that both Housing, Planning & Local Government and Transport, Tourism & Sport will seek further funding in 2020 due to the decision to waive Local Authority Rates and to maintain public service obligations in the transport sector where fare income has fallen dramatically, respectively.

71 Data received by the PBO from the Department of Health, 21 September 2020.

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The above Votes may see 'new' Revised Estimates submitted for approval (compared to the initial Revised Estimates published in December 2019). If so, Supplementary Estimates[72] for them should not be necessary.

Monthly spending profiles were not updated in line with the new Revised Estimates. Using outdated spending profiles highlights the scale of the impact of the pandemic but obscures how spending trends are developing in light of approved COVID-19 spending i.e. it is not easy to see if above profile spending is in line with subsequently approved allocations or if pandemic spending is above or below these new levels. The PBO notes that the development of new profiles by the Department of Employment Affairs and Social Protection facilitates more informed tracking of spending performance in the context of the pandemic.[73]

Finally, Budget 2021 announcements may affect expenditure in 2020 necessitating the need for Supplementary Estimates e.g. Social Protection Christmas Bonus is announced at Budget time and generally needs a Supplementary Estimate. The Government may use the Budget to introduce expenditure measures in other areas.

Spending issues for 2021

Public sector pay and numbers

Figure 16 illustrates recent developments in public sector staffing and pay expenditure. Pay and staffing relate primarily to the staff and associated costs as approved by Dáil Éireann.[74] For 2020, Exchequer pay spending is based on the (pre-pandemic) pay allocations set out in the *Revised Estimates for Public Services* (December 2019).

Before the pandemic it was forecast that public sector employment funded directly by the Exchequer would increase by 4,462 (+1.4%) with gross pay spending rising by €819.8 million (4.3%). Public sector workers and public sector pay are subject to varying definitions – here a narrow definition of those employed and paid directly with Voted monies is used. This includes sectoral workers (Education, Health, Defence, Justice), civil service and those employed in non-commercial semi-state agencies. However, this serves to exclude cohorts such as local authority workers (29,231.18 WTEs at Q4 2019).[75] It also excludes those employed in commercial semi-state agencies (41,600 in Q4 2019).[76]

72 The PBO explains what Supplementary Estimates are in its analysis of the 2019 Supplementary Estimates available *here*.

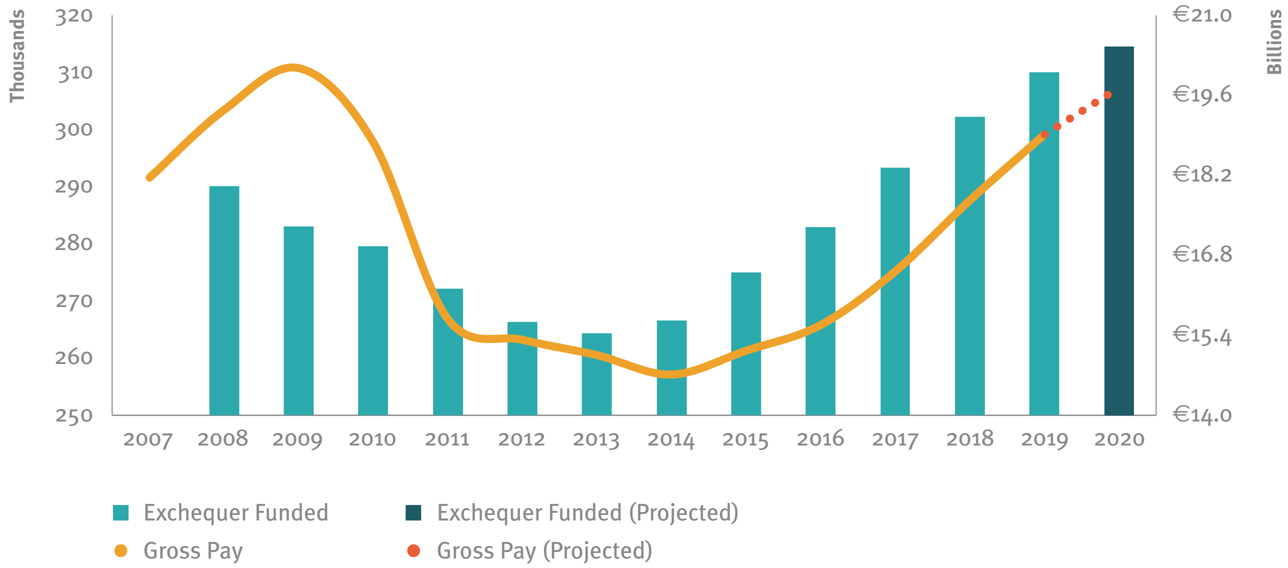
73 PBO, *Voted Spending at end-July 2020* (August 2020) p.2.

74 The staffing levels illustrated also include the staff of the Oireachtas (576.91 at Q4 2019); however, the pay cost associated with these staff is not allocated via the same means.

75 Semi-state companies are categorised as public sector employers by the CSO. See CSO, *EHQ10: Public Sector Employment and Earnings by Sub Sector*, The CSO counts employees rather than Whole Time Equivalents (WTEs) as DPER does in the *databank*.

76 See CSO, *EHQ10: Public Sector Employment and Earnings by Sub Sector, Quarter and Statistic* (2020). It is important to note that the CSO figures refer to total persons employed rather than WTEs as per the DPER Databank.

Figure 16: Public Service Staffing and Gross Pay (2007-2020)*



Source: PBO based on Department of Public Expenditure and Reform, 'Databank'; Department of Public Expenditure and Reform; and Revised Estimates for Public Services 2020 (2019).

* *The Exchequer funded staffing figure includes 576.91 Civil Service WTEs (Q4 2019) employed in the Houses of the Oireachtas; however, pay for these staff is not reflected in the pay figures.*

It is unclear what the impact of the pandemic will be on public sector employment and associated pay costs for 2020 compared to the pre-pandemic forecast. In some areas it can be expected that pay costs may be higher than previously forecast, the pandemic may have impacted on Health in particular. Staffing costs may also increase in the Education sector.[77] Conversely, the pandemic may have averted (or delayed) recruitment in other sectors. How the pandemic may impact upon longer-term public sector pay and staffing levels is even more important.

The Public Service Stability Agreement (PSSA) expires on 31 December 2020. The Government has decided to pay the final 2% pay increase due under the PSSA in October 2020. Negotiations for a successor agreement were anticipated in 2020. However, the pandemic delayed the start of negotiations. The increased budget deficit will likely limit scope for increased pay (particularly across the board) in a successor agreement.[78] Long-standing Industrial Relations issues such as the in Education and Health sectors may complicate negotiations.

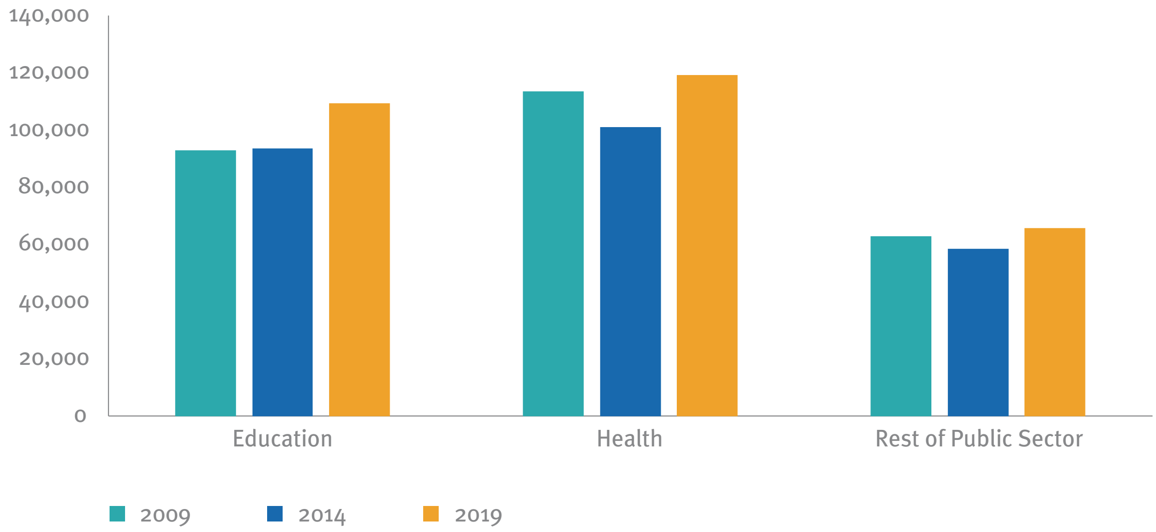
77 Marese McDonagh, '*Some 2,800 part-time teachers offered extra hours as schools reopen*' (4 September 2020, The Irish Times).

78 Martin Wall and Harry McGee, '*Ireland's COVID plan will see five levels, billions spent on health, public pay hikes unlikely*' (12 September 2020, The Irish Times).

There has been speculation of a public sector recruitment embargo.[79] While this would limit increases in the public sector pay bill it would not completely halt increases. It could mean a reduction in total staffing over the course of the freeze. However, a significant cohort of existing employees would still benefit from increments (salary increases due to moving up pay scales).

Unfortunately, data on the public sector workforce is limited. Even data on the civil service workforce[80] is not regularly published. Data from the Civil Service Employee Engagement Survey (CSEES) and the Civil Service Human Resource Management System (if published in appropriate formats) could provide valuable insights. For example, the ESRI was granted access to these data sources and published a detailed paper in December 2017.[81] **The PBO recommends that these datasets be published at frequent intervals – at least annually.**

Figure 17: Public Service Numbers (Direct Exchequer) Q4 2009, Q4 2014, Q4 2019



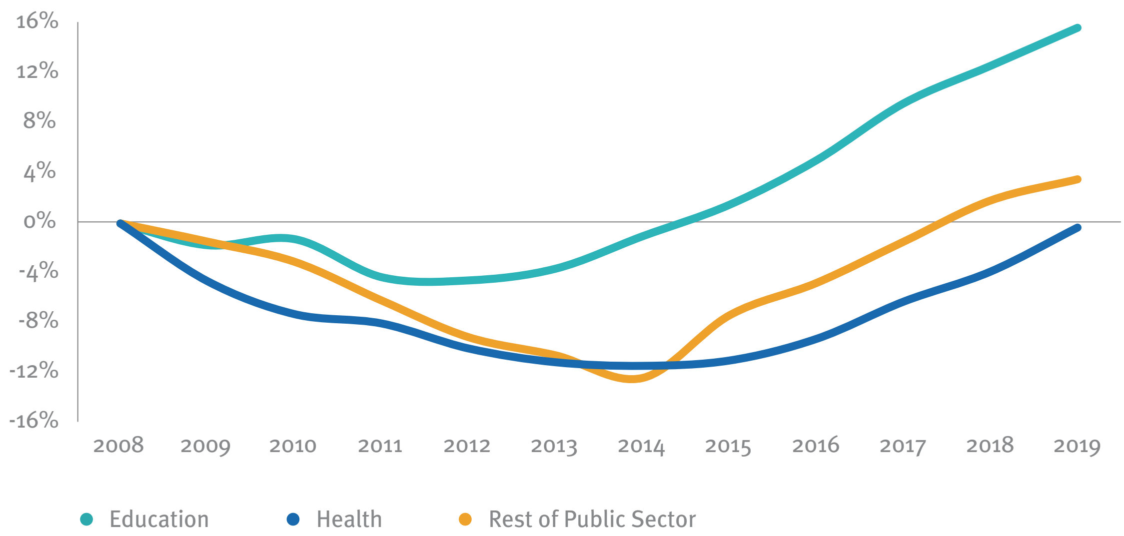
Source: DPER Databank.
Note: Does not include Local Authority Staff or other public sector workers not paid directly by the Exchequer.

79 Daniel McConnell, '*Fresh public sector recruitment ban may be needed, minister told*' (Irish Examiner, 02 August 2020).

80 The Civil Service comprised 42,273.44 WTEs at end-2019 approximately 12.5% of a total public sector workforce (DPER, '*Databank*' (2020)).

81 Helen Russell, Emer Smyth, Selina McCoy, Raffaele Grotti, Dorothy Watson, and Oona Kenny, *A Study of Gender in Senior Civil Service Positions in Ireland* (December 2017).

Figure 18: Percentage Change in Public Service Numbers (Direct Exchequer) at Q4 each year (Baseline Q4 2008)



Source: DPER Databank.
Note: Does not include Local Authority Staff or other public sector workers not paid directly by the Exchequer.

Figure 17 and Figure 18 illustrate changes in public sector workforce numbers in recent years – with specific focus on public sector workers whose pay is directly provided by the Exchequer. This excludes local authority and semi-state workers. Figure 17 illustrates changes in overall numbers whereas Figure 18 illustrates changes relative to a baseline of Q4 2008. Figure 18 shows that public sector numbers declined during the economic crisis, though to a lesser extent in the education sector compared to the rest of the public service. The education sector also saw a faster rebound to pre-crisis staffing levels (2015) compared to the health sector (2018). Figure 18 shows that the staffing levels of the rest of the public sector exceeded pre-crisis levels in 2019.

Capital spending

In the original Estimates for 2020 (December 2019), the Voted Capital Expenditure allocation was due to rise by 11% over 2019, to €8.16 billion. While capital spending in 2020 was due to see its largest allocation since 2008, it only represented an 11.6% share of total Voted Expenditure for the year – well below a pre-financial crisis average share of 14.1%.[82] Capital spending has been increasing in recent years with the importance of capital spending being recognised by the last Government in the *National Development Plan: 2018-2027* (February 2018).[83]

82 Average share of Capital Expenditure between 2001 and 2008. *Source: DPER Databank.*

83 See also PBO, *The National Development Plan – An overview, and an analysis of major (discrete) infrastructure projects* (June 2019).

Pre-Budget 2021 PBO Commentary

The *Mid-Year Expenditure Report 2019* (July 2019) had forecast that the 2008 gross allocation would be surpassed in 2022. However, the impact of the COVID-19 pandemic on public finances, the resulting unexpected in-year spending, and uncertainty over the future economic outlook, is likely to require the adaptation of projected spending profiles for the coming years. To date, of the Departments and Vote Groups which have their 2020 Estimates passed by Dáil Éireann, three have increased their capital allocation by an aggregate €712.8 million (see Table 6). This is an 8.7% increase over the proposed 2020 allocation.

Table 6: Comparison of Original and New Capital Estimates 2020 (€000s)

Vote	Estimates 2020 (largest Capital allocations)	Dec REV 2020	New REV 2020	Change	Change (%)
34	Housing, Planning & Local Government*	**2,236,385**			
31	Transport, Tourism & Sport*	**1,942,735**			
26	Education & Skills	**922,000**	**922,000**	0	
38	Health	**854,250**	**1,074,250**	220,000	25.8%
32	Business, Enterprise & Innovation**	**632,000**	**1,112,592**	480,592	76.0%
29	Communications, Climate Action & Environment*	**381,500**			
30	Agriculture, Food & The Marine*	**274,000**			
13	Office of Public Works	**204,049**	**204,049**	0	
42	Rural & Community Development*	**150,000**			
20	Garda Síochána	**116,500**	**116,500**	0	
36	Defence	**113,000**	**125,200**	12,200	10.8%

* *'New' 2020 Estimate not yet presented to Dáil Eireann.*

** *Capital spending in Vote 32 is majority in the form of grant payments and does not relate to physical building projects.*

Source: Revised Estimates for Public Expenditure 2020 (published December 2019 and 2020).

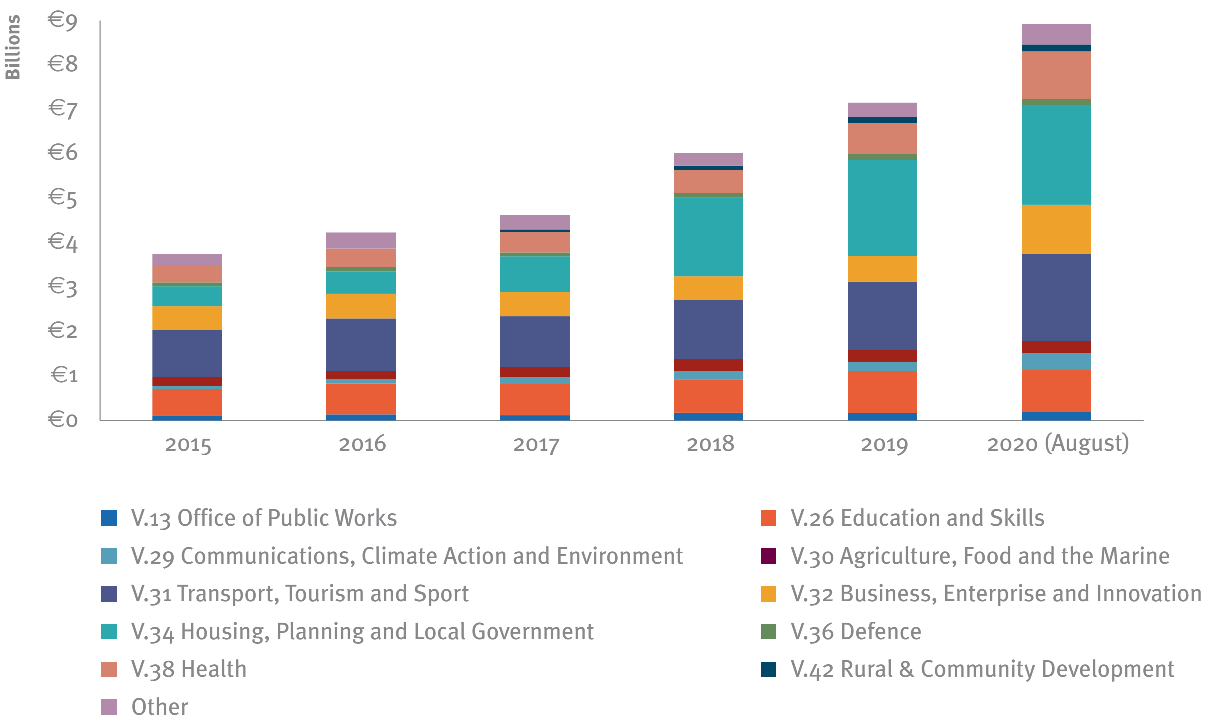
Ireland has a susceptibility to pro-cyclical variations in spending characterised by above trend spending increases as the economy grows and below trend growth (and/or reductions) as it slows or contracts. The impact on capital spend is particularly pronounced.[84] Part of the response to the financial crisis period of 2008-2011 was to drastically reduce the capital budget allocation in monetary terms by 50%. By 2013, the capital allocation stood at just under 38% of the 2008 peak. In contrast, the current allocation between 2008 and 2011 saw just a 1% decrease in that time, increasing to a 4.5% contraction by 2013.

84 *Cyclicality of Irish Public Spending*, IGEES Spending Review 2019.

The *Programme for Government* highlighted a number of areas where Capital Expenditure is to be maintained, and in some sectors increased.[85] Commitments to funding Irish Water's drinking water and wastewater infrastructure on a multi-annual basis, increasing the social housing stock via Local Authorities, and improvements to public transport/cycling/walking infrastructure, amongst others, were outlined, Given the rapid deterioration in the Exchequer position the question arises over whether commitments can be maintained.

Figure 19 illustrates the capital allocation each year from 2015 to 2020. It tracks the 10 largest recipients in 2020 through the period. Over the period, Vote 34 Housing, Planning & Local Government clearly contributed substantially to increased capital spending (the increase in the Housing, Planning & Local Government budget arose from the reclassifying of Water Services (including Irish Water) to its remit). However, in 2020 increases are higher in Vote 31 Transport, Tourism & Sport, Vote 32 Business, Enterprise & Innovation, and Vote 38 Health.

Figure 19: Capital Expenditure by Vote 2015-2020



Source: PBO based on DPER 'Databank' & Revised Estimates for Public Services 2020 (various).

The full extent of capital spending in 2020 will only be known closer to the end of the year when all Estimates have been presented to Dáil Éireann and requests for Supplementary Estimates made. The pandemic has meant that many projects were put on-hold or delayed due to restrictions or changed priorities. Some Departments have indicated to the PBO that many such projects will see a return to profiled spending by year-end. Departments have the capacity to carryover up to 10% of unspent capital allocations to the following year (known as deferred surrender).[86]

85 *Programme for Government – Our Shared Future*, June 2020.

86 *Finance Act 2004, Section 91, 2(a)*.

Notwithstanding the increases in allocations already received, as per Table 6, overall capital spend may be broadly in line with the initial allocation due to the delay in projects. Capital expenditure is not expected to increase significantly in 2021 – with a recent announcement stating that total gross voted capital expenditure in 2021 would reach €9.1 billion – this would mark the smallest year-on-year growth in gross capital expenditure in recent years.[87]

The EU's Country Specific Recommendations (CSRs)

The European Commission Recommendation for a *Council Recommendation on the 2020 National Reform Programme of Ireland and delivering a Council opinion on the 2020 Stability Programme of Ireland* (May 2020) contains the draft Country Specific Recommendations (CSRs) 2020, these were formally adopted in July.[88] The PBO has previously discussed the CSRs for Ireland for 2020 in detail.[89]

The European Semester is an important part of the national budgetary cycle. The *draft Country Specific Recommendations* proposed by the European Commission for Ireland are a vital component of the Semester.[90] Having been adopted by the European Council, these recommendations should form part of Ireland's approach to framing Budget 2021. In general, the draft CSRs are normally those ultimately adopted by the Council. The adoption of the CSRs is the final part of the European Semester 2020.

The CSRs are informed by Ireland's National Reform Programme and Stability Programme Update.[91] Many of the CSRs are repeated in whole or in part from year to year, and progress made in implementing them is difficult to monitor. The PBO, in its *analysis* of the draft CSRs 2020, noted that it is unclear that the CSRs have any direct substantive influence on the annual budget process or are taken into account in the Spending Review process which informs budgetary decision-making. In general, there are no references to the CSRs in either.

Four CSRs were agreed for Ireland for 2021. Three related mainly or partly to spending:

- CSR 1 recommends taking all necessary measures to respond to the pandemic and its economic consequences, and when economic conditions allow, to achieving a prudent medium-term fiscal position and ensuring debt sustainability. It also recommends taking steps to improve the health system.
- CSR 2 recommends supporting employment by way of skills development. This includes addressing the risk of a 'digital divide', and an emphasis is placed on avoiding such a divide in the education sector. It also separately recommends increasing the provision of social and affordable housing.
- CSR 3 recommends the continuance of support to companies (SMEs, in particular), especially by using measures to ensure that they have access to liquidity. It specifically advises front-loading mature public investment projects and promoting private investment. There should be a focus on investment to promote a green and digital transition.

87 Departments of Finance and of Public Expenditure & reform. '*Ministers Donohoe & McGrath announce Budget 2021 Strategy*' (16 September 2020).

88 There were two minor amendments to the text which can be found in corrections published *here*.

89 PBO, *The European Commission's Draft Country Specific Recommendations for Ireland 2020 – A PBO Analysis* (June 2020).

90 The CSRs were approved by the Council of the EU on 8 June 2020 and are available *here*.

91 See Government of Ireland, *National Reform Programme for the European Semester* (2020); and Department of Finance, *Stability Programme Update 2020* (2020).

The EU Commission's *Country Report Ireland 2020* was prepared and published in February – before the extent of and response to the COVID-19 pandemic was known. Thus, the forecasts in the report are of little use. However, the report did evaluate the progress that Ireland had made on previous CSRs including making:[92]

- Substantial progress in increasing access to affordable and quality childcare.
- Some progress in:
    - Providing personalised active integration support and facilitating upskilling.
    - Focusing investment policy on the low carbon and energy transition and the reduction of greenhouse gas emission. Investing in water management, sustainable transport, digital infrastructure, affordable and social housing.
    - Implementing measures to diversify the economy and improve the productivity of Irish firms by using more direct funding instruments to stimulate research and innovation.
    - Improving the business environment by reducing regulatory barriers to entrepreneurship.
- Limited progress in:
    - Limiting tax expenditures and broadening the tax base.
    - Addressing features of the tax system that may facilitate aggressive tax planning, where the effectiveness of the measures taken remains to be seen.
    - Addressing the expected increase in age-related expenditure, where the full implementation of some measures remains endangered by issues such as recurrent overspending in healthcare.

The COVID-19 pandemic and the reaction to it may reverse progress in areas where it had been made. In addition, the issues where progress had been limited may be more important in the context of the post-pandemic fiscal situation. The urgency of addressing them has increased given that the increase in Government spending and debt that the response to the pandemic has necessitated may limit fiscal manoeuvrability when/if the pandemic is contained.

Brexit-related spending

2020 has been dominated by the COVID-19 pandemic. This has reduced the focus on Brexit and a possible no-deal Brexit. The combination of pandemic related costs and the potential worst-case Brexit scenario (no-trade agreement) being realised would necessitate ongoing spending at a level above a non-pandemic/Brexit theoretical baseline.

Already in 2020 the Brexit Loan Scheme was repurposed to fund (in part) the Working Capital Loan Scheme.[93] It seems that Enterprise Supports in 2021 are likely to be needed to meet the joint challenges posed by the pandemic and end of the transition period (in particular if a Trade Agreement with zero tariffs or quotas is not agreed).[94]

Spending measures aimed at addressing the impact on specific areas of the Irish economy as a result of Brexit have been contained in the past three budgets – 2018, 2019, and 2020. Assumptions on the nature of the Brexit budgeted for have changed in this time.

92 Adapted from European Commission (2020) *Country Report Ireland 2020*.

93 PBO, *The COVID-19 Pandemic: Government Supports for Business* (June 2020).

94 Joe Marshall, Maddy Thimont Jack, and Haydon Etherington, *Preparing Brexit: The scale of the task left for UK business and government* (July 2020) p.10.

Budgets 2018 and 2019 were based on an orderly Brexit with a trade deal expected to be agreed by the end of the transition period (31 December 2020). Budget 2020 was framed based on a disorderly withdrawal.

The PBO has previously highlighted the initial difficulties in accurately assessing the level of Exchequer spending allocated for Brexit related measures. This was partly due to multiple Government sources referencing often contradictory spending totals, particularly following Budget 2019.[95]

While the measures announced in Budget 2020 (under a no-deal or disorderly Brexit scenario) were more substantial, and included a greater level of detail, large proportions of the allocated funding were not linked to specific measures or projects, meaning scrutiny of overall Brexit related expenditure remains complicated and unreliable.

Table 7 sets out the headline announcements from each of the last three budgets and the associated funding allocations (where possible).

Table 7: Brexit related measures announced in Budgets 2018 to 2020[96]

	Department/Vote	Current (€ millions)	Total (€ millions)
Budget 2018	Business, Enterprise and Innovation	40	
	Agriculture, Food and the Marine	30	
	Foreign Affairs and Trade	3.5	
	Transport, Tourism and Sport	2.5	**76**
Budget 2019[95]	Agriculture, Food and the Marine	71	
	Finance/Revenue Commissioners	25	
	Business, Enterprise and Innovation	14	
	Foreign Affairs and Trade	5	**115**
Budget 2020	Employment Affairs & Social Protection	410	
	Agriculture, Food and the Marine	110	
	Business, Enterprise and Innovation	110	
	Transport, Tourism and Sport	40	
	Unknown Split*	390	
	Necessary Compliance**	160	**1,220**
			1,411

* *Unknown split between Agriculture, Food & the Marine, Business, Enterprise and Innovation, and Transport, Tourism & Sport.*

** *Of the Necessary Compliance of €160 million, a total of €52 million has been allocated to the ceilings of four Votes – Agriculture, Food & the Marine, Business, Enterprise & Innovation, Finance, and Health.*

95 PBO Publication 31 of 2019: *Tracing Brexit Related Exchequer Expenditure – Budget 2019*.

96 Parliamentary Question, response by Minister for Public Expenditure and Reform (*9217/19*), 26 February 2019.

Loan Schemes

The funds listed in Table 7 are separate to those allocated to the **Brexit Loan Scheme (BLS)**, announced as part of Budget 2018, and the **Future Growth Loan Scheme** which commenced in April 2019. Both schemes have been allocated an initial €300m over their lifetime. The total Exchequer spend on the schemes, as of June 2020, is in excess of €295 million – €54.67 million as of 22 May 2020 on the Brexit Loan Scheme, and €240.79 million on the Future Growth Loan Scheme.[97]

In July 2020, it was announced that the total Future Growth Loan Scheme fund was to be increased to €800 million with an additional €500 million in funding from the European Investment Bank (EIB).[98] It is unclear if this additional funding is to be utilised in combatting the impact of Brexit on industry in Ireland or as a response to the COVID-19 pandemic.

Brexit spending to date

As a transition phase followed the UK's exit from the EU it is unclear how much of the monies budgeted for a disorderly Brexit in 2020 remain unspent. As mentioned above, the lack of specific Brexit subheads within Votes, coupled with the folding in of previous Brexit allocations to a Vote's base under existing subheads, does not allow for useful scrutiny of the spending. Departments should consider setting up specific Brexit subheads with standalone performance indicators and metrics so as to ensure the measures employed are effective.

Demographics

The PBO published *Demographics and Voted Expenditure* (January 2019) as a primer and to help identify how demographic issues are dealt with in the allocations presented to Dáil Éireann for approval.

The Department of Public Expenditure and Reform has provided projections of annual cost changes based primarily on net changes to the composition of demographic cohorts for the period 2020-2030 ('pure costs').[99] The PBO has previously pointed out that the way in which these changes are incorporated in the annual budgetary process (particularly the changes to the spending ceilings of individual Votes in the Budget Expenditure Report) is unclear. The DPER Spending Review paper concentrates on three main areas directly affected by demographic changes, Social Protection, Health and (to a lesser extent) Education.

In August 2019, the PBO published a Note focussing on the effect of changing demographics on Irish Health expenditure. This found that non-demographic factors account for two thirds of increases in Irish public health expenditure in recent years. The PBO's pre-pandemic estimate was that the upward cost pressure due to 'pure' demographic factors in 2020 and 2021 is 1.8% annually.[100]

The main demographic factor affecting Social Protection spending is Pensions. The 2019 Spending Review paper detailed the net increases in spending because of demographic changes but made provision for significant savings estimated because of planned changes to the age of entitlement to the State pension.[101] However, the Programme

97 Parliamentary Question, response by Minister for Business, Enterprise & Innovation (*10326/20*), 9 June 2020.

98 *Future Growth Loan Scheme Expansion July 2020*. Press release Department of Agriculture, Food & Marine, July 2020.

99 DPER (IGEES) Spending Review Paper, *Budgetary Impact of Changing Demographics from 2020-2030* (2019).

100 PBO Publication 45 of 2019, *The Effect of Changing Demographics on Irish Health Expenditure – An Analysis of Different Approaches and Findings* (August 2019).

101 Increases in the pension age in 2021 and 2028. The age of eligibility will be increased to 67 in 2021 and will rise to 68 from 2028 onwards.

for Government has indicated that the State pension age will remain at 66 until a Commission for Pensions reports on sustainability and eligibility issues with State pensions and the Social Insurance Fund. This deferral will need legislation. Based on an IGEES paper,[102] the postponement will increase pension spending by approximately €265 million in 2021 (it had been expected to fall by €218 million due to the change).

COVID-19 related spending demands

The Minister of Public Expenditure and Reform has confirmed[103] that Budget 2021 will allocate €9 billion to COVID-19 related expenditure. The bulk of this will be spent on Social Protection related payments (PUP and EWSS), other supports for businesses and health related measures.

There is considerable pressure for extra Government spending from various sources. Exchequer resources are limited and primarily used to fund public services (e.g. hospitals, schools, etc.) as well as provide income support for the less well off. However, given the ongoing pandemic related restrictions there is considerable pressure from sectors which cannot re-open or are limited by the State in what level of service they can provide, to introduce and/or maintain state supports.[104] However, the PBO notes that the Government faces the challenge of allocating scarce resources in a manner that:

- **(i)** Delivers (and ideally enhances/increases) public services; and
- **(ii)** Efficiently supports the private sector.

Relaxed State Aid rules and low interest rates could potentially make some Exchequer supports (in addition to the varied range already available – primarily under Vote 32: Business, Enterprise and Innovation) attractive. However, the PBO cautions that such support must be justifiable i.e. that support for a sector represents a prudent use of taxpayer's money and its effect on general government balance be considered. It should also be costed appropriately and robustly. As stated earlier the OECD recommends governments should gradually focus on aiding temporarily unviable businesses rather than all affected businesses.

Similarly, the Governor of the Central Bank of Ireland, Gaberiel Makhlouf, has stated:[105]

> Undoubtedly some enterprises entered the COVID-19 shock with unsustainable business models and during a typical downturn the closure of such companies can be seen as part of the overall process of economic restructuring and dynamism. However, identifying such firms is difficult given the nature of the COVID-19 shock and some businesses that are struggling at the moment may in fact be viable over the longer-term. They will only be able to survive as going concerns if support and protection are provided. […] we must also acknowledge that there is an adverse scenario in which some sectors cannot get back to previous financial health– even over the medium term – due to the ongoing need for physical distancing. In such a scenario, more difficult decisions may need to be made about the balance between company closures and further fiscal outlay to support their survival. It is not in the community's interest that it supports loss-making enterprises.

102 DPER (IGEES) Spending Review Paper, *Budgetary Impact of Changing Demographics from 2020-2030* (2019, p.2).

103 RTÉ (22/09/2020) *Govt expects COVID-19 expenditure to reach €9 billion next year*.

104 See for example, Cian McCormack, '*Irish travel agents call for Government support*' (RTÉ, 9 September 2020); or John Mulligan, '*Builders call for €15 billion to be pumped into sector to fuel growth*' (The Irish Independent, 17 September 2020).

105 Gabriel Makhlouf, *Pre-Budget Letter to Minister for Finance, Paschal Donohoe T.D.* (3 September 2020).

Some Brexit related schemes offer useful templates in this regard – with funds being made available for companies displaying growth potential, or ongoing viability, in a post-Brexit scenario. In effect, supports of this nature must be viewed as investments – with long-term considerations informing the provision of supports.

Table 8 gives a non-exhaustive list of the organisations and representative organisations that have sought support from Government in advance of Budget 2021. Where available, the total costs associated with the supports sought is also included.

Table 8: Summary of the Assistance Sought from the Private Sector pre-Budget 2021

Date	Organisation	Category	Amount sought
23/09/20	Federation of Irish Sport	*Pre-Budget Submission*	
20/09/20	Irish Hairdressers Federation (IHF)	*Pre-Budget Submission*	
18/09/20	RIAI (The Royal Institute of the Architects of Ireland)	*Pre-Budget Submission*	
18/09/20	Football Association of Ireland (FAI)	*Additional state support*	€19.2m
17/09/20	Construction Industry Federation (CIF)	*Pre-Budget Submission*	€15 billion (up to 2027)
16/09/20	IBEC	*Budget 2021 submission*	€6 billion
16/09/20	EPIC (Event Production Industry COVID19 Working Group)	*Pre-Budget Submission*	
15/09/20	Early Childhood Ireland	*Pre-Budget submission*	
15/09/20	Taxi Unions	*Request for industry support*	
14/09/20	National Campaign for the Arts (NCFA)	*Pre-Budget Submission*	
10/09/20	Chambers Ireland	*Budget 2021 Submission*	
09/09/20	Retail Grocery Dairy & Allied Trades Association (RGDATA)	*Pre-Budget Submission*	
09/09/20	SME Recovery Ireland	*SME Budget Recovery Submission*	
09/09/20	Travel Agents	*Request for industry support*	
27/08/20	Small Firms Association	*Pre-Budget submission*	
12/08/20	Vintner Groups	*Pub Support Package*	
30/07/20	ISME	*Pre-Budget Submission*	
12/07/20	The Consultative Committee of Accountancy Bodies – Ireland	*Pre-Budget Submission*	
05/07/20	Irish Farmers Association (IFA)	*2021 Budget Submission*	

Source: PBO (2020).

Pre-Budget 2021 PBO Commentary

Format of, and guide to, the Budget day *Expenditure Report* – accessibility and transparency

The Expenditure Report is the core Budget day document and is structured in three distinct parts. These parts are:

I. **Expenditure Strategy:** Sets out an overview of the fiscal and expenditure policy considerations which informed the expenditure strategy for the current year and following two years;

II. **Expenditure Allocations:** Sets out the multi-annual expenditure ceilings for each Ministerial Vote Group and also provides narrative describing the public services to be delivered including those new measures being announced in the Budget; and

III. **Estimates for Public Services:** This is a precursor to the *Revised Estimates for Public Services* and outlines the proposed allocations for each Vote down to Programme level.

The Estimates for Public Services underpin much of the PBO's analysis as they set out the overall expenditure anticipated for each Vote with an indication of the distribution of this spending by Programme. Even without the subhead level data which is made available in December in the *Revised Estimates for Public Services*, programme level data can indicate shifting priorities within a Vote.

In terms of facilitating Dáil scrutiny of public services the *Expenditure Report*, published on Budget day, is probably the single most important Government document in the budgetary cycle. However, it is not easy to read or to use in scrutinising existing spending or the changes proposed to Exchequer spending.

The document sets out the Government's voted spending allocations and measures for the following year (x +1). This section of the *Pre-Budget 2021 PBO Commentary* provides Members with a guide to this document to help facilitate quick and effective scrutiny of Government's plans as they will be set out on Budget day 2021.[106]

The format of the report is, based on previous editions, likely to be as follows:

- Executive Summary
- Introduction

Part 1 – Expenditure Strategy

- Chapter 1 – Economic and Fiscal Context
- Chapter 2 – Public Expenditure Policy
- Chapter x – Impact of the COVID-19 Pandemic on Budget 2021 Expenditure Position
- Chapter x – Budget Reforms and Transparency
- Conclusion

106 The PBO assumes that the format of the *Expenditure Report 2021* will be similar to that of previous years.

Part II – Expenditure Allocations 2021-2023

This part of the report, in a long series of chapters, summarises the overall and Vote Group spending ceilings agreed by Government for 2021 to 2022. As the ceilings for even 2020 are likely to effectively be 'floors' for spending there will be little value in noting those provided for subsequent years.[107] It may also provide estimates for Supplementary Estimates in 2020.

Section A of a chapter for a Vote Group will start with a table showing the spending ceilings for 2021-2023 by gross current, capital and total. It will then show two pie charts; the first showing how much of the Vote Group is spent on Pay, Pensions and Non-Pay and the second showing the Programme Breakdown. For single-Vote Vote Groups such as Children & Youth Affairs these will be the actual programmes set out in the unabridged and abridged (Revised) Estimates. For multi-Vote Vote Groups such as Justice & Equality these will not be the actual programmes but the Votes within the Vote Group.

Box 9: Government & Ministerial Expenditure Ceilings (2021-2023)

Officially it has been stated that "the economic and budgetary projections which underpin Budget 2021 will cover the short-term, and will not extend beyond 2021."[107] Instead Government has outlined its intentions to set out medium-term projections in the Stability Programme Update (SPU) in Spring 2021.

It is not clear if this should be interpreted as suggesting that 'Government expenditure ceilings' or 'Ministerial expenditure ceilings' will only be set out for 2021. The PBO notes that the *Ministers And Secretaries (Amendment) Act 2013* obliges the Government to, each financial year, decide on these ceilings for each of the 3 financial years immediately following the first-mentioned year i.e. in 2020 the Government is obliged to decide ceilings for Government expenditure, and Ministerial Expenditure for 2021, 2022, and 2023. The legislation provides scope for revision of these ceilings by Government decision. The ceilings must be laid before the Dáil.

Programme descriptions will then follow in Section B ("Public Services to be delivered in 2021") with ongoing and new priorities highlighted but not costed.

Sections C and D do address costings. Section C ("Estimates 2021: Summary of New Measures"). It is important to note that these costings may not be comprehensive and only show the cost in the forthcoming year (x+1). Therefore, if a measure is introduced half-way through the year it may have a larger full-year cost in year x + 2. This is particularly the case with the recruitment of new staff – the cost shown in Section C is invariably a part-year one. However, social welfare increases do show full year cost in year x+2.

Section D consists of a technical table which will reconcile the 2021 spending ceiling for the Vote Group as set out on Budget Day with the situation immediately pre-Budget. It will do so for the years 2021-2023 but, again, there is rarely any point in noting anything beyond year x + 1 as those figures will change. The table in section D is broken down between current and capital spending. The reconciliation under current spending will relate to carryover costs from Budget 2020 new measures, pay agreements and the allocation of additional resources in Budget 2021.

107 See PBO Publication 11 of 2019, *Multiannual Expenditure Ceilings*.

108 In Departments of Finance and of Public Expenditure & Reform. '*Ministers Donohoe & McGrath announce Budget 2021 Strategy*' (16 September 2020).

Pre-Budget 2021 PBO Commentary

The figure for the additional resources is aggregated (not detailed) and will not normally match the figure in Section C because some of the additional measures will have been included in the Vote Group ceiling pre-Budget – this is an obvious source of confusion for Members attempting scrutiny and should be addressed by the Department of Public Expenditure & Reform prior to the publication of the Budget 2021 Expenditure Report.

Part III – Estimates for Public Services 2021

This part of the report sets out the *Abridged Estimates for Public Services* for all the individual Votes through which public services are delivered by Government Departments and Offices. This first version of the Estimates for Public Services provides detail only at Programme level and that detail is financial only. The *Revised Estimates for Public Services* will be published shortly before Christmas and this will provide financial detail at subhead level along with performance information and targets. The actual Votes are preceded by a section containing a "General Note" containing tables of Voted financial information and are followed by a section containing financial information relating to the Public Capital Programme. This will contain information on the capital programmes within Votes and details of PPP commitments. It will not provide information in relation to unspent capital allocations from 2020 to be carried over to 2021 as it will be too early in the year for those decisions to have been made.

Overall fiscal balance and government debt

Budget balance

Both COVID-19 and Brexit-related uncertainties have complicated fiscal planning, with multiple sizeable revisions made to fiscal forecasts since Budget 2020. These uncertainties are likely to persist through 2021. This means that it is difficult to accurately predict tax revenues or cost budgetary policies (revenue and spending).

There is little detailed information of the projected budget deficit for 2020 and for subsequent years. The latest official forecasts were published in the *Stability Programme Update* April 2020, but the macroeconomic environment has rapidly transformed since then. The consequence of having limited information published since the pandemic outbreak is that it makes harder to develop scenario analysis of the economy with different levels of COVID-19 for future years.

The **pre-budget statement by the Fiscal Advisory Council**, estimates that a substantial deficit of €24-€30 billion (13-17.4 per cent of GNI*) is likely for 2020 (Table 9).

Table 9: Fiscal Council estimates of the COVID-19 virus impact on the 2020 budget balance

Scenario analysis (COVID-19)	Budget Balance (€ billions)	Budget Balance (% GNI*)
Mild Scenario	-23.7	-13
Central Scenario	-30.1	-17.4
Severe Scenario	-40.2	-23.8

Source: Fiscal Council (2020).

As outlined earlier, Income Tax and Corporation Tax are the main drivers of tax revenue in 2020 and have generally held up despite the pandemic. However, VAT revenue is projected to decreased significantly for 2020. Total Exchequer tax and PRSI and other Appropriations-in-Aid revenue to end-August 2020 was €6.3 billion ahead of SPU projections.

Gross Voted Exchequer spending is expected to be almost €8 billion ahead of the SPU total. Thus, while revenue has exceeded expectations the deficit predicted in the SPU (approximately €23 billion) is likely to be an underestimate. The Government has stated on a number of occasions that the deficit for 2020 will be under €30 billion. Revenue developments especially in November (which is the month when the highest level of tax is collected) will determine how close to the €30 billion the deficit becomes.

According to the Department of Finance and the Department of Public Expenditure and Reform, **the budget deficit for 2021 will range from 4½-5½ per cent of GDP (€15-€19 billion).**[109] These broad figures are based on the assumptions that there will be no COVID-19 virus vaccine and no EU-UK trading agreement. They are also based on pre-Budget 2021 policy i.e. **any additional expenditure or tax measures announced in Budget 2021 are not reflected in the figures**.

The Fiscal Council are projecting a deficit range for 2021 from 8.5% to 9.6% of GNI*, depending if there is an EU-UK trade agreement, no EU-UK trade agreement, and disorderly UK exit with a no EU-UK trade agreement (Table 10). For 2024, the projected deficit range would be from 3.7% to 4.6% of GNI*. This shows the effect on the economy and the budget of no EU-UK trade agreement would endure for a number of years.

Table 10: Fiscal Council Budget deficit projections 2021-2025 (% GNI*) under different scenarios

	2021	2022	2023	2024	2025
Central scenario (with COVID-19)	-8.5	-6	-4.6	-4.1	-3.7
No EU-UK trade agreement	-8.9	-6.7	-5.6	-5.1	-4.5
Disorderly UK exit with no EU-UK trade agreement	-9.6	-7.2	-6	-5.3	-4.6

Source: Fiscal Council (2020).

With Ireland's high public debt (see below), having large budget deficits for an extended period would be a vulnerability. The European Commission has suspended the application of the EU's Stability and Growth Pact fiscal rules for 2020 (as allowed for in the pact). It is not yet known when the Commission will start to re-apply the fiscal rules. If Ireland's deficit is greater than 3% of GDP at that stage, then it will be put into the Excessive Deficit Procedure. Under normal circumstances the minimum annual requirement under the procedure is an adjustment in the structural balance of 0.5 per cent of GDP.

Government debt

Pre-pandemic Irish Government debt was high (95% of GNI* in 2019) in historical and international terms. It was €204 billion in nominal terms. Its elevated level poses a longer-term risk to the public finances and the wider economy. However, the government can currently borrow at low interest rates. The National Treasury Management Agency (NTMA), which manages Ireland's government debt, has adopted a strategy of 'locking-in' low interest rates, lengthening the average maturity of the debt and reducing the share of variable rate instruments, resulting in lower interest payments.

Despite low interest rates, Ireland's repayments on its debt are relatively high. In 2019, Ireland's interest payments were 5.1% of government revenue compared to the Euro Area average of 3.5%.

109 Department of Finance (2020) *Budget 2021 Strategy*. A deficit of 4.5%-5.5% of GDP in 2021 is likely to be in the region of 7.5%-9.2% of GNI* given that GNI* was 60% of GDP in 2019.

The pandemic and the fiscal response to it will increase Ireland's Government debt over the next few years. It is likely to increase by €40-€50 billion by end-2021[110] and represent at least 120%-125% of GNI*.[111] Over the period 2022-2025 €40 billion in debt will need to be refinanced[112] along with financing the likely budget deficits during that period.

The high levels of public indebtedness could have an impact on the options for fiscal policy in the event of a prolonged downturn. Currently, monetary policy has ensured a low interest rate environment and a liquid market for Irish Government debt. However, as Ireland experienced in 2009/2010, this benign environment can change rapidly. Despite having very low debt in 2007, by the end of 2010 Ireland could not borrow at sustainable interest rates and had to seek assistance from the EU/IMF. While there does not appear to be any immediate reason to expect a repeat of that scenario, it does show that there is a limit to how much government debt can rise. Prudent fiscal policy suggests that in the medium-term, when the short-term impacts of the COVID-19 crisis have subsided, that there will be a need to focus on the sustainability of Ireland's Government debt in order to reduce the risk of a fiscal crisis. This, in effect, means reducing the Government deficit to a sustainable level.

110 PBO Calculations based on (a) The deficit is likely to be approximately €30 billion in 2020, (b) the Government has stated that the deficit is expected to be €15-€19 billion in 2021 (before Budget 2021 announcements) and (c) the NTMA has stated that it will use some of its cash reserves to finance the deficit in 2020.

111 Fiscal Council (2020) Pre-Budget 2021 Statement p42.

112 NTMA (2020) *Maturity Profile*.

Appendices

Appendix 1: Summary of 2020 spending: approved and not yet approved

Table A1: Summary Position as of end-August 2020 (€ million)

	Current	Capital	Total
Voted (approved)	52,326.242	3,861.819	56,188.061
Non-Voted	12,146.707	0	12,146.707
Voted (not yet approved)*	6,377.066	5,019.235	11,396.301
Total (2020)**	**70,850.015**	**8,881.054**	**79,731.069**

* *Spending that is subject to Dáil approval is assumed to reflect levels set out in the Revised Estimates for Public Services 2020 (December 2019). It is likely that these will be subject to change.*

** *2020 spending is the combined total of spending that has been approved (as of end-August 2020), non-Voted spending which has been notified to Dáil Éireann, and spending allocations requested in the Revised Estimates for Public Services 2020 (December 2019) (for Votes which have no approved Estimate for 2020 to date).*

Appendix 2: Details of Revised Estimates 2020 for individual Votes

Table A2: Comparison between original Revised Estimates 2020 (Dec. 2019) v. 'new' Revised Estimates 2020 (2020) – Estimates re-published in 2020 approved or pending approval

	Revised Estimates 2020 (December 2019)			Revised Estimates 2020 (various throughout 2020)		
Vote	Current	Capital	Total	Change (Current)	Change (Capital)	Change (Total)
1. President's Establishment	4.574	Nil	4.574	Nil	Nil	Nil
2. Department of the Taoiseach	34.868	Nil	34.868	20	Nil	20
3. Office of the Attorney General	16.885	Nil	16.885	Nil	Nil	Nil
4. Central Statistics Office	67.01	Nil	67.01	Nil	Nil	Nil
5. Office of the Director of Public Prosecutions	44.813	Nil	44.813	Nil	Nil	Nil
6. Chief State Solicitor's Office	38.191	Nil	38.191	Nil	Nil	Nil
7. Office of the Minister for Finance	38.883	1	39.883	Nil	Nil	Nil
8. Office of the Comptroller and Auditor General	15.147	Nil	15.147	Nil	Nil	Nil
9. Office of the Revenue Commissioners	449.462	21	470.462	Nil	Nil	Nil
10. Tax Appeals Commission	3.308	Nil	3.308	Nil	Nil	Nil
11. Public Expenditure and Reform	44.363	0.566	44.929	Nil	Nil	Nil
12. Superannuation and Retired Allowances	640.117	Nil	640.117	Nil	Nil	Nil
13. Office of Public Works	301.378	204.049	505.427	Nil	Nil	Nil
14. State Laboratory	11.317	Nil	11.317	Nil	Nil	Nil
15. Secret Service	2	Nil	2	Nil	Nil	Nil
17. Public Appointments Service	13.567	2	15.567	0.878	Nil	0.878
18. National Shared Services Office	47.055	14.350	61.405	Nil	Nil	Nil
19. Office of the Ombudsman	12.321	Nil	12.321	Nil	Nil	Nil
20. Garda Síochána	1,762.947	116.5	1,879.447	-0.878		-0.878
21. Prisons	345.674	46.689	392.363	Nil	Nil	Nil
22. Courts Service	90.361	66.017	156.378	Nil	Nil	Nil
24. Justice and Equality	495.690	39.901	535.591	Nil	Nil	Nil
25. Irish Human Rights and Equality Commission	6.714	0.1	6.814	Nil	Nil	Nil

	Revised Estimates 2020 (December 2019)			Revised Estimates 2020 (various throughout 2020)		
26. Education and Skills	9,646.591	922	10,568.591	Nil	Nil	Nil
26. National Training Fund*	622.773	Nil	622.773	Nil	Nil	Nil
27. International Co-operation	548.232	2.5	550.732	Nil	Nil	Nil
28. Foreign Affairs and Trade	260.061	10.5	270.561	Nil	Nil	Nil
32. Business, Enterprise and Innovation	338.908	632	970.908	Nil	483	483
33. Culture, Heritage and the Gaeltacht	273.645	81	354.645	25	Nil	25
35. Army Pensions	259.150	Nil	259.15	Nil	Nil	Nil
36. Defence	668.031	113	781.031	-12.2	12.2	Nil
37. Employment Affairs and Social Protection	11,016.836	15	11,031.836	5,485		5,485
37. Social Insurance Fund*	10,172.534	Nil	10,172.534	1,351.4	Nil	1,351.4
38. Health	17,476.634	854.25	18,330.884	1,777.038	220	1,997.038
39. Office of Government Procurement	18.123	0.587	18.71	Nil	Nil	Nil
41. Policing Authority	3.413	Nil	3.413	Nil	Nil	Nil
43. Office of the Government Chief Information Officer	18.219	3.61	21.829	Nil	Nil	Nil
44. Data Protection Commission	16.916	Nil	16.916	Nil	Nil	Nil
Total Approved	**55,826.711**	**3,146.619**	**58,973.33**	**+8,646.238**	**+715.2**	**+9,361.438**

* *Notified to Dáil Éireann in the Revised Estimates for Public Services but not subject to Dáil approval.*

Table A3: Votes where a Revised Estimate 2020 has not been re-published and they have not been approved (€ million)

	Current	Capital	Total
16. Valuation Office	15.022	2.615	17.637
23. Property Registration Authority	31.319	1	32.319
29. Communications, Climate Action and Environment	409.152	381.5	790.652
30. Agriculture, Food and the Marine	1,372.755	274	1,646.755
31. Transport, Tourism and Sport	786.902	1,942.735	2,729.637
34. Housing, Planning and Local Government	2,021.604	2,236.385	4,257.989
40. Children and Youth Affairs	1,582.065	31	1,613.065
42. Rural and Community Development	158,247	150	308.247
Total Not Yet Approved	**6,377.066**	**5,019.235**	**11,396.301**

Note: The Revised Estimates for these Votes were published in December 2019 only. New Revised Estimates are awaited.

Appendix 3: Status of the Revised Estimates 2020

	Vote	Date of Votes already approved	Date referred to Dáil (no dates of consideration available)
1	President's Establishment	7 July	
2	Department of the Taoiseach	7 July	
3	Office of the Attorney General	7 July	
4	Central Statistics Office	7 July	
5	Office of the Director of Public Prosecutions	7 July	
6	Chief State Solicitor's Office	7 July	
7	Office of the Minister for Finance		28 July
8	Office of the Comptroller and Auditor General		28 July
9	Office of the Revenue Commissioners		28 July
10	Tax Appeals Commission		28 July
11	Public Expenditure and Reform	23 July	
12	Superannuation and Retired Allowances	23 July	
13	Office of Public Works	23 July	
14	State Laboratory	23 July	
15	Secret Service	23 July	
16	Valuation Office		–
17	Public Appointments Service	23 July	
18	Shared Services	23 July	
19	Office of the Ombudsman	23 July	
20	Garda Síochána	9 July	
21	Prisons	9 July	
22	Courts Service	9 July	
23	Property Registration Authority		–
24	Justice and Equality	9 July	
25	Irish Human Rights & Equality Commission	9 July	
26	Education and Skills	16 July	
27	International Co-operation	9 July	
28	Foreign Affairs and Trade	9 July	
29	Communications, Climate Action and Environment		–
30	Agriculture, Food and the Marine		–

	Vote	Date of Votes already approved	Date referred to Dáil (no dates of consideration available)
31	Transport, Tourism and Sport		–
32	Business, Enterprise and Innovation	30 June	
33	Culture, Heritage and the Gaeltacht	9 July	
34	Housing, Planning and Local Government		–
35	Army Pensions		28 July
36	Defence		28 July
37	Employment Affairs and Social Protection	28 May	
38	Health	30 June	
39	Office of Government Procurement	23 July	
40	Children and Youth Affairs		–
41	Policing Authority	9 July	
42	Rural and Community Development		–
43	Office of the Government Chief Information Officer	23 July	
44	Data Protection Commissioner	9 July	

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