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

## Spending Review 2017

# Tracking Trends in Public Spending

**July, 2017**

**Department of Public Expenditure and Reform**

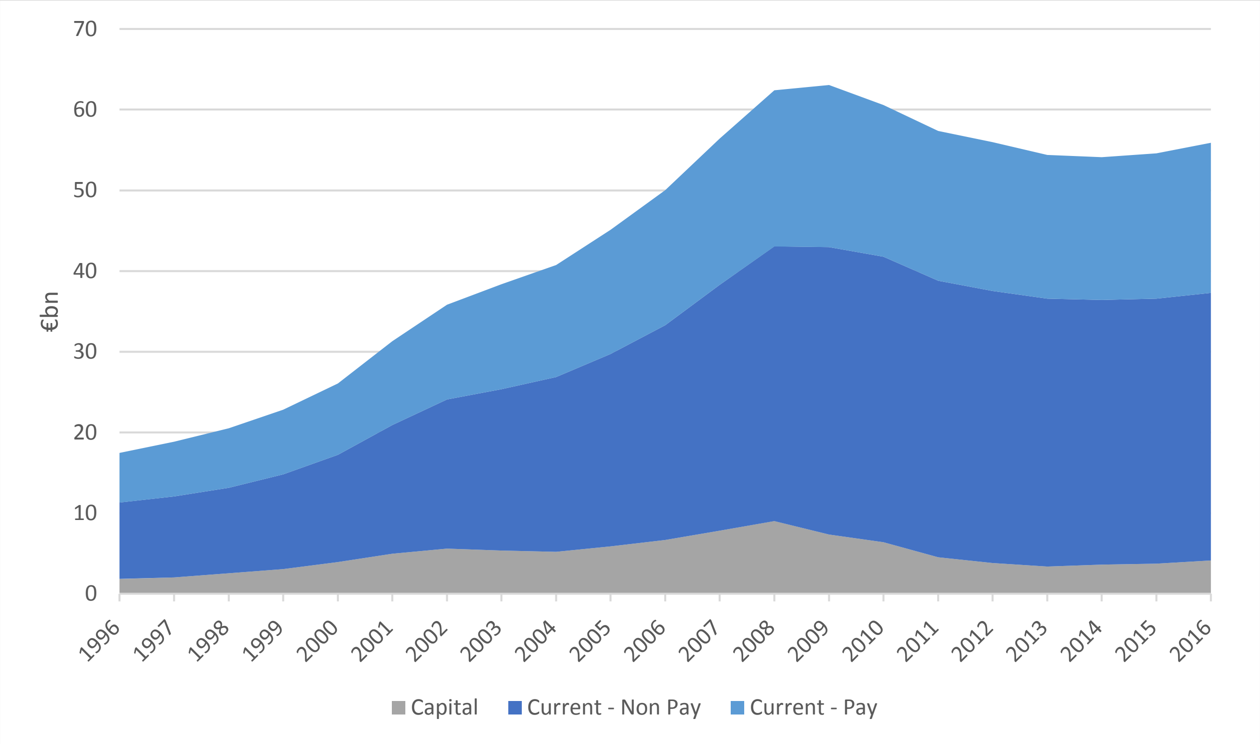
*This paper has been prepared by staff in the Department of Public Expenditure & Reform in the context of the Spending Review 2017. The views presented in this paper do not represent the official views of the Minister for Public Expenditure and Reform or the Departments referred to in this paper.*

## Contents

# 1. Introduction

Over the last two decades public expenditure has increased substantially. As Ireland moved towards becoming a highly developed knowledge economy, total Government expenditure tripled. This increased expenditure has funded additional services, social security and infrastructure.

**Figure 1.1: Total gross voted Government expenditure, 1996 to 2016**

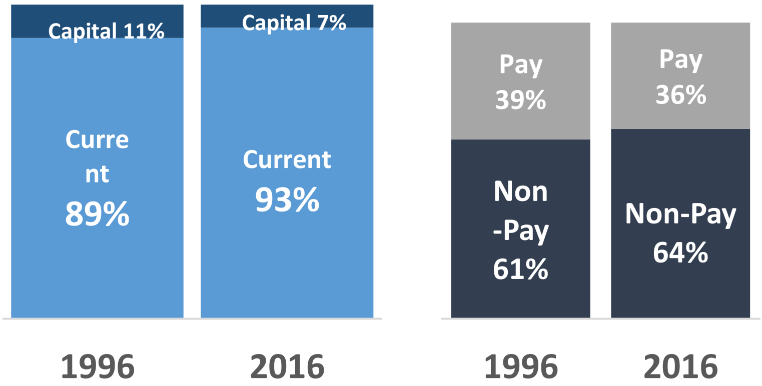



Source: Databank, Department of Public Expenditure and Reform

Total voted Government expenditure increased from far under €18bn in 1996, to almost €56bn in 2016. Figure 1.1 shows the development of voted expenditure over this period, broken down into capital and current expenditure, the latter also broken down to pay (salaries) and non-pay expenditure. The figure shows a peak in 2009, when expenditure totalled to €63bn. The period from 2009 to 2014 saw a decrease in expenditure – during this period over €19bn in reductions in government expenditure were realised in response to the financial and economic crisis.

Current expenditure accounts for the large majority of total expenditure, with a share that has increased to 93% in 2016, up from 89% in 1996. Of total current expenditure non-pay expenditure exhibits the largest increase, from under €10bn in 1996 to over €33bn in 2016. Pay related expenditure increased from €6bn in 1996, to far over €18bn in 2016. This substantial increase is testimony of the large expansion in services that has taken place over the last two decades.

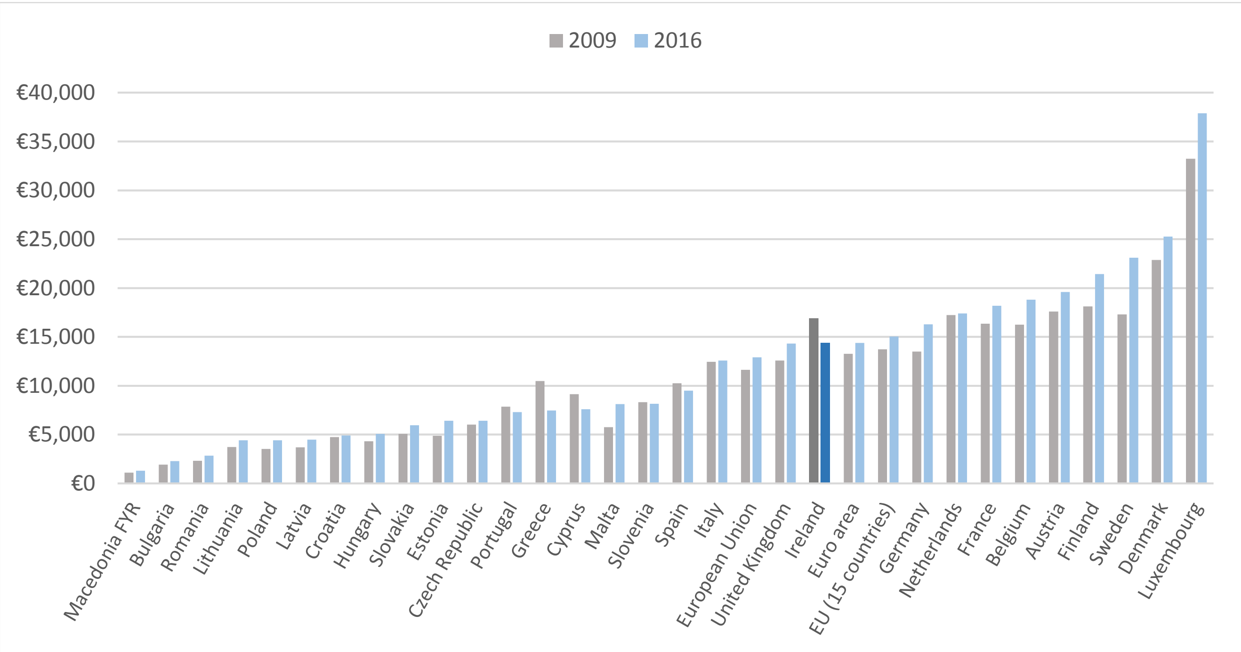
**Figure 1.2: Breakdown into capital and current expenditure, with current expenditure broken down into pay and non-pay expenditure**




Source: Databank, Department of Public Expenditure and Reform

However, figure 1.2 shows that, in relative terms, pay-related expenditure has decreased, covering 36% of current expenditure in 2016, down from 39% in 1996. It should be noted that the relative large increase in non-pay expenditure – from 61 to 64% – is mainly reflective of increased expenditure on social benefits as a consequence of a growing and aging population, expanding eligibility criteria and increasing levels of benefits (see Chapter 2 for more details).

**Figure 1.3: General Government Expenditure, per Capita[1], 2009 and 2015**

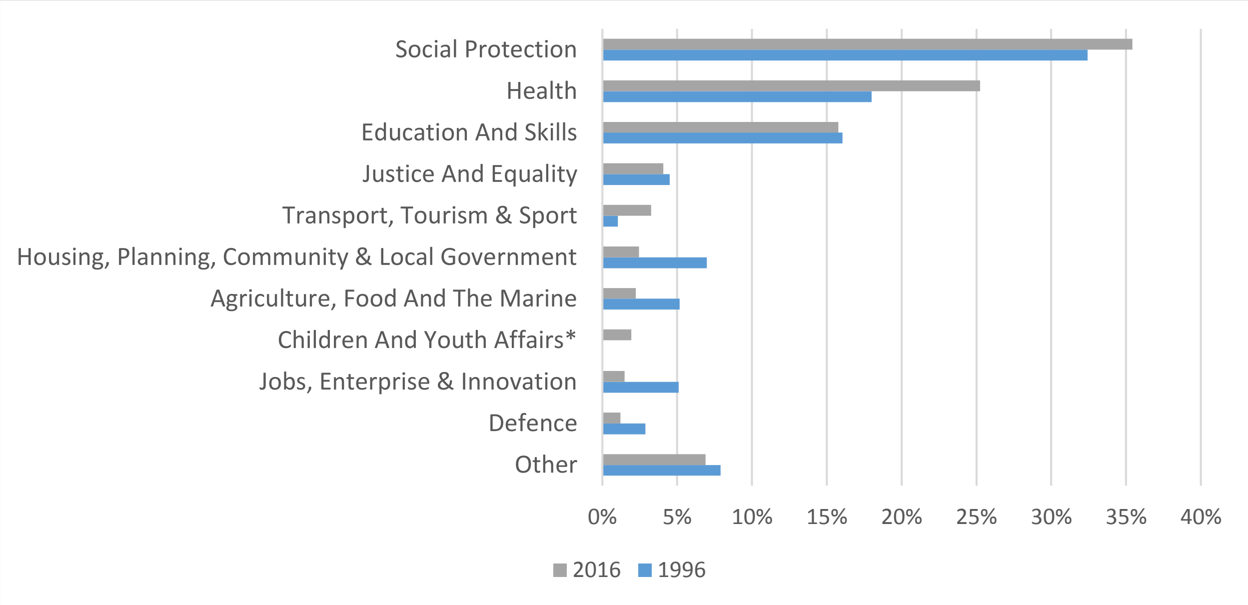



Source: AMECO

[1] General Government expenditure includes expenditure by central and local Governments. This measure excludes interest payments on national debt.

Figure 1.3 places Ireland within a ranking of EU countries on General Government expenditure. Ireland's total Government expenditure per capita of the population was slightly above the EU average in 2016, and equal to the Euro Area average. In 2009, at the peak of Government spending, per capita expenditure was well above the EU average.

**Figure 1.4: Allocation of Gross Government expenditure by policy area, 1996 and 2016**




Source: Databank Department of Public Expenditure and Reform

**The Department of Children and Youth affairs was established in 2011. Prior to its establishment children and youth affairs fell under the remit of the Departments of Health and Education.*

Figure 1.4 depicts the change in allocation of total Government expenditure from 1996 to 2016. The largest increase in the proportion of allocated expenditure has been in the area of Health, which accounted for 25% of the 2016 Government allocation, up from 18% in 1995[2]. Next is the area of Social Protection, which enjoyed an increase in allocation of 3% over the last two decades, covering a total of 35% of the Government voted expenditure in 2016.

In contrast, the largest decrease in allocation over the same period is observed in the areas of Housing, Planning, Community & Local Government and Jobs, Enterprise and Innovation. It should be noted, however, that the remits of these Departments were subject to many changes over time, which account for a substantial part of the ostensible reduction in allocation.

[2] The figures on Health allocation also reflect the movement of certain funding to the Department of Children and Youth Affairs. Up to 2011, part of this funding would have accrued to the Departments of Health and Education.

This paper provides an overview of the developments in public expenditure by considering the following questions: how did expenditure develop over the last (two) decade(s), what were the main expenditure drivers and what quantifiable results were obtained.

The following chapters examine a number of spending areas in more depth. The structure of each chapter is as follows:

- The first section gives a broad overview of the long-term trends in the spending areas.
- The second section analyses the main drivers of expenditure in the concerning policy areas over the last decade.
- The third section provides an indication of the direct and indirect outcomes that have been observed in relation to the expenditure.
- The fourth section concludes with an overview of the challenges that lie ahead with regards to sustainability of expenditure.

The areas that are covered by this review are Social Protection; Health; Education and Skills; Justice and Equality; Transport, Tourism and Sport; Agriculture, Food and the Marine; Housing; Children and Youth Affairs; Defence; Jobs, Enterprise and Innovation; and Arts, Heritage and the Gaeltacht. Together these spending areas account for well over 90% of total Government Spending[3].

[3] Separate papers on spending trends will be published for the Central Vote Group.

# 2. Social Protection

Author: Niamh Callaghan

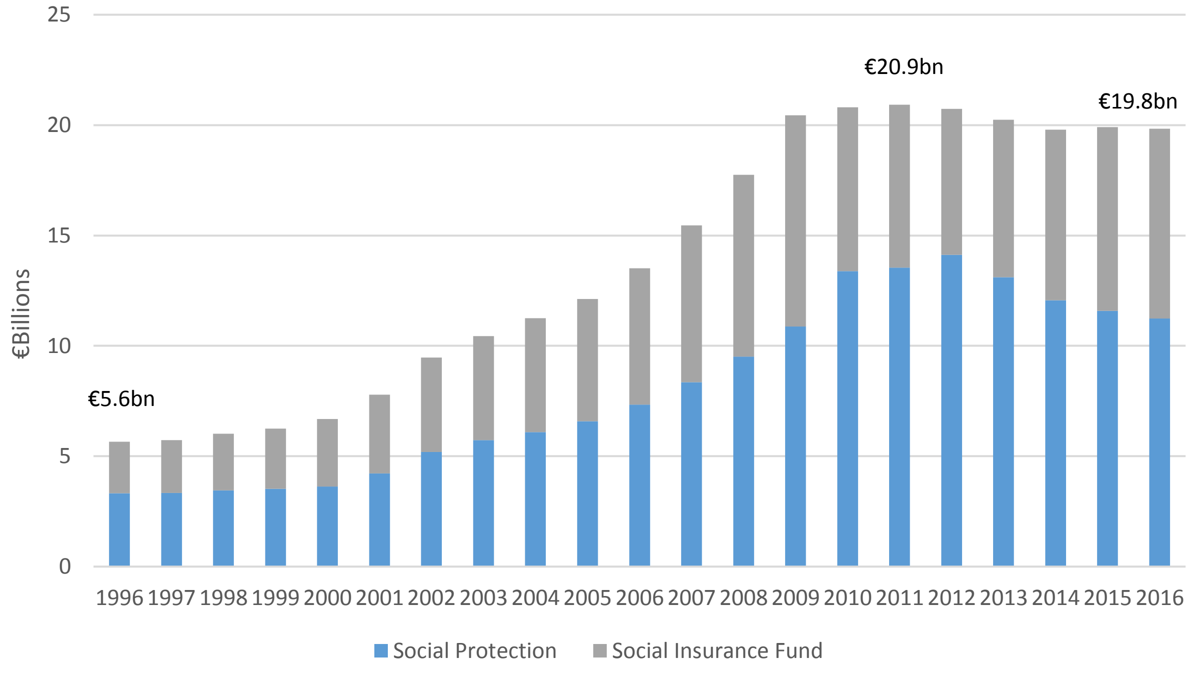
**Summary**

- From 1996 to 2016, Social Protection expenditure increased from €5.6bn to €19.8bn.
- As a proportion of government expenditure, Social Protection is the largest sector at 35%.
- The scale and composition of this expenditure has changed over time due to a variety of factors including demographic change, the economic downturn and increases in the rates of income supports.
- Pensions saw the largest increase in expenditure over the 20 year period.
- In terms of outcomes, Ireland's social welfare system is focused on helping to reduce income inequality.
- There are currently positive trends in relation to the improving labour market but there is continued upward cost/budgetary pressures driven by demographic change and increasing number of payment recipients, particularly in relation to disability-related payments.
- To this end, *Spending Review 2017* takes an in-depth look at Employment Supports and the Disability Allowance scheme.

## Section 1: Long-Term Trends

Between 1996 and 2016, Social Protection expenditure increased from €5.6bn to €19.8bn.

**Figure 2.1: Social Protection Expenditure, 1996 - 2016**




Source: DPER Statbank

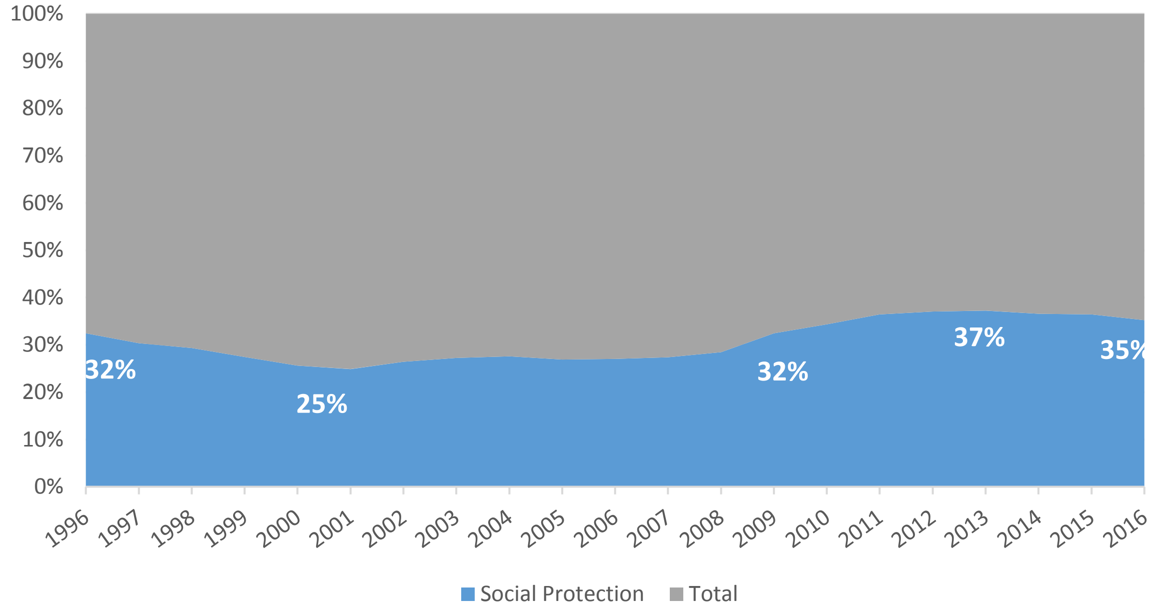
As Figure 2.1 shows, growth was greatest between 2001 and 2009 when expenditure increased by an average of 13% per annum. Expenditure peaked in 2011 at €20.9bn in the midst of the economic downturn and decreased marginally to €19.8bn in 2016.

Total Social Protection expenditure is funded through both the Vote and the Social Insurance Fund (SIF)[4]. Prior to the downturn over the period 2000 to 2008, SIF expenditure represented approx. 45% of the total. This fell to 32% in 2012 reflecting the reduction in employment and associated fall in PRSI receipt and rebounded in 2016 to 43% due to employment growth.

Over the past 20 years Social Protection expenditure as a proportion of total Government expenditure has ranged from 25% in 2001 to 37% at the height of the economic downturn in 2012 and 2013.

[4] The Social Insurance Fund (SIF) is based on Pay Related Social Insurance (PRSI) contributions from employers and employees. The SIF provides insurance to people in retirement and to those in periods of unemployment, illness leave and maternity leave.

**Figure 2.2: Social Protection expenditure as a proportion of total Government expenditure**

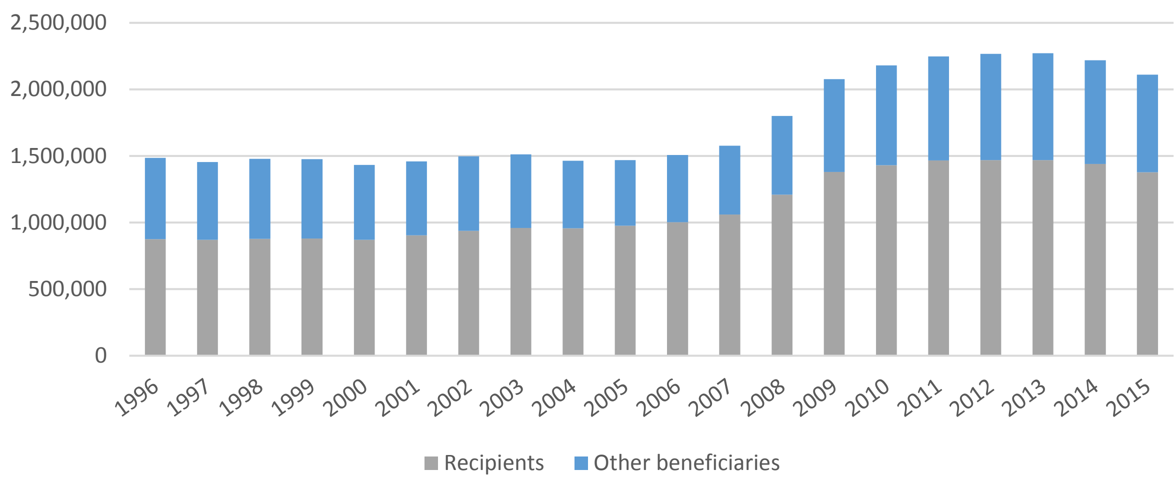



Source: DPER Statbank

Social Protection represents the largest element of Government expenditure. Figure 2.2 illustrates the 20 year trend with expenditure falling from 32% in 1996 to an average of 27% over the period 2000 to 2007. From 2008 onwards and the onset of the economic downturn, Social Protection expenditure increased and peaked at 37% of the total in 2013, reflecting the provision of a social safety net/automatic stabilisers and by 2016, Social Protection expenditure represented 35% of total expenditure.

The number of direct recipients of weekly social welfare payments[5] increased by over 500,000 or 58% over the period 1996 to 2015. This was accompanied by a smaller increase in the number of other beneficiaries.

**Figure 2.3: Number of recipients and beneficiaries of weekly social welfare payments, 1996-2015**




Source: DSP Annual Statistical Reports

The cohort benefitting from weekly social welfare assistance can be divided into two groups; the number of direct payment recipients and other beneficiaries including Qualified Adults[6] and Children[7]. Over the period 1996 to 2015 recipients increased by 506,706 or 58%. This was accompanied by an increase in the number of other beneficiaries of 121,822 or 20%.

In terms of coverage, 46% of the population were assisted by weekly social welfare payments in 2016. This represents an increase from 37% coverage during the period 2000 to 2007 but less than the peak level of 49% prevailing from 2011 to 2013.

Figure 2.3 highlights the significant increase in recipients and beneficiaries from 2008 onwards again reflecting the provision of the social safety net; over the period of the economic downturn (2008 to 2014), the total cohort benefitting from weekly social welfare assistance increased by 32%.

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[5] Weekly social welfare payments include Jobseekers, Pensions, Disability Allowance, Supplementary Welfare Allowance, Insurance schemes and Assistance schemes. Other non-weekly payments are not included such as Child Benefit, Domiciliary Care Allowance (payable to guardian of children up to age 16) as they are paid on a monthly basis.

[6] A qualified adult is someone a participant is married to or living with as husband and wife and who is wholly or mainly maintained by that participant.

[7] A qualified child is a child who normally lives with the participant and is being maintained by the participant up to the end of the academic year in which they reach age 18, or they are aged 18 to 22 and in full time education by day at a recognised school or college.

Table 2.1 highlights the changes in weekly recipient numbers by client group and the corresponding changes in weekly payment rates over the period 1997 to 2015. The largest increase in recipients has been in relation to older people, with an increase of 288,000 or 171% in the number of weekly pension payments. In percentage terms the most significant increase has been in the carers' category. The number of people in receipt of disability income supports has also increased considerably. All client groups have seen very significant increases in their weekly payment rates. The combined impact of volume (number of recipients) and cost increases (payment rates) over the period explain the upward trajectory of expenditure set out in Figure 2.1.

**Table 2.1: Change in weekly recipient numbers and payment rates, 1997-2015**

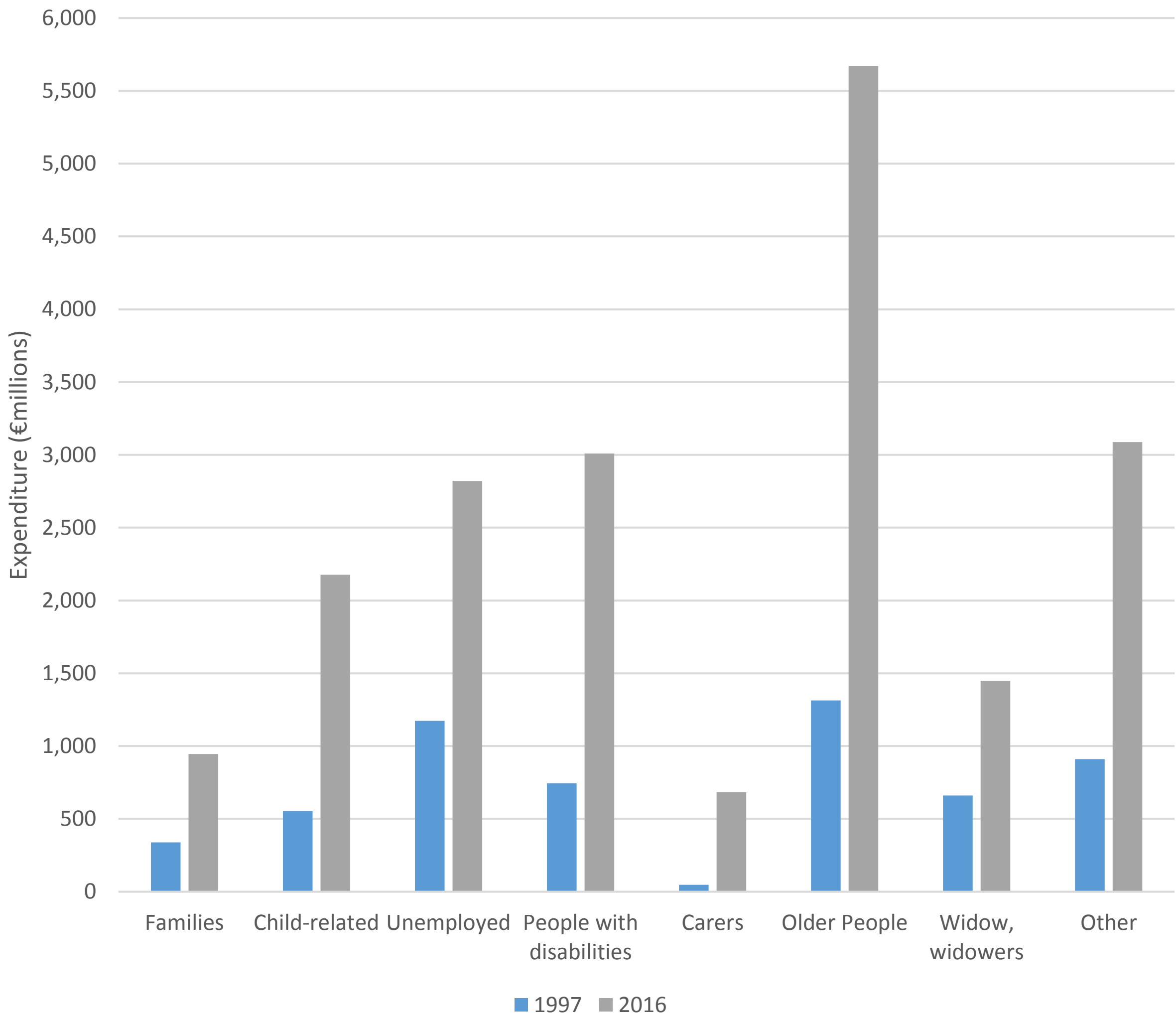
| | Change in recipient numbers | | Change in weekly payment rates | |
|---|---|---|---|---|
| Pensions | 288,047 | 171% | €133 | 156% |
| Widow & Widowers | 3,586 | 3% | €98 | 108% |
| Unemployment | 60,690 | 27% | €102 | 119% |
| Disability | 75,542 | 174% | €102 | 119% |
| Carers | 52,807 | 518% | €115 | 128% |
| Other | 26,034 | 8% | n/a | n/a |
| Total | 506,706 | 58% | n/a | n/a |

Source: DSP Annual Statistical Reports

## Section 2: Expenditure Drivers

As the quantum of Social Protection expenditure expanded over the past two decades, the allocation to different client groups has evolved.

**Figure 2.1: Expenditure allocated to different client groups, 1997 & 2016**[8]




Source: DSP Annual Statistical Reports

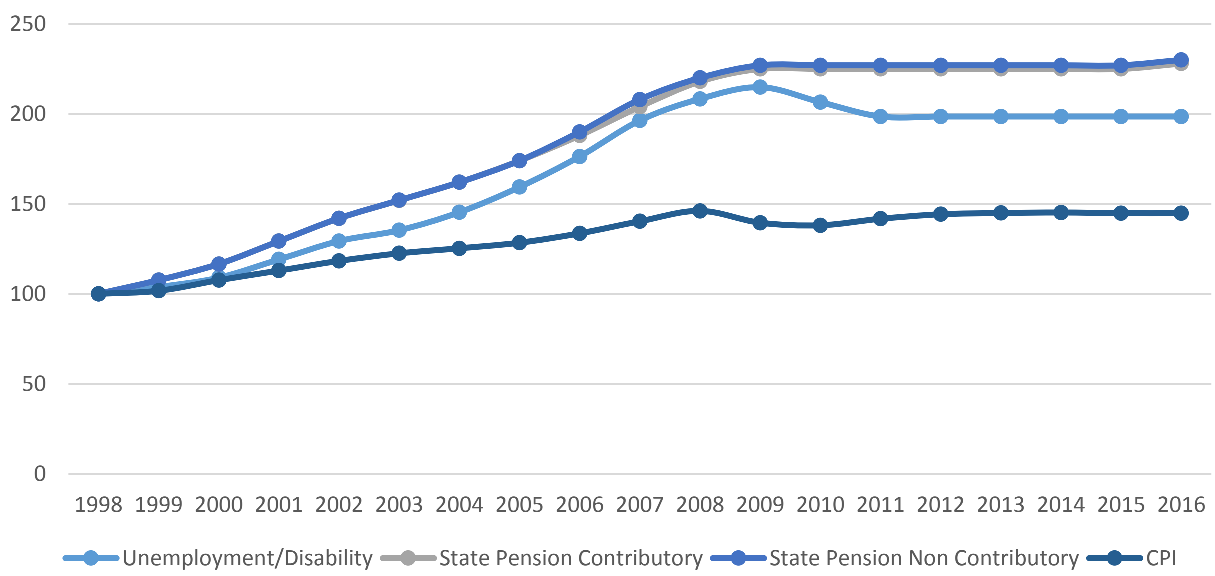
Figure 2.1 sets out the level of expenditure allocated to each client group in 1997 and 2016. All groups have seen significant increases in expenditure. The largest nominal increase in expenditure was experienced by Older People, reflecting increased pension costs of €4.3bn over the period. Carers have seen the largest proportionate increase with expenditure increasing 14.5 times from €47m in 1997 to €683m in 2016.

[8] Other expenditure relates to employment supports, administration and a range of supplementary payments including Treatment Benefits, Rent Allowance, Household Benefits Package, Free Travel and Fuel Allowance.

A range of factors have played a role in driving changes in the scale and composition of expenditure over the past 20 years. Some examples are briefly outlined below.

- Firstly, demographic change has led to an expansion in the volume of Social Protection support recipients. The overall population expanded by 1.048 million or 48% in the period 1996 to 2016. Critically the two significant groups in terms of universal social protection payments, are children and older people and over the review period, the number of children increased by 129,000 or 11% and the number of people aged 65 and over increased by 212,000 or 51%.
- Secondly, Social Protection plays a leading role in providing a social safety net/automatic stabilisers in the face of economic shocks and accordingly elements of expenditure such as unemployment benefit and assistance and employment supports are driven by cyclical conditions. The number of people on the Live Register fell below 150,000 at the turn of the century and remained relatively constant until the economic downturn in 2008. The number rose sharply to approx. 450,000 in 2010/2011. Since 2012 it has been on a downward trajectory reaching 280,000 at end 2016.
- Thirdly, there were sustained increases in the rates payable across the range of income supports. For example, Figure 2.2 highlights the growth in weekly pension, disability and unemployment income supports well above changes in the Consumer Price Index (CPI).

**Figure 2.2: Index of weekly payment rates (Pensions, Disability & Unemployment) versus CPI, 1998-2016**

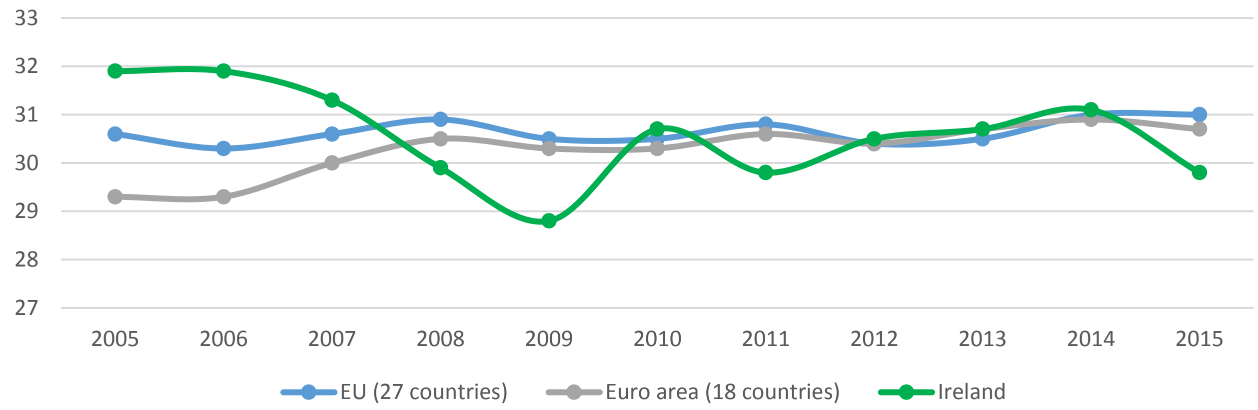



- Many other factors have also contributed to the increased scope of supports available. The specific drivers of expenditure related to Employment Supports and Disability Allowance are analysed in more detail in supporting Spending Review papers.

## Section 3: Outcomes

Ireland's level of disposable income inequality is around the middle of the distribution of European and other advanced economies. The Gini coefficient, a measure of the degree of equality with 0 representing perfect equality and 100 representing total inequality, stood at 29.8 in 2015. Equality has improved over time with the Gini coefficient falling below the EU average in 2015.

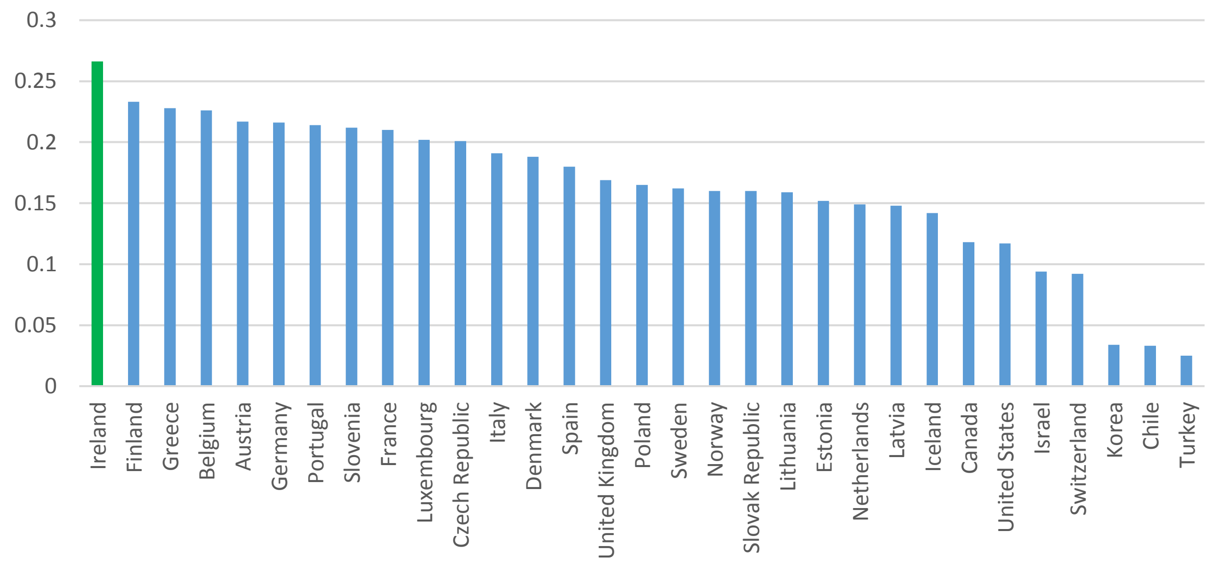
**Figure 2.3: Gini coefficient Ireland versus EU, 2005-2015**




Source: Eurostat

Ireland's welfare system performs well in terms of redistributing income and reducing the number of people at risk of poverty. As demonstrated in Figure 2.4, Ireland is the most effective country in the OECD at reducing the level of inequality between pre and post transfer income.

**Figure 2.4: Reduction in inequality between pre and post transfer income, 2014**




Source: OECD database

## Section 4: Future Policy Challenges

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

**Table 2.2: Positive and negative challenges**

| | | | |
|---|---|---|---|
| Positive Pressures | **Labour market improvements with falling unemployment** | | |
| Negative Pressures | Demographic-related pressures | Structural issues – increasing disability-related costs | Labour force participation |

Demographic pressures will continue to drive up recipient numbers particularly in relation to pensions. Previous analysis undertaken by IGEES in the paper "Budgetary Impact of Changing Demographics 2017 – 2027[9]" estimated the average short-term annual cost of demographic change on the Social Protection budget at €256m. This is mainly driven by child benefit (€11m) and pension-related (€245m) increases.

The future outlook for employment is positive with expected growth of 1.8% over the medium term. The latest QNHS figures indicate that reductions in unemployment and growth in the numbers employed are continuing to improve. At end Q1 2017, the unemployment rate stood at 6.4%. The latest Department of Finance projections forecast average annual employment growth of 1.8% over the period 2018 to 2021. The unemployment rate is expected to reach 5.5% in 2019 and subsequently remain stable[10]. These developments will drive down Live Register related costs and demand for employment supports.

However challenges remain in relation to the level of participation in a constantly evolving labour market. While there has also been a significant fall in the numbers on the Live Register, it has not declined at the same pace as unemployment. The gap between the number of people unemployed and the number of Live Register claimants has widened during the recovery. Furthermore, the participation rate fell to 60% during the downturn and has yet to recover. Participation levels are now below the European average placing a potential burden on the welfare system going forward.

[9] http://igees.gov.ie/wp-content/uploads/2015/02/Demographic-Paper-Final-101016.pdf
[10] Stability Programme Update 2017: http://www.finance.gov.ie/sites/default/files/20170410%20Draft%20SPU%20final_0.pdf

Other structural issues will also pose a challenge into the future. Disability income support expenditure has increased significantly over the past 20 years but this growth escalated over the period since 2012 with annual growth of 6% in the number of recipients.

In order to inform sustainable policy decisions going forward, on-going analysis is required across the breadth of Social Protection expenditure. The Spending Review 2018 takes an in-depth look at two areas of spending: Disability Allowance and Employment Supports reflecting negative and positive pressures respectively.

## 3. Health

Author: Tomás Campbell

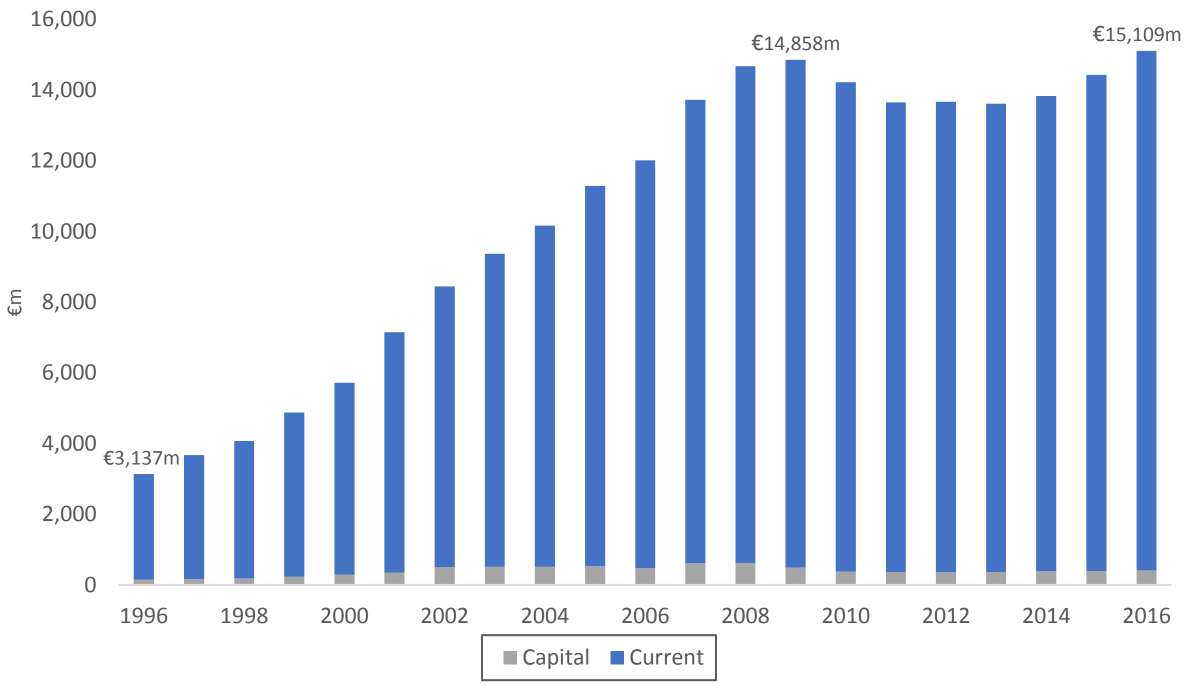
**Summary**

- From 1996 to 2016, Government expenditure on healthcare grew from €3.1bn to €15.1bn.
- Since the formation of the HSE in 2005, healthcare has consistently accounted for approximately a quarter of Voted expenditure. The composition of spending has changed over time, however, with a greater focus on continuing and community care today.
- In terms of outcomes, Ireland has among the best outlooks in the EU for life expectancy but compares poorly in terms of quality of care.
- Rising demographic pressures and fiscal constraints mean there is a need to ensure that all health resources are deployed as effectively as possible.
- To this end, *Spending Review 2017* takes an in-depth look at hospitals and the Primary Care Reimbursement Service.

## Section 1: Long-Term Trends

Healthcare has traditionally been the second largest area of Government expenditure behind Social Protection, and the amount spent on it has consistently risen over the past two decades. Figure 3.1 below illustrates this trend.

**Figure 3.1: Government expenditure on health, 1996 to 2016**

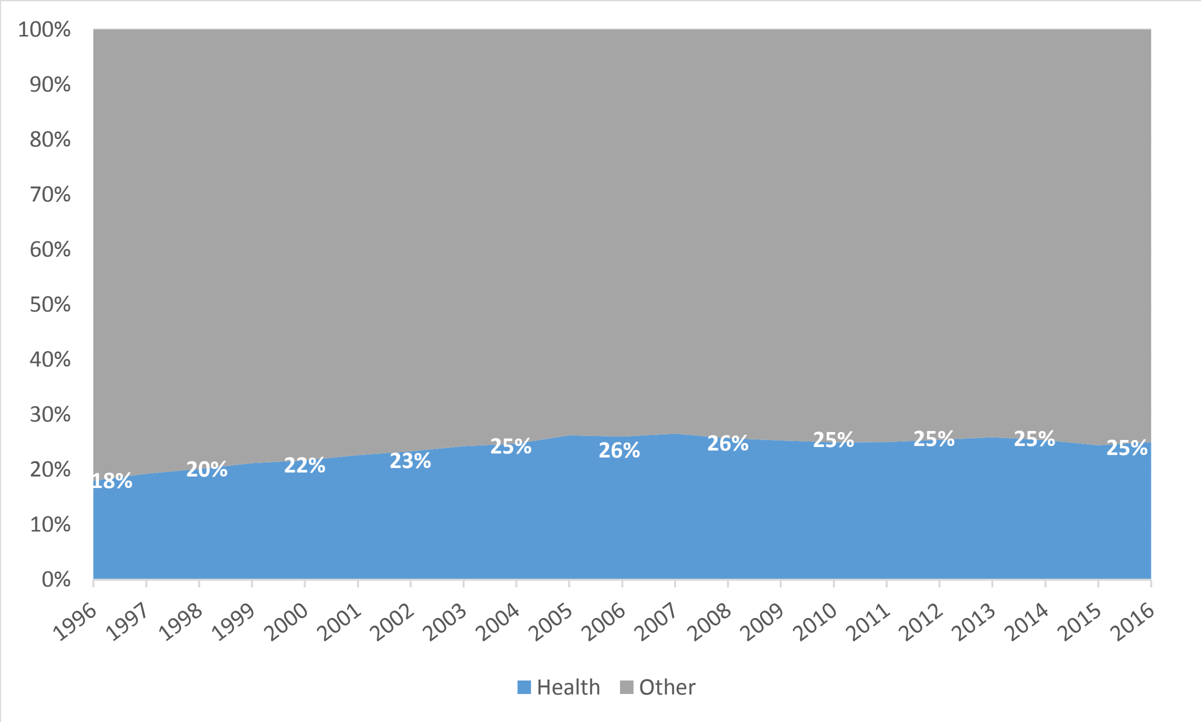



Sources: Department of Health; Department of Public Expenditure and Reform

It is difficult to compare health expenditure across this period on a like-for-like basis due to a number of significant changes that have taken place. These include the establishment of the HSE in 2005, the transfer of the Domiciliary Care Allowance to the Social Protection Vote in 2010, the transfer of Children and Families expenditure to the Children and Youth Affairs Vote in 2014 and the disestablishment of the HSE Vote in 2015. Figure 1 attempts to control for these changes as far as possible, and it is clear that the amount Government spend on health has increased substantially since 1996. That year, the Government spent just under €3.1bn on health. By 2016 that figure had more than quadrupled to €15.1bn.

In the period from 1996 to 2009 health spending increased by an average of €901m annually to a pre-crisis peak of €14.9bn. Spending contracted during the recession years – largely the result of central pay agreements and the recruitment moratorium – but has grown again since 2013. Once off-Vote HSE income is taken into consideration the 2016 spend of approximately €15.1bn marked a record in the history of the State, and the 2017 allocation of €15.6bn has continued this upward trend. In real terms, the State today spends approximately three more times more on healthcare than it did twenty years ago.

**Figure 3.2: Health expenditure as a percentage of total gross Voted expenditure, 1996 to 2016**

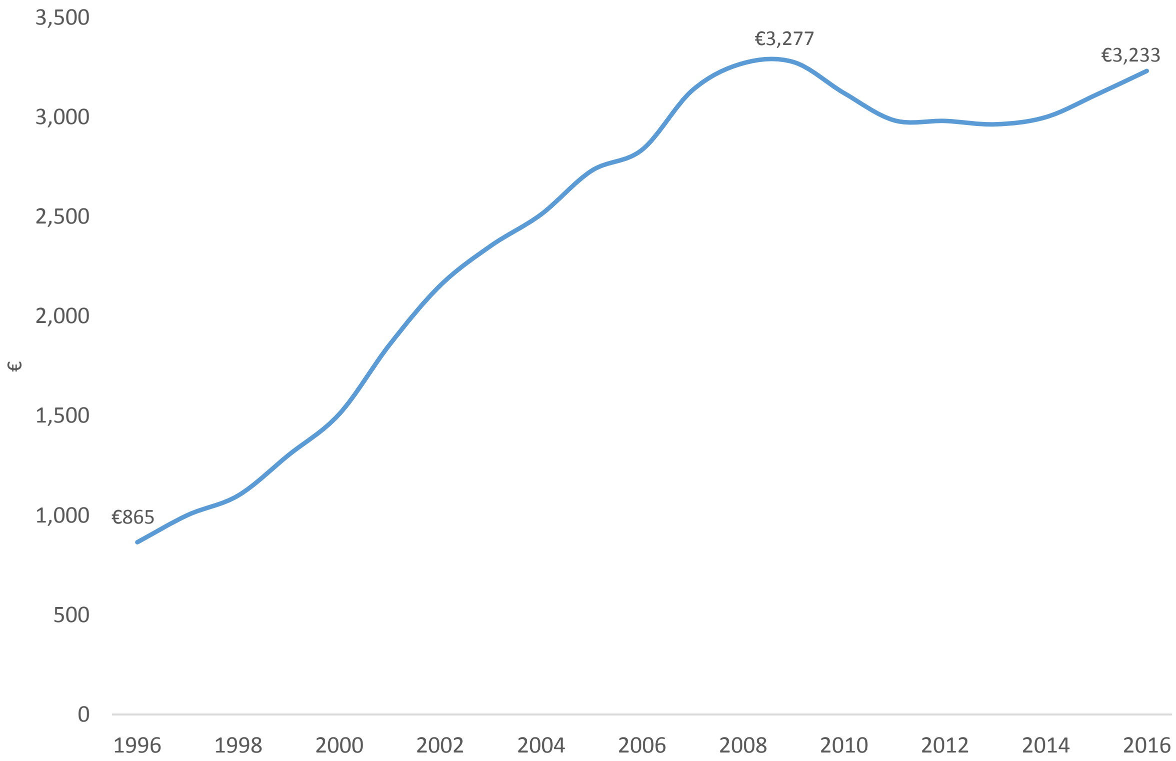



Source: Department of Public Expenditure and Reform

Figure 2 above shows that healthcare has become an increasing priority within overall Government spending over the past two decades. In 1996 health accounted for 18.0% of Voted Government expenditure. This proportion steadily grew in the subsequent decade and reached a peak of 26.5% in 2007. Since the establishment of the HSE in 2005 health has on average accounted for 25.5% of Voted expenditure annually. It maintained this share of Government spending even during the recession years when, in relative terms, spending on other areas declined. This can be seen in the figure by the diminishing share of expenditure accounted for after 2008 by areas outside of health, social protection and education.

While Government spending on health would have had to increase over the past twenty years simply to keep pace with a growing population, the rate of expenditure growth since 1996 has been far greater than demographic pressures. Across the same period that spending on healthcare quadrupled from €3.7bn to €15.1bn the CSO estimates that the Irish population grew from 3.7 million to 4.7 million – increases of 311.6% and 27.5% respectively.

**Figure 3.3: Government expenditure on health per capita, 1996 to 2016**




**Sources**: Department of Health; Department of Public Expenditure and Reform; Central Statistics Office

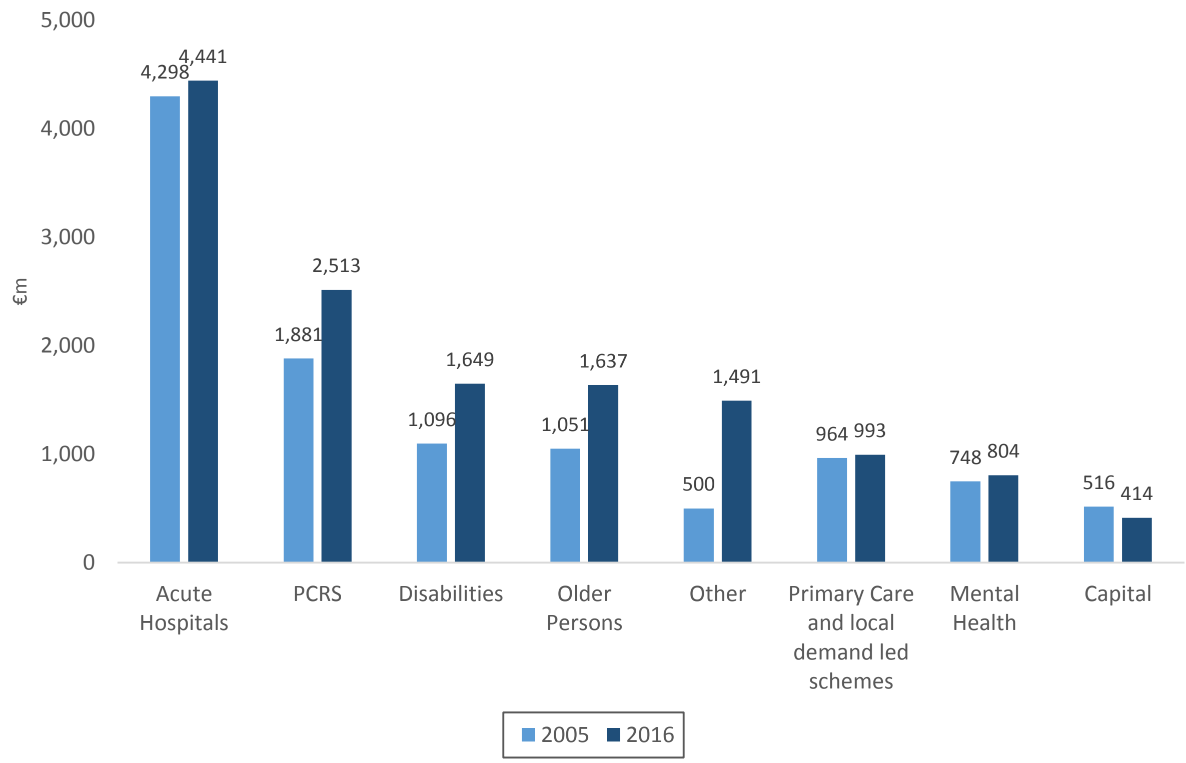
As a consequence of this investment, the per capita Government spend on healthcare has increased significantly since 1996, as shown in Figure 3.3. That year, Government spending on health was €865 per person but by 2009 this had more than tripled to €3,277. As with total expenditure, per capita spend declined for a period after 2009 but has been growing again since 2013. In 2016 the per capita spend of €3,233 was just 1.3% below peak levels and with the 2017 allocation of €15.6bn it is estimated that per capita spend health today is €3,245.

In summary, then, over the past twenty years Government expenditure on healthcare has steadily grown, rising from €3.1bn in 1996 to €15.1bn in 2016. This growth represents more than a quadrupling in nominal terms and a tripling in real terms. After some contraction in expenditure after 2009 spending has again been on an upward trend since 2013 and, on a per capita basis, is close to peak levels.

## Section 2: Expenditure Drivers

While the share of Government expenditure accounted for by health has been consistent since the establishment of the HSE, the amounts spent on different healthcare functions within the overall allocation have evolved. Figure 4 below shows the amount the HSE spent on different areas in 2005 and 2016. For consistency, the pension spend for each service area in 2005 has been estimated and included under 'Other' expenditure.

**Figure 3.4: HSE expenditure by area, 2005 and 2016**




Sources: Department of Health; HSE; author's estimates

Alongside Figure 3.1, which showed a sizeable increase in health expenditure between 2005 and 2016, Figure 3.4 demonstrates that this increase has been spread throughout the health service, particularly in the area of community and continuing care. Spending increases for hospitals and mental health were relatively modest at €143m and €56m respectively. The largest increase was in primary care, which here includes spending on drugs, at €661m, while disability spending increased by €553m and older persons by €586m.

Taking expenditure developments as a whole, much of the spending growth since the establishment of the HSE can be explained by a greater allocation of resources towards primary and community care and the escalating cost of drugs. This is broadly in line with the current strategy for the development of the health service, *Future Health* published in 2012, which envisages 90-95% of all care being delivered in the community. That said, the hospital sector is still by far the largest area of HSE expenditure, accounting for just under a third of all spending in 2016.

## Section 3: Outcomes

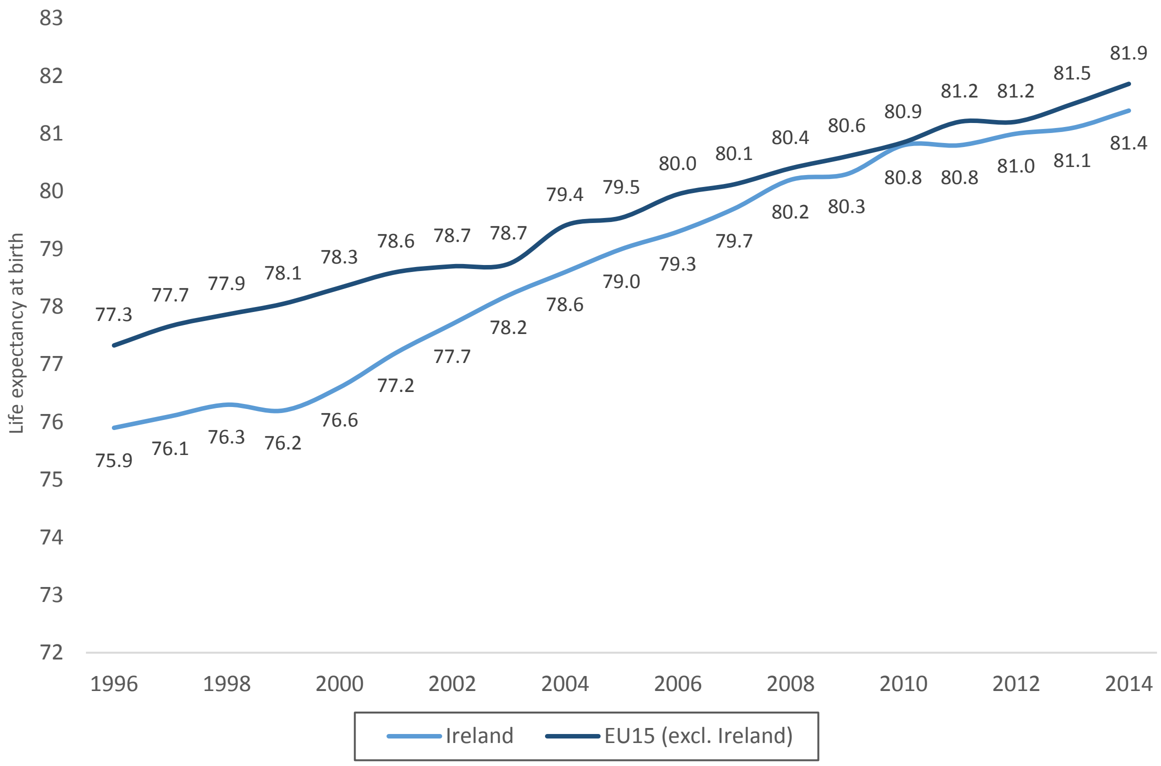
As health expenditure has increased over the past two decades, so too have Irish health outcomes improved. This is perhaps best illustrated by the growth in life expectancy that has been witnessed since 1996, as shown in Figure 3.5 below. That year, Irish life expectancy at birth was 75.9 years, which was around a year and a half less than the average for the rest of the EU15 of 77.3 years. By 2010, however, Irish life expectancy at birth had grown by almost five years to 80.8, and this was virtually the same as the EU15 average of 80.9.

The most dramatic growth occurred in the period from 1999 to 2008. In those nine years Irish life expectancy rose from 76.2 to 80.2, roughly equivalent to an average annual increase of five months. The growth in life expectancy in those years compares to expenditure growth from €4.9bn to €14.7bn across the same period, which is equivalent to an average annual increase of €1.1bn.

While the growth in life expectancy suggests that the investment into healthcare in recent decades has translated into tangible benefits for the population, Ireland actually compares unfavourably in terms of outcomes. Out of seven quality of care indicators tracked by the OECD, Ireland ranks in the top third of countries in just one. It ranks in the middle third in four of the categories, including survival rates for breast, cervical and colorectal cancers, and in the bottom third of countries in the remaining two categories[11]. Ireland currently has the youngest population in the EU with an elderly population proportion of 12.4%, 6 points less than the EU average in 2013, and given the amount spent on healthcare each year it may be the case that our standing in these indicators should be much better.

[11] Health Service Executive. 2016. *Annual Report and Financial Statements 2015*. Dublin: HSE.

**Figure 3.5: Life expectancy at birth for Ireland and the EU15, 1996 to 2014**




Source: OECD

## Section 4: Future Policy Challenges

The demographic impact on health expenditure is expected to be significant in the years ahead. Analysis carried out by the Department of Public Expenditure and Reform indicates that dealing with demographic pressures will cost €130m annually from 2017 to 2020[12]. There is also likely to be upward pressure in the form of increasing pay. On the other hand, there are also downward expenditure pressures such as declining medical card coverage as the labour market improves and pharmaceutical savings arising from the 2016 agreement with IPHA. Some of these pressures are summarised in Table 3.1 below.

**Table 3.1: Upward and downward expenditure pressures, 2017 to 2020**

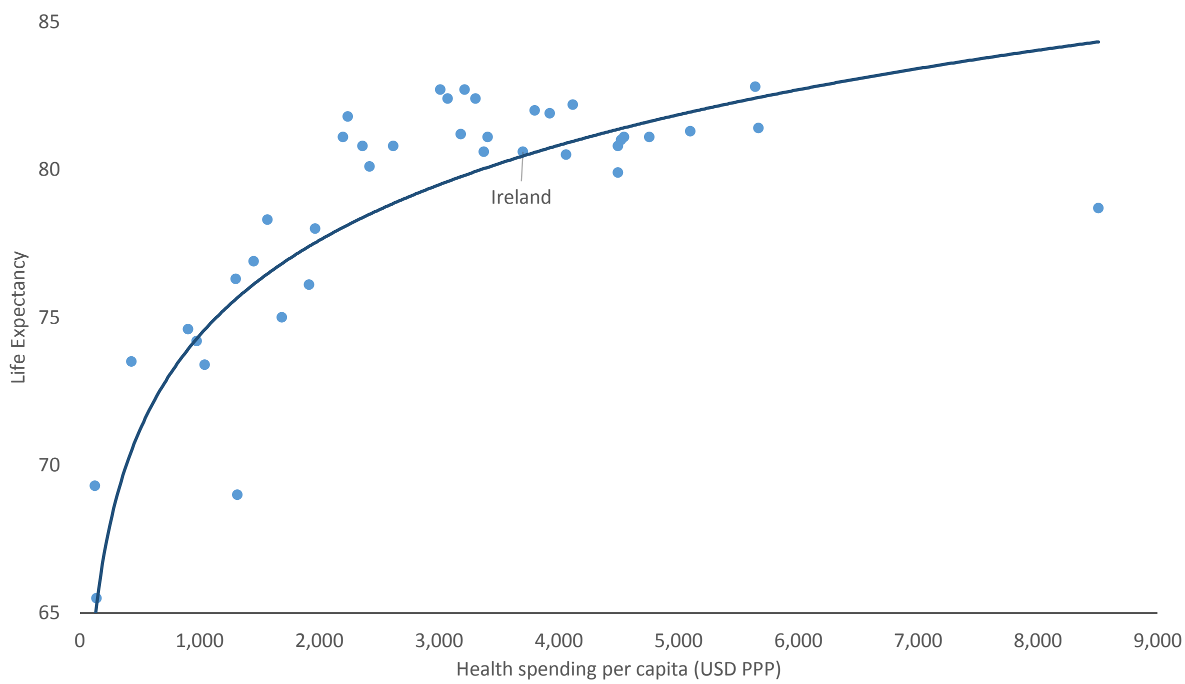
| | | | |
|---|---|---|---|
| **Upward Pressures** | Increasing wage claims | Pension costs | Fair Deal places for an ageing population |

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

| | | | |
|---|---|---|---|
| **Downward Pressures** | Declining medical card coverage | Drugs savings from IPHA agreement | |

Meeting these expenditure pressures may prove to be a challenge in the coming years. While increased spending appears to have brought about improvements to population health in the past twenty years, Ireland may now be at a point where increasing expenditure alone is unlikely to be a reliable means to further improve population health. Figure 3.6 below illustrates this point; Ireland now finds itself at the centre of a large group of countries that achieve roughly the same outcomes in terms of population life expectancy but, on a per capita basis, spend a wide range on healthcare. That said, given the relative youthfulness of the Irish population and our poor standing in most international quality of care comparisons, there is likely to be considerable scope to improve population health further within existing resources.

**Figure 3.6: Life expectancy and health spending per capita for OECD countries, 2011**




Source: **OECD**

It is against this backdrop of rising demographic pressures and diminishing returns from heath spending that Spending Review 2018 is taking place. In order to continue to improve population health outcomes and grow health expenditure in a sustainable manner consistent with EU fiscal obligations, it is important that existing resources are deployed as efficiently and effectively as possible. To help to achieve this objective Spending Review 2018 takes an in-depth look at two important areas of health expenditure: hospitals and the Primary Care Reimbursement Service.

# 4. Education and Skills

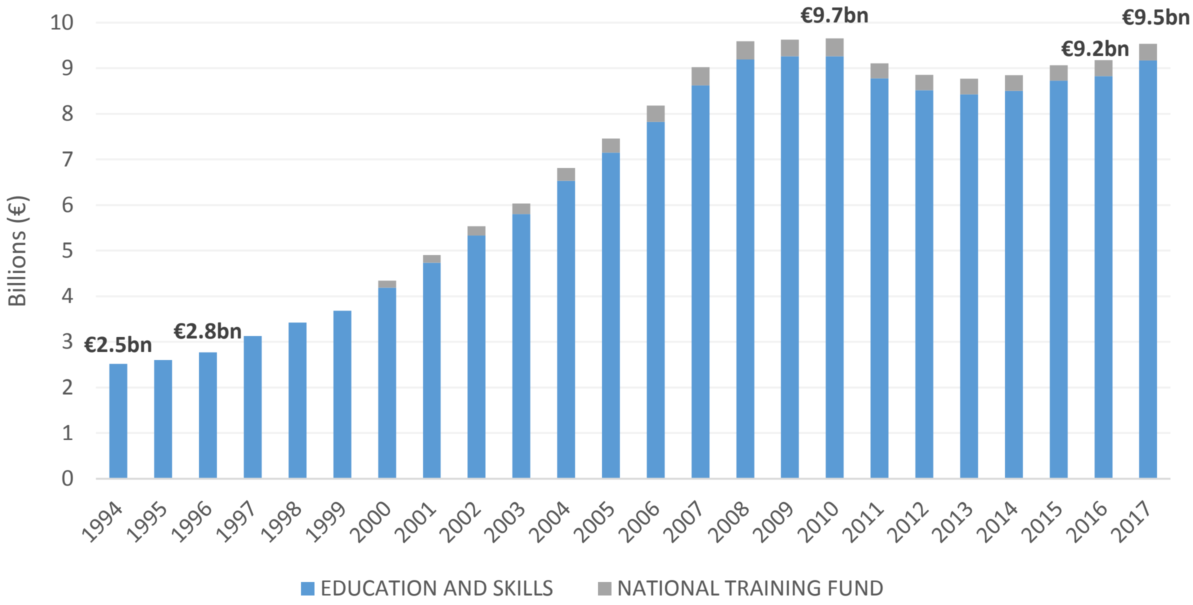
Author: Seán Golden

**Summary**

- From 1994 to 2017, Education and Skills expenditure increased from €2.5bn to €9.5bn.
- As a portion of total government expenditure, Education and Skills is the third largest at 16%. It has remained relatively stable as a percentage of total government expenditure revolving around 15% to 17%.
- The scale and composition of expenditure on Education and Skills has changed over time due to a variety of factors including demographics, increase in special needs education, the economic downturn, need for capital investment and skills development.
- The largest element of Department of Education and Skills expenditure is pay and pensions, reaching 72% of overall DES expenditure in 2016.
- First, Second and Early Years education saw the largest increase in expenditure over the twenty-four year period; increasing by 254%.
- As a portion of GDP, Ireland spends more on its primary education system than the OECD and EU22 average.
- Special education needs gross current allocation (€1.68bn) has now surpassed that of Higher Education (€1.58bn).
- Tertiary degree attainment for Irish 25-34 year olds, at 52%, is 10% above the OECD average and 12% above the EU22 average.
- Examining outcomes, graduates of tertiary education in Ireland can expect higher relative earnings than the OECD and EU22 average.
- Regarding future policy challenges, a demographic bulge is working its way through the education system. Primary school enrolments are expected to peak in 2018 and decrease year-on-year thereafter up to 2034. Similarly, secondary school enrolments are expected to peak in 2025 and decrease year-on-year thereafter up until 2035.

## Section 1: Long-Term Trends

**Figure 4.1: DES Expenditure, 1996 - 2016**



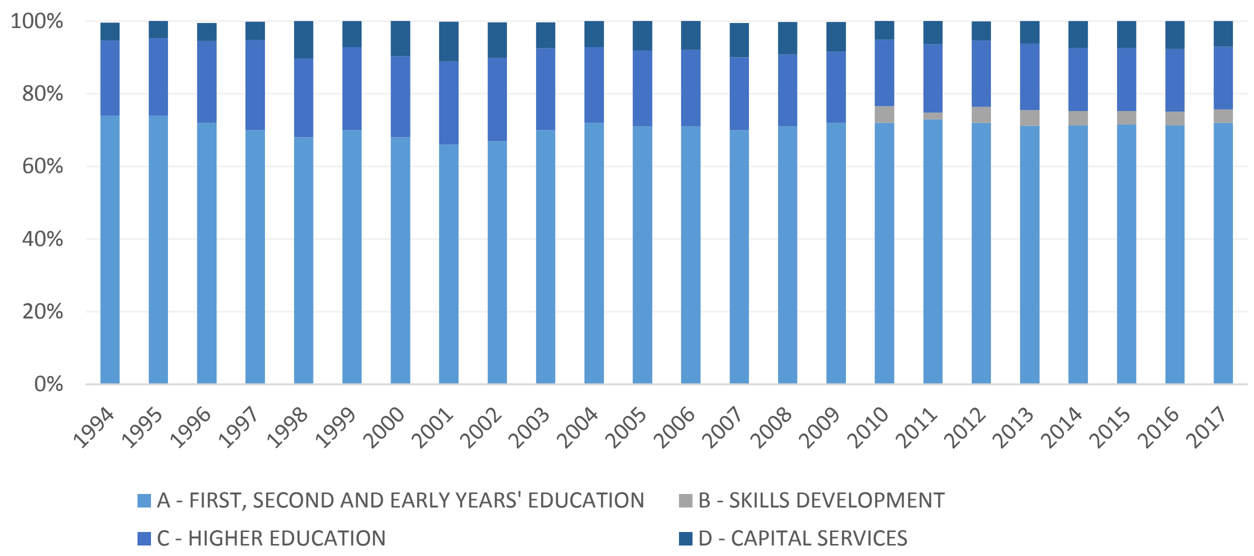

Source: Department of Public Expenditure & Reform

**Between 1996 and 2016, DES expenditure increased by 229% from €2.8bn to €9.2bn.**

As figure 4.1 shows, expenditure in Education and Skills grew by an average of 11% per annum from 1997 to 2008. Exchequer expenditure on education peaked in 2009 at €9.2bn – current levels for 2017 are slightly lower at €9.1bn (a difference of just under 1% from peak levels). Growth in expenditure from the National Training Fund[13] (NTF) was greatest from 2002 to 2007 where it grew at an average of 15% per annum. NTF expenditure peaked in 2008 at €399m, expenditure in 2017 is projected to be €366m (8% less than peak level). Overall, expenditure for the sector as a whole (Exchequer and NTF) peaked in 2010 at €9.65bn, just 1% higher than the estimated level for 2017.

[13] Under the National Training Fund Act 2000, employers contribute to training initiatives, mainly, but not entirely, in the FET areas, through a levy of 0.7% of reckonable earnings in respect of the majority of employees, collected through the PAYE/PRSI system and transferred monthly to the Department of Education and Skills by the Department of Social Protection.

**Figure 4.2: DES Expenditure by Programme, 1994 – 2017**

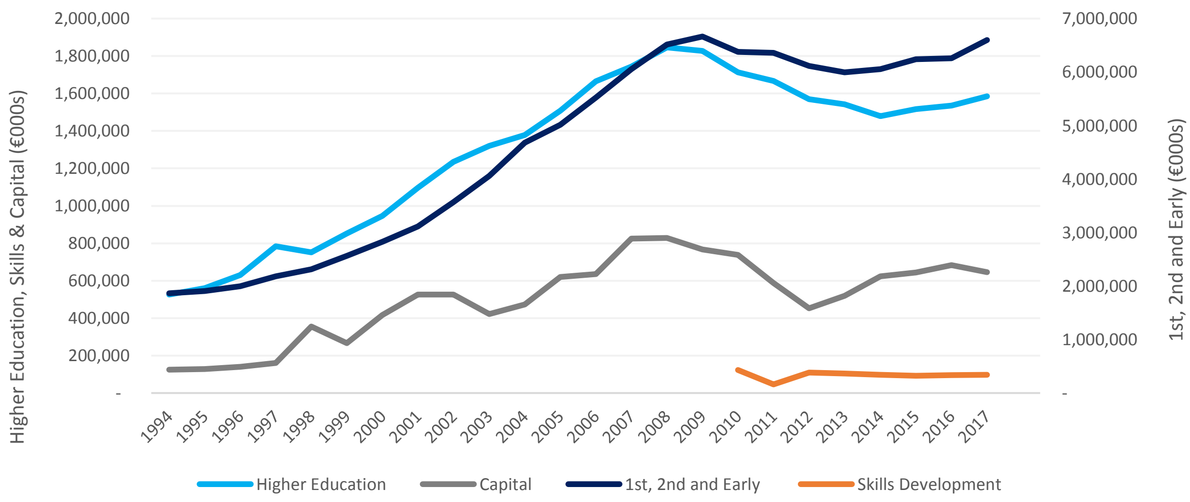



Source: Department of Public Expenditure & Reform

Expenditure on first, second and early year's education remained relatively stable over the period averaging 71% of total expenditure over the twenty-four years. There was a trough from 1998 to 2001 but expenditure has remained relatively stable since. Higher education expenditure has been on a downward decline since the onset of the fiscal crisis and currently stands at 17% of aggregate expenditure. The total share of capital expenditure increased over the period from 5% in 1994 to 7% in 2017. The Department of Education and Skills assumed responsibility of the Further Education and Training (FET) sector in 2010, with expenditure averaging 4% of aggregate spend.

## Expenditure Growth

### Figure 4.3: Expenditure Growth 1994-2017

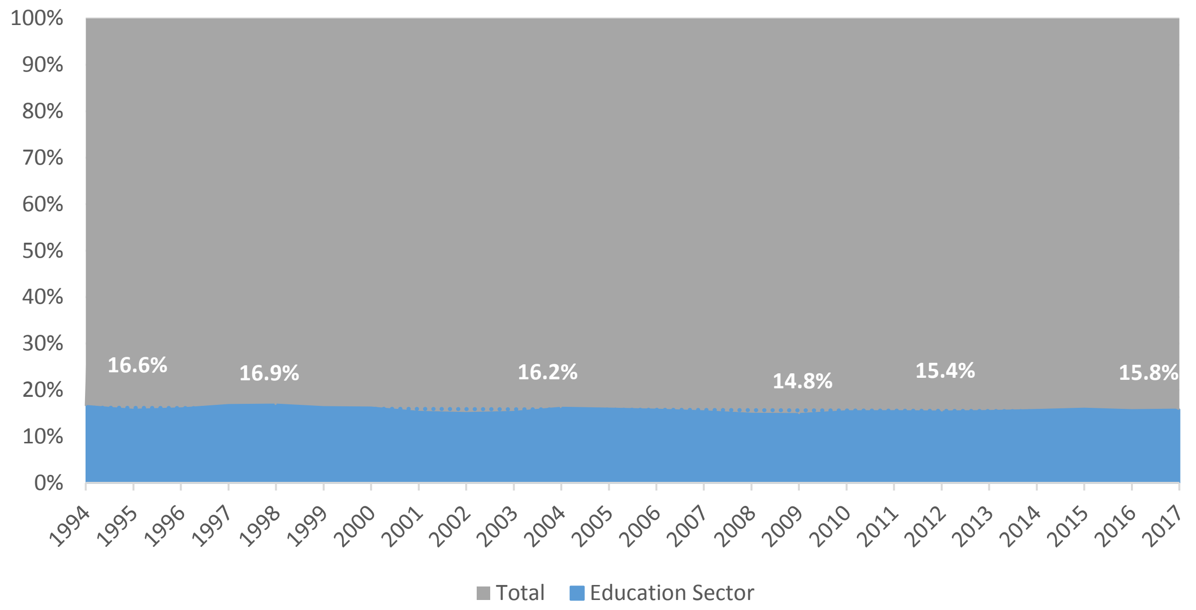



Source: Department of Public Expenditure & Reform

Figure 4.3 (above) outlines expenditure growth from 1994 to 2017. Expenditure on first, second and early years education is the highest out of four areas examined. While it has a similar trend and movement to expenditure on higher education, the increase from 1994 to 2009 is much smoother and of course is a higher level of expenditure. Higher Education and first, second and early year's education experience a trough in 2012/2013. In 2017 expenditure on first, second and early years' education almost recovers (1% difference) to peak 2009 levels while higher education is 14% lower than its peak 2008 levels.

Over the past 20 years Education expenditure as a proportion of total Government expenditure has remained relatively constant and ranged from a peak of 16.9% in 1998 to a low of 14.8% in 2009 at the onset of the economic downturn.

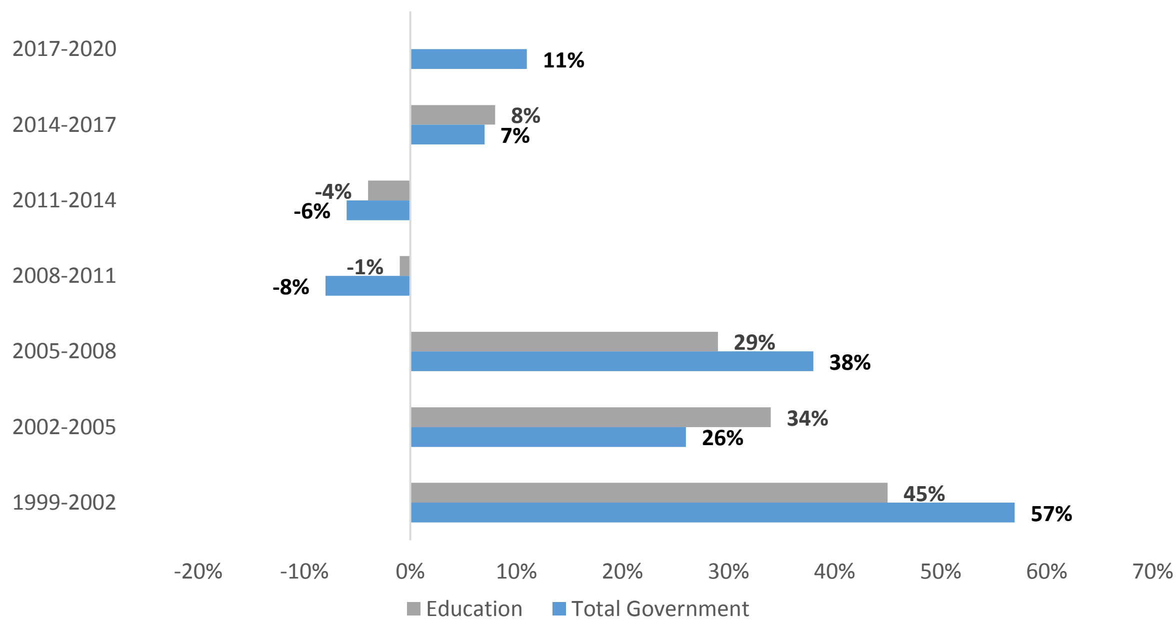
**Figure 4.5: DES expenditure as a proportion of total Government expenditure**




Source: Department of Public Expenditure and Reform, Statbank

Education represents the third largest element of government expenditure (after Social Protection & Health). Figure 4.4 illustrates the twenty-four year trend with expenditure falling from 16.6% in 1994 to 15.8% in 2017 (averaging 15.7% over the period). Expenditure peaked at 16.9% in 1998, with lowest levels experienced during 2008 & 2009 (14.9% and 14.8% respectively).

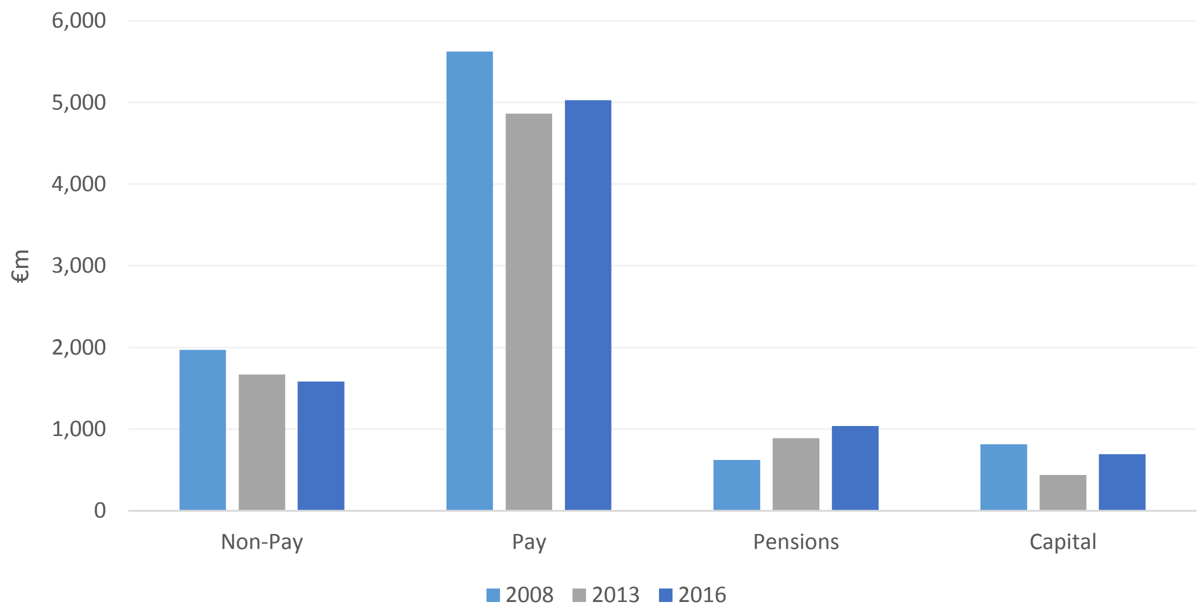
**Figure 4.5: Gross voted expenditure growth: Three-year intervals, 1999 - 2020**




Source: Department of Public Expenditure & Reform

The extent to which the sector was safeguarded during the economic downturn is illustrated in figure 4.5 (above). Education expenditure grew broadly in line with total government expenditure from 1999 to 2008. Similarly, from the onset of the downturn, reductions in expenditure on education were less than reductions of total government expenditure. From 2014 to 2017 expenditure in education has grown broadly in line with total government expenditure.

**Figure 4.6: Composition of DES Expenditure, 2008, 2013 and 2016**




Source: Department of Public Expenditure & Reform

Figure 4.6 outlines the four components of DES expenditure in 2008, 2013 and end 2016. As with all other frontline public services, such as Health, Defence, Garda, etc. pay is the single largest element of expenditure in the education sector. The education paybill at its peak in 2008 stood at €5.6bn, reducing to €4.9bn in 2013 to a 2016 level of just over €5.0bn. In overall terms, the share of four expenditure components as a percentage of aggregate education expenditure was:

**Table 4.1: Change in Composition of DES Expenditure (Percentage Share) 2008, 2013 and 2016**

| | 2008 | 2013 | 2016 |
|---|---|---|---|
| Non-Pay | 22% | 21% | 19% |
| Pay | 62% | 62% | 60% |
| Pensions | 7% | 11% | 12% |
| Capital | 9% | 6% | 8% |

**Capital Investment**

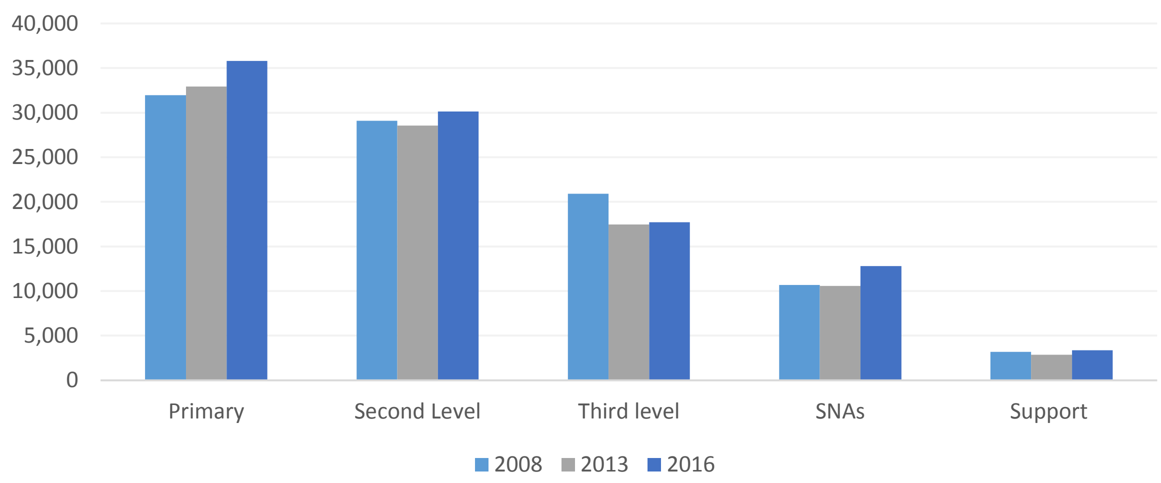
Gross Expenditure on primary and post primary averaged €273m over the period 1994 to 2017, while expenditure on third level averaged €33m over the same period. Examining the years since the downturn (2008-2017) the average annual expenditure on primary, second level and early years has increased to €458m while third level has increased to €39m. Average expenditure on third level infrastructure is skewed by several years where there was limited investment. Under the 2016-2021 Capital Plan €3.820m was allocated for expenditure on education. Capital expenditure ceilings were further revised upwards in 2016 by €100m to counteract demographic pressures experienced in the education sector.

## Section 2: Expenditure Drivers

As Education expenditure expanded over the past two decades, the main drivers have included:

**Demographic changes**

**Figure 4.7: Staffing trend, 2008, 2013 and 2016**




Source: Department of Public Expenditure & Reform

*Note* figures gathered from Q4 at the end of the relevant year*

Staffing in the primary education sector has been on an upward trend from 2008 to 2016, growing by 12% over the period. Second level staffing remained relatively stable over the period decreasing by 2% from 2008 to 2013 and growing by 5% from 2013 to 2016. Third level staffing decreased substantially from 2008 to 2013 (17% decrease) this figure slightly improved from 2013 to 2016 (increasing by 1%). Special needs assitants (SNA) staffing levels remained stable during 2008 and 2013 due to the imposition of a cap on numbers, however, the number of SNAs grew by 21% from 2013 to

2016. Support staff levels decreased by 10% from 2008 to 2013 but increased by 17% from 2013 to 2016.

**Table 4.2: Enrolments of Full-Time Students (Number) by Year and Level of Education**

| | 2008 | 2013 | % Growth ('08-'13) | 2016 | % Growth ('13-'16) | % Growth ('08-'16) |
|---|---|---|---|---|---|---|
| **Primary Level** | 486,444 | 526,422 | 8 | 553,380 | 5 | 14 |
| **Second Level** | 335,929 | 362,847 | 8 | 378,003 | 4 | 13 |
| **Third Level** | 141,640 | 164,863 | 16 | 179,850 | 9 | 27 |
| **Total** | 964,013 | 1,054,132 | 9 | 1,111,233 | 5 | 15 |

Source: Department of Public Expenditure & Reform

Table 4.2 (above) outlines the increase in students across all three levels of the education sector. Both the primary and post primary sectors saw considerable increases in student numbers with an increase of just under 67,000 (14%) in the primary sector from 2008 to 2016 and an increase of over 42,000 (13%) in the post-primary sector for the same period. In percentage terms, the third level sector saw the largest increase of over 27% in student numbers (38,000 students).

**Special Education**

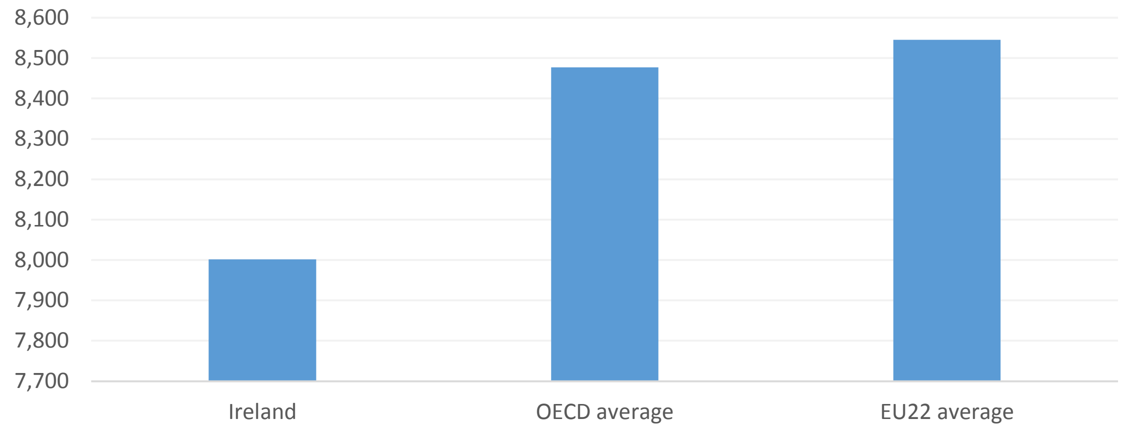
Special education needs expenditure represents an estimated 18.9% of the Department of Education and Skills gross current allocation in 2017 (€1.68bn). Expenditure on this area increased by 38% from 2011 to 2017 (€465m). An estimated 88% (€1.49bn) of total expenditure in this area is allocated to pay. This is divided between additional teacher pay of €1.02bn (61% of total) and special needs assistants' pay of €464m (27% of total). A significant proportion of this can be attributable to the diagnostic nature of resource teacher provision and special needs assistants, and the increases in special classes established. There have been various drivers of the increase in expenditure on special education including, the underlying change in the school age population, the increasing proportion of children who are qualifying for SNA and special educational needs supports, and in particular, the increasing number of pupils presenting with an autism diagnosis.

## Section 3: Outcomes

### Primary

Expenditure on primary school as a percentage of GDP amounted to 2% for Ireland in 2013 (OECD Education at a Glance, 2016). This was .5% higher than the OECD average and .6% higher than the EU22 average. Expenditure from primary to tertiary education amounted to 5.2% of GDP in 2013 which was the same as the OECD average and .2% higher than the EU22 average.

**Figure 4.8: Annual Expenditure per Primary Level Student 2013***




Source: OECD Education at a Glance, 2016

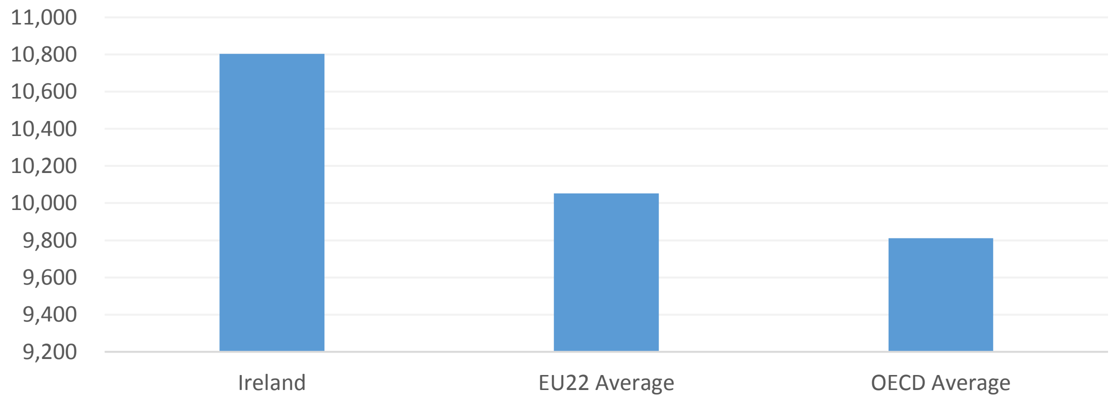
*Note* Data for Ireland is only for Public Institutions.*

*Measured in equivalent USD converted using PPPs for GDP, by level of education, based on full-time equivalents*

Examining primary level education, during 2013, Ireland spent less per primary level student (8,002) than the OECD average (8,477) and the EU22 average (8,545).

## Second Level

**Figure 4.9: Annual Expenditure per Second Level Student 2013***




Source: OECD Education at a Glance, 2016

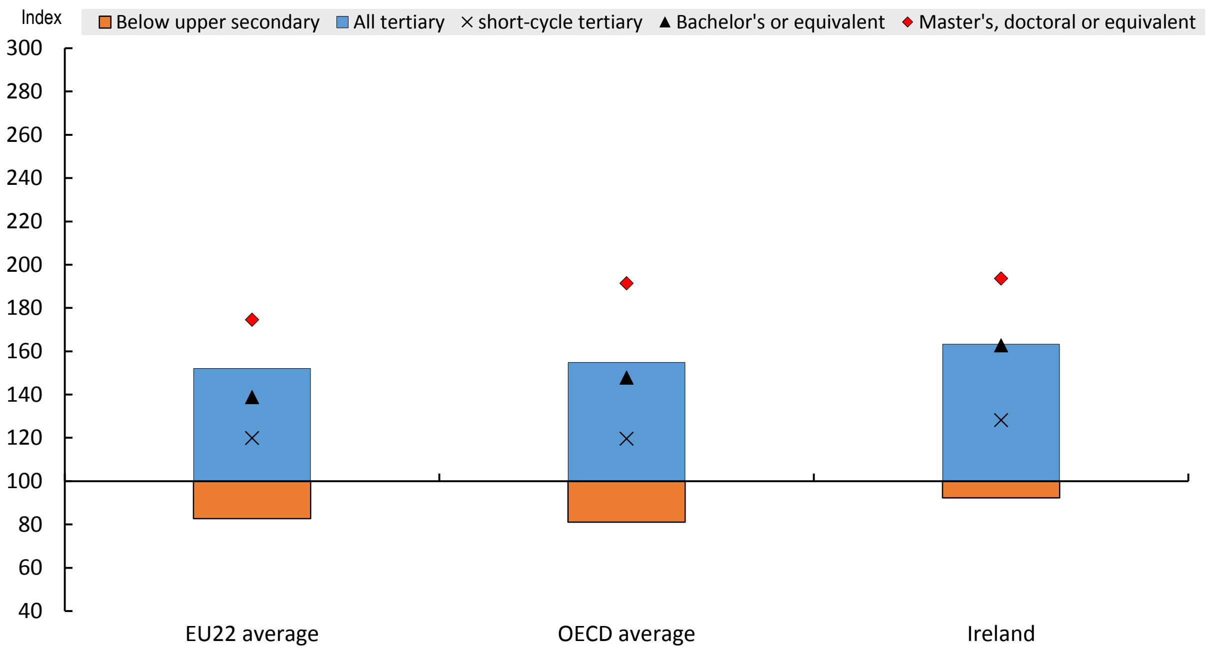
*Note *Measured in equivalent USD converted using PPPs for GDP, by level of education, based on full-time equivalents*

Examining second level education, during 2013, Ireland spent more per second level student (10,804) than the OECD average (9,811) and the EU22 average (10,053). As part of the EU2020 Strategy, Ireland aimed to reduce the percentage of 18-24 year olds with secondary education and not in further education and training to 8%. This target has been exceeded with a current rate of 6.9% (Action Plan for Education 2016-2019). In the past ten years retention rates[14] for DEIS schools has increased from 68.2% to 82.7%. The retention rate for non-DEIS schools is 92%.

### Third Level

As of 2015, 52% of 25-34 year old population have attained a tertiary education degree (OECD Education at a Glance, 2016). This puts Ireland at 10% above the OECD average and 12% above the EU22 average. Expanding the age bracket to 25-64 years of age, the Irish population with a tertiary education degree is at 43%, 8% above the OECD average and 11% above the EU22 average. In 2014, Ireland had the second highest percentage of students in tertiary education studying science, maths and computing in the EU.

**Figure 4.10: Relative earnings of adults working full-time, by educational attainment (2014) 25-64 year-olds with income from employment; upper secondary education = 100.**




Source: OECD Education at a Glance, 2016

Regarding earnings, Ireland is 13th highest out of 38 countries when examining the relative earnings of tertiary graduates. Ireland is seven places higher than the EU22 average and five places higher than the OECD average. This data indicates that tertiary education, in Ireland, yields significant earnings returns for graduates compared to other OECD countries. Figure 4.10 (above) outlines the difference between Ireland, EU22 and the OECD.

[14] The number of students in schools who have remained in school until their Leaving Certificate examination.

## Section 4: Future Policy Challenges

There are a number of challenges facing the Education sector over the short and long term, including demographic pressures, challenges in the third level sector and other structural challenges.

**Table 4.3: Positive and negative challenges**

| | | | |
|---|---|---|---|
| Positive Pressures | **Primary School Demographics** | | |
| Negative Pressures | Demographic-related pressures | Capital stock in 3rd level | Third Level Participation rates |

### Capital Investment

Demographics for primary schools are expected to peak in 2018 and in 2025 for post-primary schools. Expected increase in student numbers will further drive the need for capital investment in the Irish education system specifically at third level. The Action Plan for Education 2016 – 2020 outlines the commitment to delivering a capital investment programme for extensions/refurbishments, additional school places and eliminating the use of prefabs. The 2016-2021 Capital Plan allocated €3.8 billion (14% of total capital allocation) in direct exchequer funding for investment in primary, secondary and tertiary level education facilities.

**Table 4.4: Capital Plan 2016-2021**

***Capital Plan 2016-2021 Education Allocation (€m)***

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Total |
|---|---|---|---|---|---|---|---|
| Allocation | €545m | €599m | €623m | €654m | €700m | €700m | €3,820m |

Source Capital: Plan 2016-2021

Table 4.4 outlines the capital investment allocated to the education sector from 2016 to 2021. The average yearly increase from the previous year's capital allocation is 6%. The previous capital plan and subsequent stimulus programmes prioritised investment in primary and post-primary (secondary). The provision for the current plan allows for 19,000 additional permanent primary school places and 43,000 additional permanent post-primary school places. This capital plan also includes €210 million to upgrade school ICT and installation of wireless networks and also €110 million for facilities in the

Higher Education sector. Public Private Partnerships (PPPs) will also allow for an additional €200 million investment in the third level sector.

## Higher Education

Demographic pressures are set to continue. Student numbers have increased from 169,474 in 2014 to 179,850 in 2016 with a projected further increase of 15% (207,544[15]) by 2028. A significant challenge on the horizon is the expected increase in student demand over the coming years from demographic pressures and higher participation rates combined with funding issues highlighted in the Cassells Report[16].

Funding Issues combined with demographic changes will pose a significant challenge in the future. The Exchequer grant to the Higher Education Authority (HEA) decreased from €1.3 billion in 2008 to €978 million in 2017 (25% decrease). Overall, third level funding decreased from 20% in 2008 to 17% in 2017 resulting in an increase in the student staff ratio from 16:1 to 20:1 and core funding per student decreased by €2,500 from €11,750 to €9,250. Expenditure on student support grants increased by 55% from 2008 to 2016 (€264m to €408m). Budget 2017 provided an additional €36.5m to the higher education sector, the first such increase since the onset of the downturn.

The Cassells Report highlights a number of recommendations for third level education. The report outlines the need for additional funding of €600 million by 2021 and €1 billion by 2030. The report also recommends a capital investment programme of €5.5 billion over the next fifteen years. Technical work is now underway on options to address the funding issues raised in the Cassells Report.

Brexit continues to cause uncertainty for Irish third level students in the UK. Brexit is a potential cost driver in the Irish education system. There is no indication that Irish students studying in the UK currently (and in the future) will be liable for "full fees". However, with Brexit it is possible that Irish students will no longer be able to avail of the domestic citizen fee level. The potential for Irish students being liable for higher fees in the UK may encourage students to remain and study in Ireland rather than travel to the UK. Given that the third level system is expected to see an increase in enrolments over the coming years, the spill over from Irish students that would normally study in the UK choosing to study in Ireland could add further pressure to the third level education system. However, there is no readily available data for Irish citizens studying in the UK. UCAS (Universities and College Admissions Service) who are responsible for processing third level applications in the UK outlined that, in the 2017 cycle, applications from EU citizens decreased by 7%. In 2015 5,815 students from the

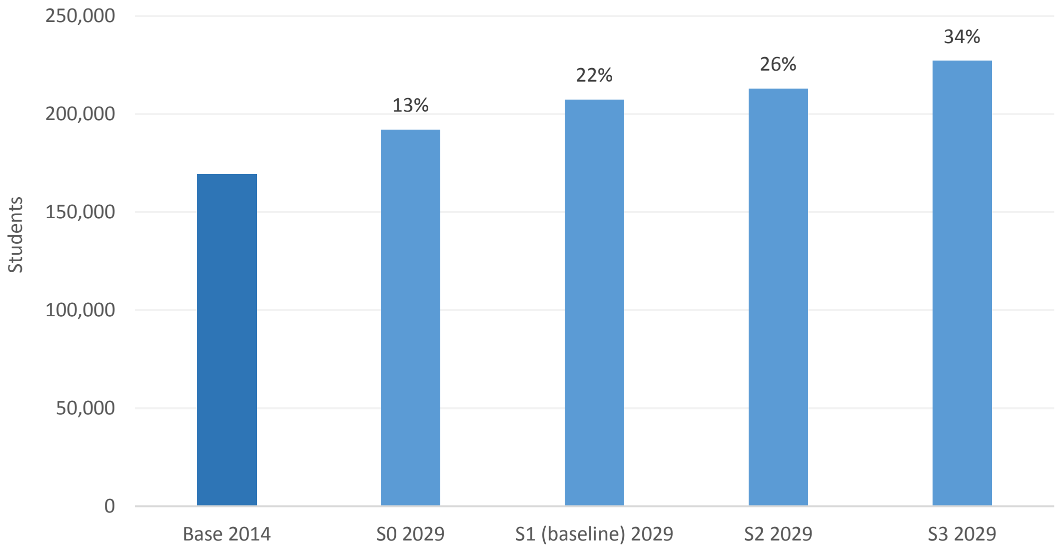
[15] Using S1 baseline scenario from the Department of Education and Skills projections of full time demand for third level education.

[16] https://www.education.ie/en/Publications/Policy-Reports/Investing-in-National-Ambition-A-Strategy-for-Funding-Higher-Education.pdf

Republic of Ireland applied through the UCAS system with 2,085 accepting places. Brexit will of course also represent an opportunity for Ireland, as Ireland will be the only English speaking country in the EU and may be attractive to international students who want to study and improve their English.

## Primary Education

**Figure 11: Projections of Full Time Demand for Education in DES-Aided Third Level Institutions, 2015-2029**




Source: Department of Education and Skills "Projections of Demand for Full Time Third level Education, 2015-2029

Note* % signifies growth from the 2014 base year

Demographic pressures at primary school level are expected to peak in 2018. Under all six migration and fertility estimates the primary school population is expected to decline year-on-year from 2019 to 2034. Using these estimates there will be an oversupply of teachers if current PTR is held constant, resulting in decreased demand for tertiary level graduates with teaching qualifications. This is not an isolated problem for the primary education sector; a demographic bulge is working its way through the education system. Once the bulge moves from primary to secondary sufficient teaching staff may need to be allocated if the PTR is to remain close to existing levels. However, while extra staff may be needed up until the peak enrolments in 2025, student enrolments are expected to decline year-on-year for the following ten years (up to 2035), resulting in a possible oversupply at second level.

Furthermore demographic change is not expected to develop evenly across the country with growth concentrated in urban and commuting areas. Allocation of future resources will need to be aligned with high pressure demographic areas. As the bulge moves from secondary to tertiary it will pose a potential significant problem for the tertiary sector. The Department of Education and Skills in figure 4.11 (above) outlines four potential scenarios for full time demand in third level institutions. Using 2014 as a base year, demand within all four scenarios is expected to increase year-on-year up to 2029.

# 5. Justice and Equality

Author: Eoin Dormer

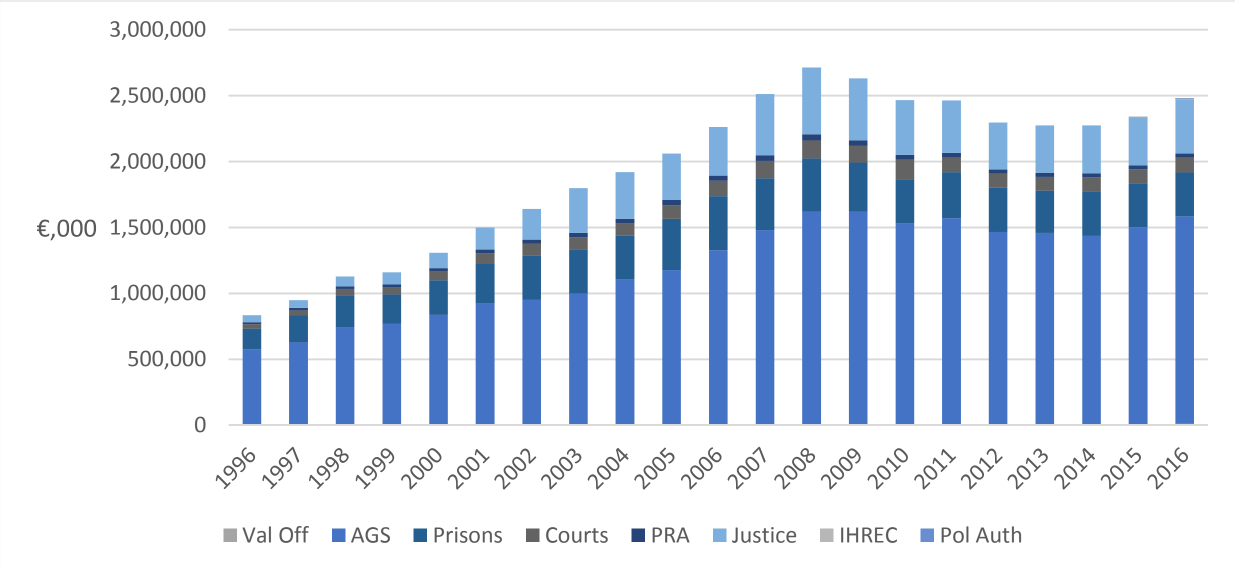

**Summary**

- From 1996 to 2016, expenditure on the Justice Group of votes increased from €0.8bn to €2.5bn.
- As a proportion of Government expenditure, the justice sector accounts for almost 5%.
- Pay is the key driver of expenditure in the Justice Sector. When combined with pensions, it accounts for approximately 70% of vote expenditure.
- The Garda ranks account for the majority of staffing in the Justice sector overall.
- There are a wide variety of outcomes for the Justice sector given the range of different functions and responsibilities included within it.
- There has been a reduction in certain types of crime (burglary and public order offences) but increases in other areas such as sexual offences.
- The numbers of prisoners has also been decreasing.
- One of the key policy drivers for the sector overall is reform especially in policing.
- *Spending review 2017* reviews the area of policing investment from a public expenditure perspective and there is scope to do additional work on the drivers of demand for areas such as policing and immigration.

## Section 1: Long-Term Trends

Between 1996 and 2016, Justice Group expenditure increased by €1.6 billion, from €0.8 billion to €2.5 billion, representing an increase of 198%. The Group of Votes has changed in composition over this period with the introduction of new votes such as the Irish Human Rights and Equality Commission (2015) and the Policing Authority (2016) as well as the relocation of votes such as the Valuation Office in 2016 (previously the Public Expenditure and Reform Group).

**Figure 5.1: Breakdown of Justice Group Gross Expenditure by Vote 1996-2016**



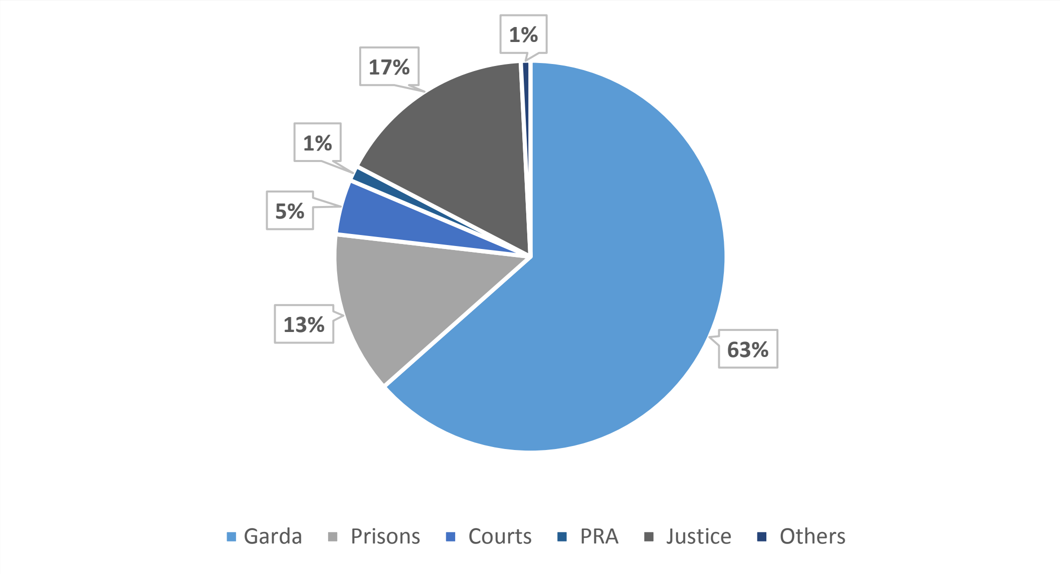

Source: DPER INFOR system and Databank

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

Peak expenditure occurred in 2008, when it reached a level of €2.7 billion or 225% greater than in 1996. In the 13 years between 1996 and 2008 inclusive, Justice Group expenditure increased annually by an average of 10%. During the downturn Justice Group expenditure declined to a low of €2.3 billion in 2014, falling by €0.4 billion or 16% compared with the 2008 high. Since then, it has increased by €0.3 billion or 13% (i.e. up until 2017)

Figure 5.1 also shows that over the two decades, the big three contributors to expenditure on the Justice Group have been the Garda Vote, the Prisons Vote and the Justice Vote. Figure 2 shows the proportional breakdown of expenditure for 2016.

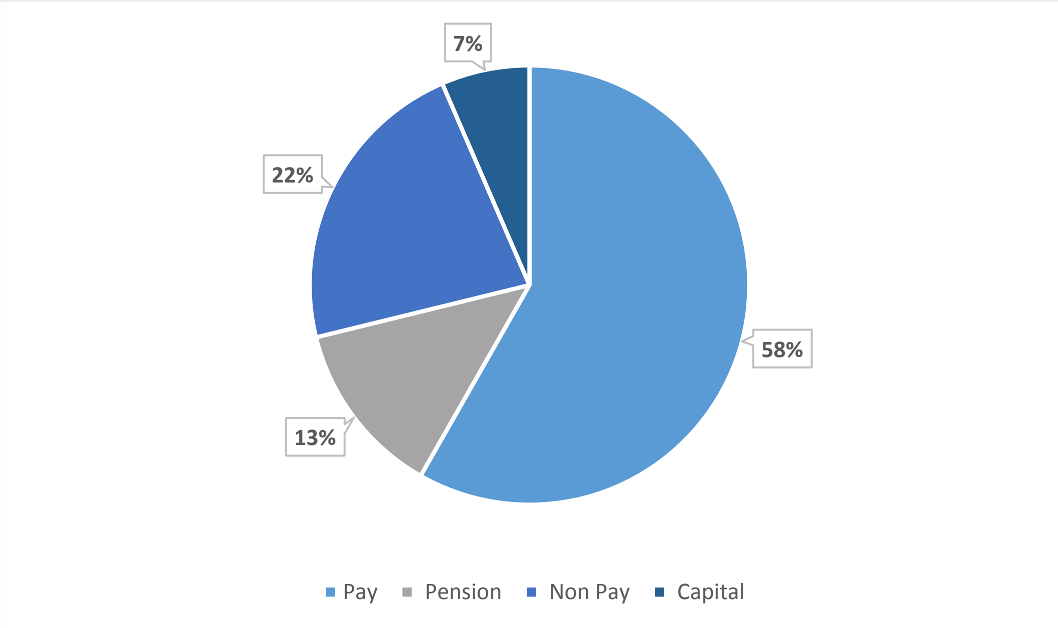
**Figure 5.2: 2016 Justice Group Gross Expenditure by Vote**




Source: DPER INFOR system and Databank

Figure 5.3 demonstrates that investment in the human resources of the Justice Group is the significant expenditure driver. Taken together, pay and pensions accounted for just over 70% of total gross public expenditure on the Justice Group of votes.

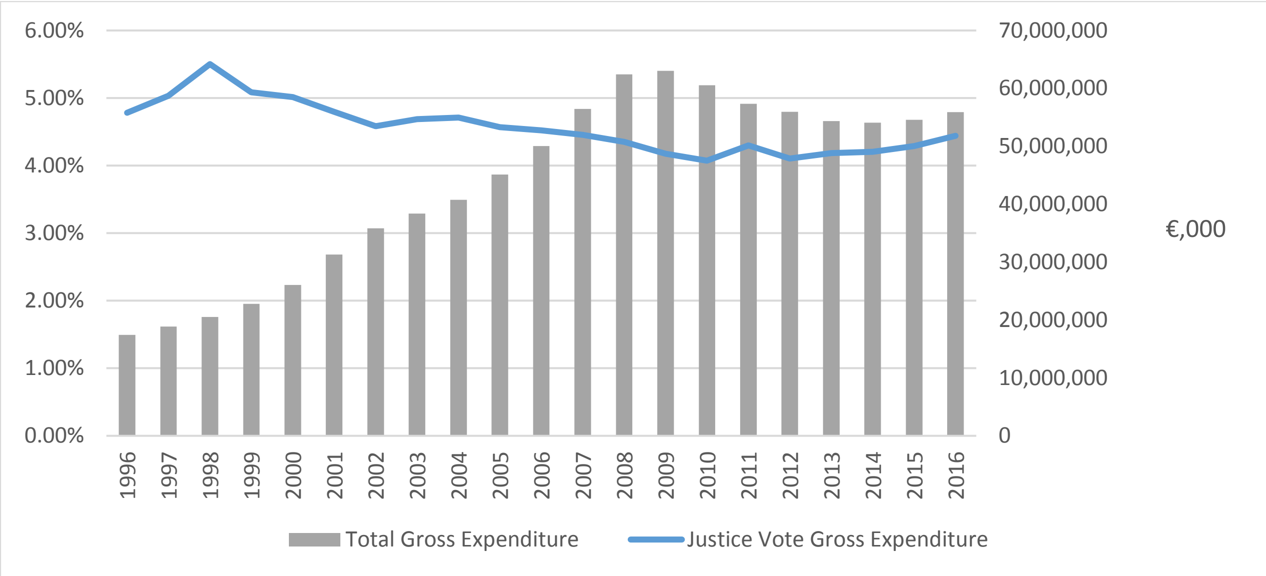
**Figure 5.3: 2016 Justice Group Gross Expenditure by Type**




Source: DPER INFOR system

Justice is the fourth largest area of expenditure for the Government after Social Protection, Health and Education. Over the period 1996-2016, Justice Group expenditure accounted for an average of 4.6% of total expenditure annually, as shown in Figure 5.4.

**Figure 5.4: Justice Group gross expenditure as a percentage of total gross public expenditure**



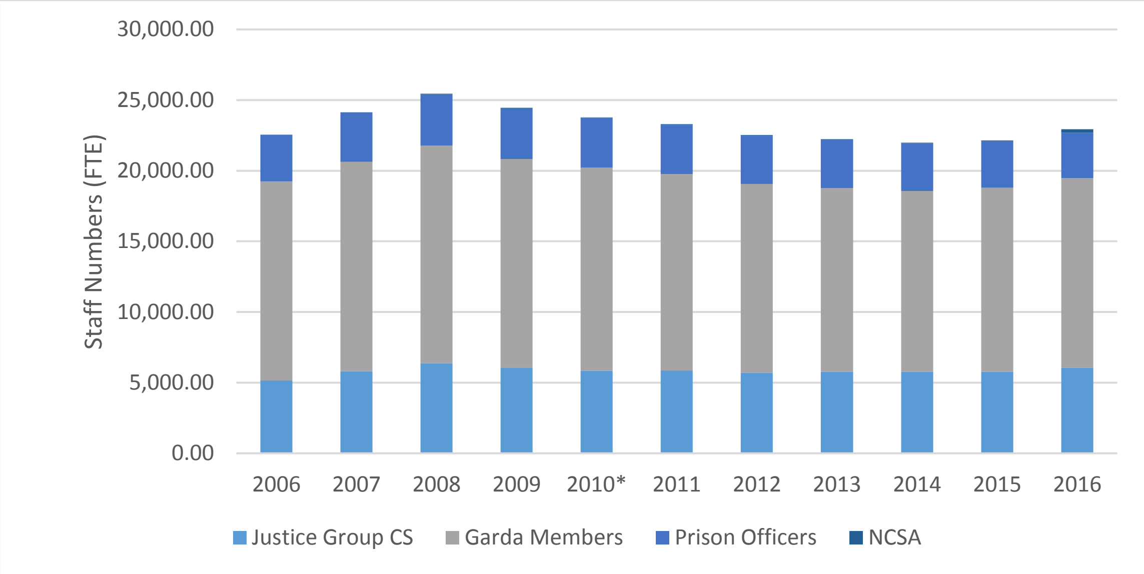

Source: DPER INFOR system and Databank

Over this period, Justice Group expenditure has ranged from a high of 5.5% of total in 1998 to a low of 4.1% in 2010. In 2016 it accounted for 4.4% of the €55.9 billion total. This does not take into account the interactions of public services in the Justice Vote with other sectors (e.g. youth policing) or the overall economic benefits to society generated by the justice sector (e.g. lower recidivism, crime prevention), among others.

## Section 2: Expenditure Drivers

Staffing is the key expenditure driver in the Justice sector. Figure 5.5 below shows the numbers of employees in the Justice sector for the 2006-2016 period, broken down by civil servants, Gardaí, prison officers and those employed in the Non-Commercial State Agencies.

**Figure 5.5: Staff Numbers type in Justice Group at end quarter 4, 2006-2016**



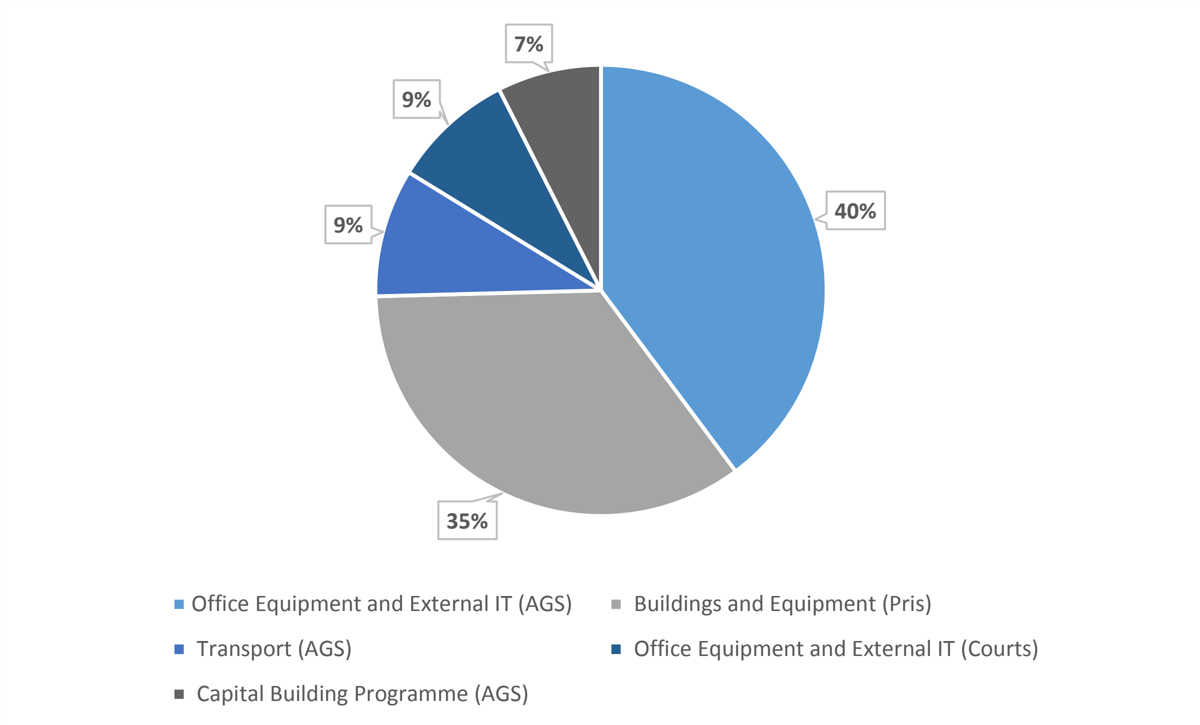

Source: DPER INFOR system and Databank

*NCSA number in 2010 is year average figure for NDA from Annual Report

This graph shows that the largest component of staffing is Garda members, followed by civil servants throughout the Group (including civilians in An Garda Síochána and Prisons), prison officers and staff in the non commercial State Agencies. The Garda ranks comprise almost 60% of all staff in the sector. Accordingly, large increases in the number of Gardai have a significant impact on the sustainability of spending in the sector not only in terms of pay, pensions and non-pay costs (equipment, vehicles, buildings) but also potentially in terms of downstream impacts on activity in other parts of the Criminal Justice system e.g. prisons, courts and probation.

Figure 5.6 shows the breakdown of capital expenditure by type across the Justice group of votes. Capital expenditure comprised 7% of vote group expenditure in 2016, not markedly different to an equivalent figure of 8% for 2006.

**Figure 5.6: Justice Vote Group Capital Expenditure Drivers 2011-2016**



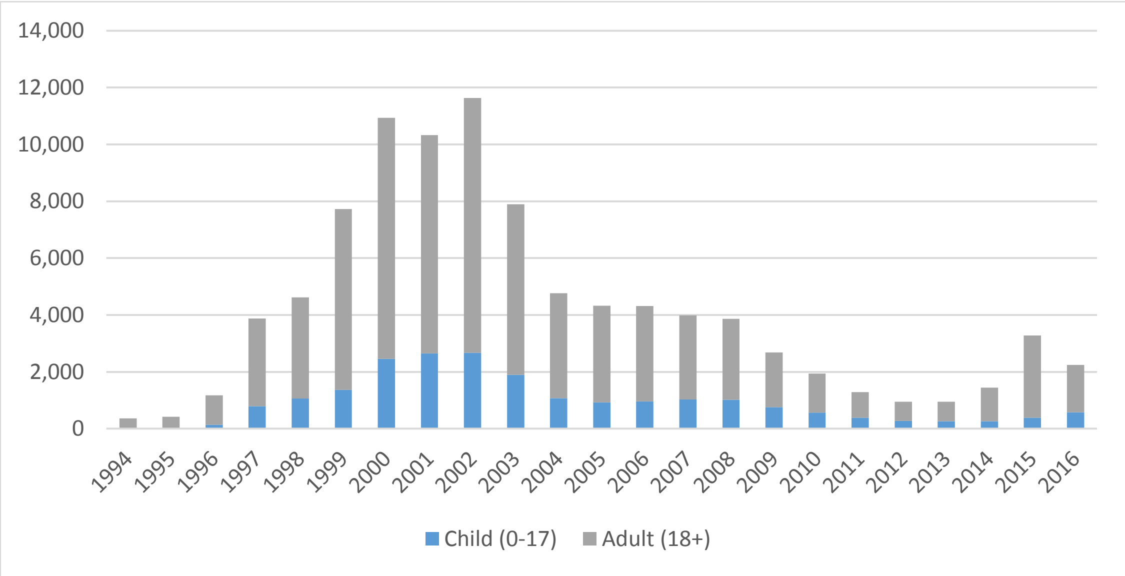

Source: DPER INFOR system

Some of the drivers of capital expenditure are areas which have seen significant investment over the past number of years – buildings (accommodation for prisons, Gardai and courts), office equipment/IT and transport. There has been a focus on Garda ICT as part of the 2016-2021 Capital Envelope, with an additional €205 million provided on top of base levels to modernise operations. This is reflected in the 'Office Equipment and External IT' subhead. Similarly, under the 'Transport' subhead, a large scale replacement of Garda vehicles occurred in 2016. Finally, work on updating Prisons infrastructure – (e.g. the new Cork prison) – has represented an important priority for Justice Capital expenditure for the period.

Non pay expenditure across the Group is quite varied and comprises elements such as criminal legal aid, civil legal aid, support for inquiries and commissions and compensation payments to Gardai/prisoners. It also includes important service contracts such as the GoSafe speed camera contract and payments for asylum accommodation as well as grant programmes (youth justice, equality and probation). Similarly, the drivers for non-pay expenditure are also varied and include demand for legal services, asylum application numbers (influenced in part by geopolitical factors) activity in other parts of the justice sector (policing) and Government decisions (e.g. to set up a new regulator or launch inquiries), among others. There are also demographic elements e.g. youth population.

For illustrative purposes, figure 5.7 focuses on one non particular non pay driver which is the number of applications for refugee status as set out Office of the Refugee Applications Commissioner. This affects demand for asylum seekers accommodation.

**Figure 5.7: Applications for Refugee Status per year by age grouping**




Source: ORAC Annual Report 2016

The previous long term trend was a stark increase in applications from 1997 to 2003. There were substantial falls thereafter. However, the number of applications rose again from 2014. The key point here is that the volume of new applications can escalate/reduce rapidly. However once here, people tend to remain for some time and reducing the numbers in State provided accommodation can sometimes be challenging. The Irish Refugee Protection Programme (Relocation & Resettlement strands) also influences non-pay costs. Intakes from Greece (intakes from Italy have not yet started due to issues beyond Ireland's control) impact on accommodation costs (Emergency Reception Orientation Centre accommodation centres). Overall, there can be significant volatility surrounding the numbers coming here claiming asylum, as refugees or illegal migrants.

## Section 3: Outcomes

The Justice Vote Group encompasses a wide range of responsibilities and it is not possible to fully cover the entire range of outputs and outcomes of justice related spending. This section focuses on a number of key issues encompassing crime, prisoners and asylum accommodation.

Recorded crime is a measure of incidents reported to the Gardaí where it is determined that a criminal offence has taken place, as defined by the law. It is influenced by many factors one of which can be policing activity. Table 5.1 shows the trend in recorded crime for the period 2012 to 2016, as categorised by offence group. This graph should be read with the caveats regarding crime statistics as set out by the CSO in the Review on the quality of crime statistics 2016.

**Table 5.1: Recorded crime incidents classified by offence group & annualised to end Q4, 2012 to 2016**

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| **Homicide Offences** | 79 | 83 | 80 | 63 | 71 |
| **Sexual Offences** | 2,116 | 2,009 | 2,053 | 2,348 | 2,549 |
| **Attempts/threats to murder, assaults, harassment & related offences** | 15,710 | 14,502 | 15,164 | 16,976 | 16,360 |
| **Dangerous or negligent acts**[1] | 9,051 | 7,660 | 7,298 | 7,224 | 7,768 |
| **Kidnapping and related offences** | 101 | 124 | 124 | 152 | 119 |
| **Robbery, extortion and hijacking offences** | 2,817 | 2,806 | 2,647 | 2,577 | 2,096 |
| **Burglary and related offences** | 28,133 | 26,218 | 27,635 | 26,261 | 18,438 |
| **Theft and related offences** | 76,402 | 78,737 | 77,697 | 75,864 | 64,981 |
| **Fraud, deception and related offences** | 5,790 | 4,824 | 5,178 | 5,579 | 4,902 |
| **Controlled drug offences** | 16,450 | 15,372 | 15,915 | 15,090 | 16,119 |
| **Weapons and explosives offences** | 3,038 | 2,750 | 2,479 | 2,377 | 2,123 |
| **Damage to property and to the environment** | 32,428 | 28,913 | 27,394 | 26,049 | 22,267 |
| **Public order and other social code offences** | 43,861 | 36,453 | 32,639 | 33,276 | 29,158 |
| **Road and traffic offences (NEC)**[1] | 9,445 | 9,187 | 9,765 | 11,438 | 11,683 |

| | | | | | |
|---|---|---|---|---|---|
| **Offences against government, justice procedures and organisation of crime** | 79 | 83 | 80 | 63 | 71 |
| **Offences not elsewhere classified[1]** | 2,116 | 2,009 | 2,053 | 2,348 | 2,549 |

Source: CSO

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

The overall number of recorded offences has been declining from the 2008 high. In particular, the burglary category has fallen by one third. Public order and other social code offences have also fallen significantly. These both account for a high proportion of recorded offences. Some other crime types have increased e.g. sexual offences.

Table 5.2 presents the latest data published by the CSO the detection rate for over a three year period from 2011 to 2014 i.e. success in solving crime.  For many categories, the detection rate has not changed significantly (detection as a proportion of offences) or declined.

### Table 5.2: Detection rates for recorded crime, 2012 to 2014

| | 2012 | 2013 | 2014 |
|---|---|---|---|
| | % | % | % |
| **Homicide Offences** | 82 | 85 | 79 |
| **Sexual Offences** | 60 | 54 | 47 |
| **Attempts/threats to murder, assaults, harassment & related offences** | 60 | 62 | 58 |
| **Dangerous or negligent acts[1]** | 100 | 100 | 100 |
| **Kidnapping and related offences** | 61 | 67 | 47 |
| **Robbery, extortion and hijacking offences** | 46 | 41 | 40 |
| **Burglary and related offences** | 22 | 20 | 18 |
| **Theft and related offences** | 35 | 33 | 33 |
| **Fraud, deception and related offences** | 44 | 42 | 38 |
| **Controlled drug offences** | 98 | 99 | 99 |
| **Weapons and explosives offences** | 89 | 90 | 91 |

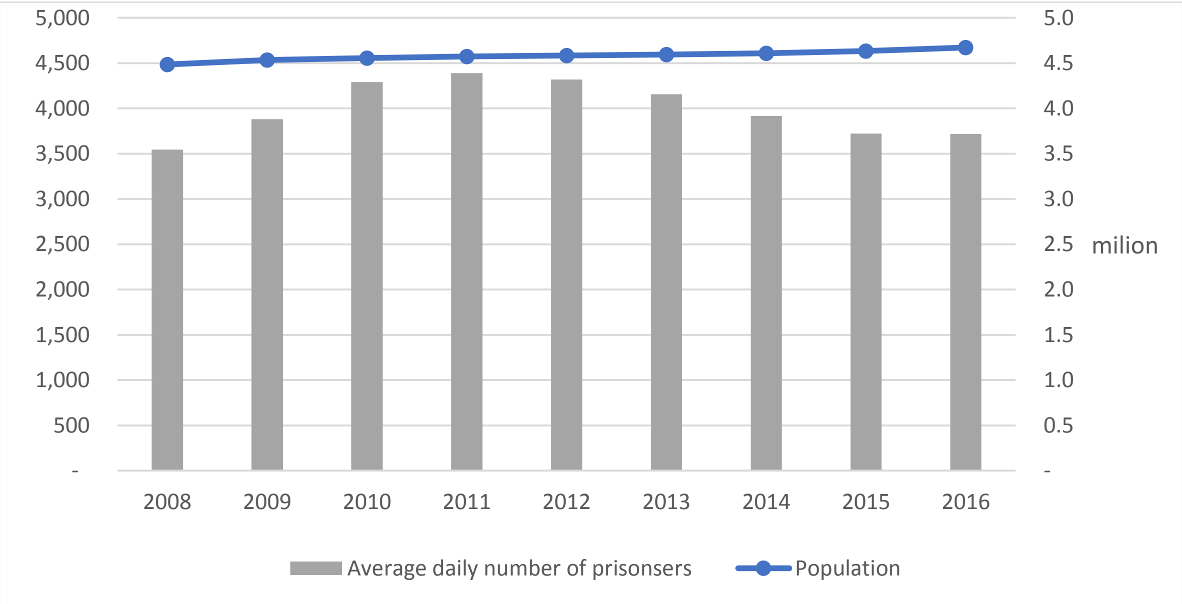
| | | | |
|---|---|---|---|
| **Damage to property and to the environment** | 22 | 22 | 22 |
| **Public order and other social code offences** | 93 | 93 | 93 |
| **Road and traffic offences (NEC)[1]** | 99 | 99 | 99 |
| **Offences against government, justice procedures and organisation of crime** | 99 | 99 | 97 |
| **Offences not elsewhere classified[1]** | 50 | 45 | 43 |

Source: CSO – Garda Recorded Crime Statistics 2010 to 2014

*Note: The CSO highlight that certain crimes, by their nature, are detected more frequently than others, such as dangerous or negligent acts (which are mainly speeding offences), road and traffic offences and controlled drug offences. Detection rates are subject to revision.*

Figure 5.8 shows the trend in the average daily prisoner population since 2008 and illustrates the recent reduction in the numbers of prisoners. This could be affected by a variety of factors including the reduction in the number of men aged between 20 and 29 as well as other factors such as the effectiveness of alternative interventions to prisons, among others.

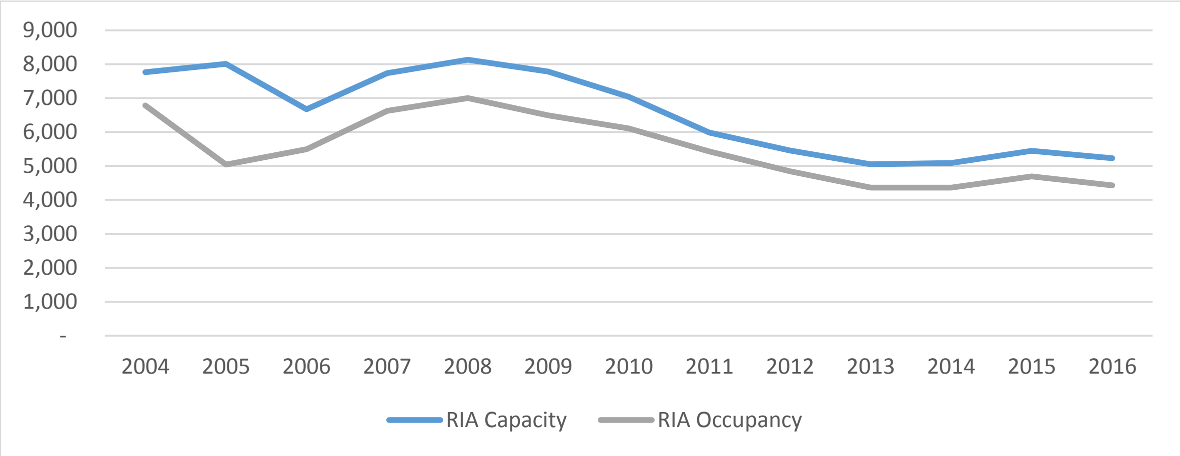
**Figure 5.8: Trend in average prisoner population, 2008 to 2016**




Source: Irish Prisons Service and CSO

Figure 5.9 illustrates the long term occupancy and capacity trends for those seeking asylum. These are functions of the volume of asylum seekers as well as the pace of decision making, among other factors. The 2016 occupancy of 4,425 places is 36.8% lower than in 2008. In recent years it has been possible to close some facilities. Since 2011, the average occupancy of accommodation has been 4,685 places with average capacity of 5,375 places i.e. 87.1% of available accommodation capacity. Occupancy in recent months has effectively been at maximum recommended capacity of 90%.

**Figure 5.9: Reception and Integration Agency Occupancy and Capacity 2004-2016**




Source: Reception and Integration Agency Annual Report 2016

There are of course other outputs on the immigration side (e.g. visa applications processed) – these have been rising in recent years.

## Section 4: Future Policy Challenges

A major spending pressure in the Justice Sector relates to increased staffing numbers and pay. There are also regulatory challenges in the areas of data protection and legal services to be addressed, among others. In addition, similar to other sectors, reform is a policy priority. There is already an established programme of change for An Garda Síochána and other areas throughout the sector. Pressures in other areas also constitute drivers for reform e.g. increased sittings in the Courts Service.

**Demands for Policing Services are rising.** While some crime types are falling, there are rising demands for policing services in the areas of gangland criminality, the response to international terrorism as well as other special operations. There are also growing areas of policing involving protective services (supporting victims of sexual assault) as well as specialist areas such as cybercrime.

**There is a focus on implementing the reform actions identified by the Garda Inspectorate.** Fully implemented by An Garda Síochána and overseen by the Policing Authority, the Garda Modernisation and Renewal Programme 2016-2021 has the potential to transform the organisational and operational effectiveness of policing in Ireland. Further civilianisation is one of the key reforms underway as part of this Programme. The overall aim is to achieve a target of 20% civilians as a proportion of overall policing staffing through (i) a "civilian by default" policy whereby all new posts other than operational policing posts and non-operational policing posts that become vacant are filled by suitably qualified civilians and (ii) the redeployment of Gardai from administrative/technical roles to roles requiring sworn powers and/or policing expertise and replacing these Gardai with civilians.

A further priority is supporting the work of the new Commission on the Future of Policing in Ireland which is to report in September 2018.

Pressures on Garda Pay will post a challenge. In addition to the spending sustainability challenges posed by increased spending on new Gardai and civilians, there are other pressures to be managed within the Garda paybill such as overtime. In 2016 the estimate for expenditure on overtime amounted to €91.5m, an increase of 115% compared to 2012 levels. As the number of Gardai increase, it is Government policy that expenditure on overtime returns to more sustainable levels in line with international benchmarks of 4%-5%.

It is important to ensure that those seeking international protection status and refuge in Ireland are treated in a fair and timely manner. There are pressures on the asylum system, driven by increasing numbers of people claiming asylum status – which is related in part to economic growth - and also by Ireland's international commitments to resettle programme refugees arising from the crisis in Syria. This will be an expenditure driver to monitor over the coming few years.

The International Protection Act 2015 aimed to streamline the asylum/immigration process. This should serve to relieve the pressure and shortcomings in Direct Provision in time. There are also a range of recommendations on how to improve conditions in the Direct Provision system which are being implemented at present. There are broader expenditure implications for public services such as education, health, housing and social protection for those granted refugee status.

In addition, there are issues on the immigration side with increases in entry visa applications and applications for residence, driven by economic growth, among other factors. This includes those wishing to exercise EU treaty rights, many of which are considered an abuse of the system or are being challenged in the courts.

The sector will need to deal with the implications of Brexit. As with all other areas of Government, the effects of the UK exiting the EU will pose issues for consideration in the Justice Sector. Potential challenges here include the common travel area including related immigration/policing/law enforcement issues.

**Future analysis on structural issues**

The Spending Review 2018 looks at the challenges for investment in policing services. As part of future Spending Reviews, there are some areas which would benefit from increased analysis to improve the quality of mid-term expenditure planning and evaluation. These include assessing the demand drivers both for policing services and immigration expenditure.

## 6. Transport, Tourism and Sport

Author: Philip Maher

**Summary**

- Since 2011, gross expenditure by the Department of Transport, Tourism and Sport has reduced by €538 million or 23% to €1,809 million.
- The Department operates across five programme areas - Aviation, Land Transport, Maritime, Tourism and Sport, with 80% allocated to Land Transport, covering Roads and Public Transport.
- The primary drivers of expenditure are economic growth, leading to pressures on the existing roads and public transport system, policy commitments in relation to roads, regional airports and sport and the transition to more sustainable transport systems.

## Section 1: Long Term Trends

The Department of Transport, Tourism and Sport was established in 2011. In the 2002 to 2011 period, the Department operated as the Department of Transport and prior to that, was known as the Department of Public Enterprise. The Department of Transport, Tourism and Sport operates across 5 main programme areas.

- Aviation: to maximise air transport connectivity with a safe, competitive, cost effective and sustainable aviation sector
- Land Transport : to best serve the needs of society and the economy through safe, sustainable and competitive transport networks and services
- Maritime: to facilitate safe and sustainable maritime transport and the delivery of emergency management services.
- Sport: to contribute to a healthier and more active society by promoting sports participation and by supporting high performance and the provision of sport facilities.
- Tourism: to support the tourism industry to grow in a sustainable way.

Over the period 2011 to 2017, gross expenditure (current and capital) decreased from €2.347 million in 2011 to €1,810 million in 2017, a decrease of €537 million or 23%. Figure 6.1 set outs the expenditure figures for that period, with the distribution across the Transport, Tourism and Sport programme areas. Figure 6.2 sets out the breakdown between current and capital expenditure.

**Figure 6.1: Total Gross Expenditure 2011-2017 (€m)**

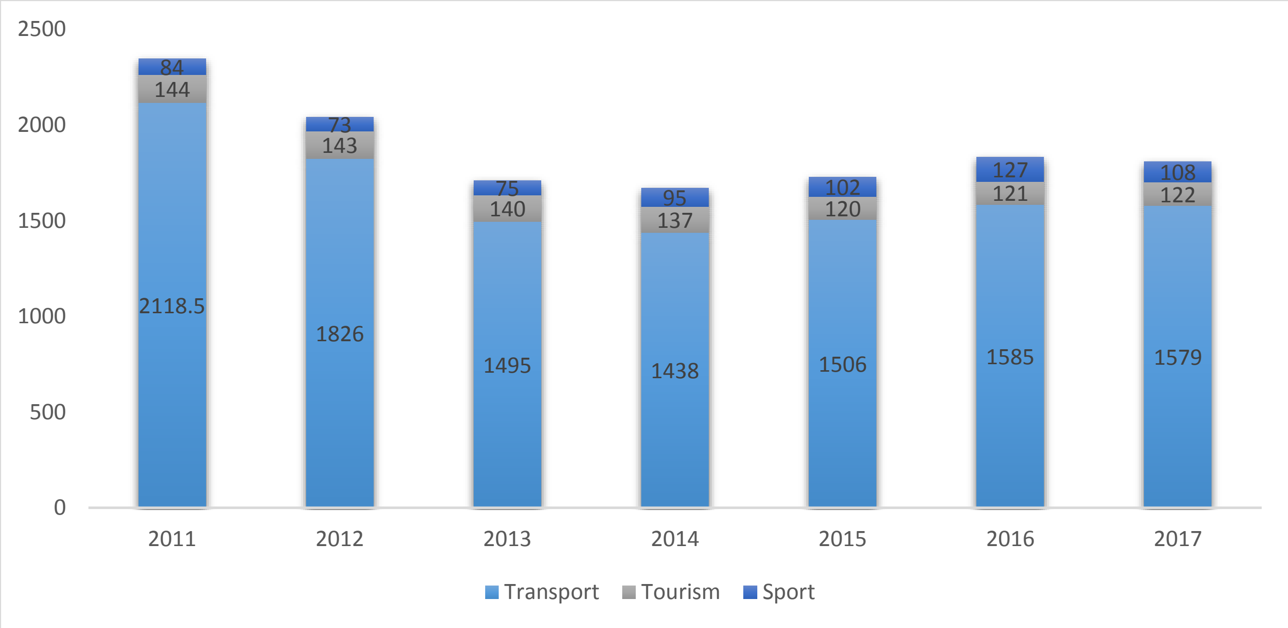
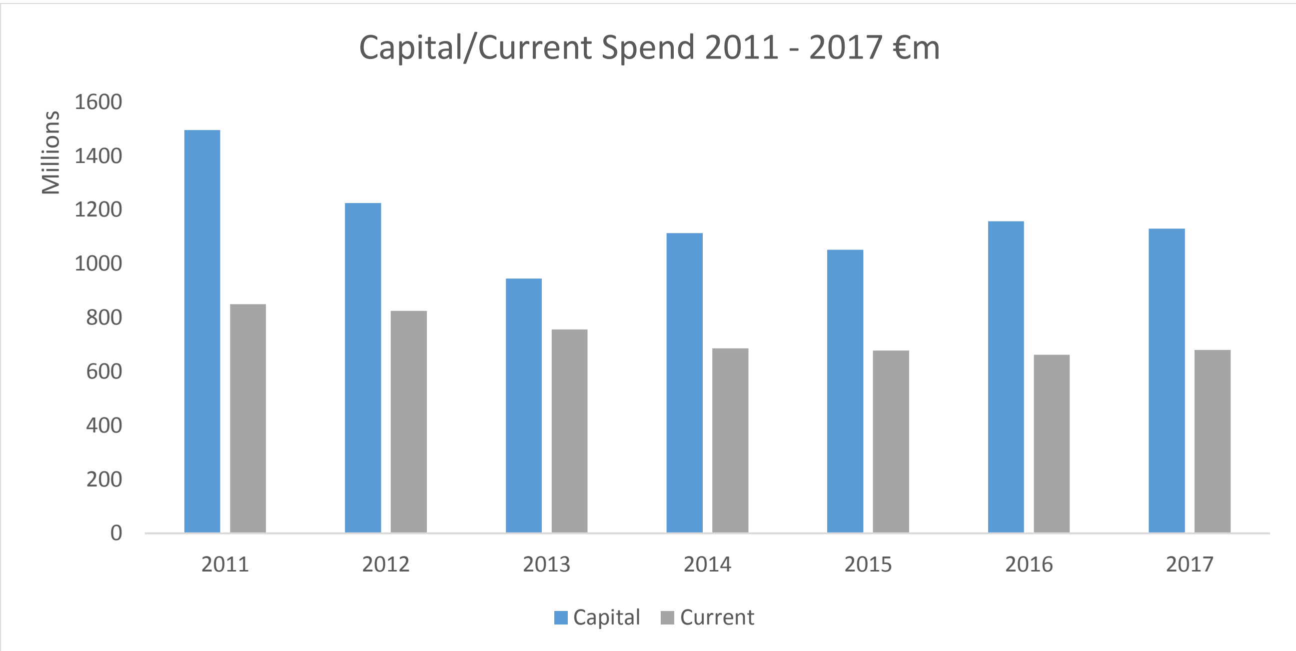
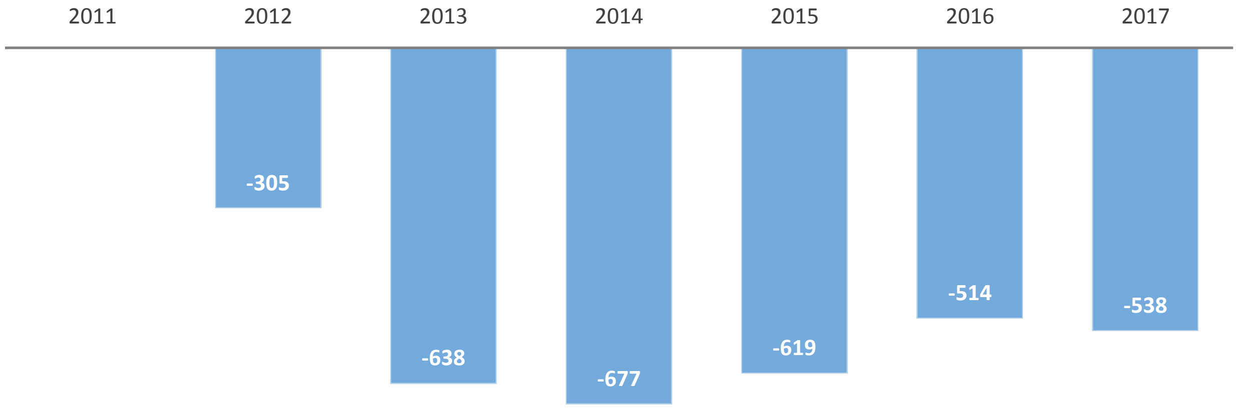



**Figure 6.2: Total Gross Capital/Current Expenditure 2011-2017**




Taking 2011 as the base year, gross expenditure (current and capital) shows a cumulative decrease (Figure 6.3) over the period 2011 to 2017 of €3,291million - €810 million current and €2,482 million capital.

**Figure 6.3: Gross Expenditure Reduction 2011-2017 €m based on 2011 base year**




Source: DPER

The gross expenditure breakdown by programme areas over the 2011 to 2017 period, is set out in Table 6.1 below.

**Table 6.1: Gross Expenditure 2011-2017 by Programme Areas**

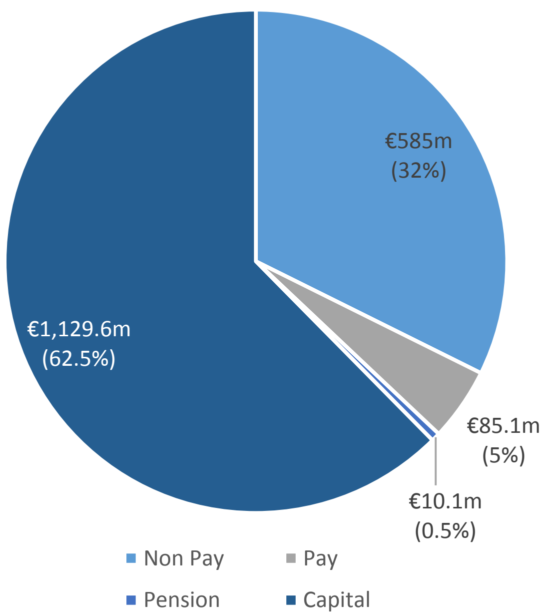
| | Programmes | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | Total |
|---|---|---|---|---|---|---|---|---|---|
| **A – Aviation** | Current | 29.5 | 24 | 26 | 25 | 22 | 22 | 22 | 170.5 |
| | Capital | 5 | 4 | 4 | 3 | 2 | 4 | 5 | 27 |
| | **Total** | **34.5** | **28** | **30** | **28** | **24** | **26** | **27** | **197.5** |
| **B – Land Transport** | Current | 587 | 571 | 488 | 420 | 418 | 391 | 403 | 3,278 |
| | Capital | 1,426 | 1,156 | 875 | 896 | 974 | 1,073 | 1,053 | 7,453 |
| | **Total** | **2,013** | **1,727** | **1,363** | **1,316** | **1,392** | **1,464** | **1,456** | **10,731** |
| **C – Maritime & Safety** | Current | 55 | 60 | 78 | 85 | 85 | 89 | 90 | 542 |
| | Capital | 16 | 11 | 24 | 9 | 5 | 6 | 6 | 77 |
| | **Total** | **71** | **71** | **102** | **94** | **90** | **95** | **96** | **619** |

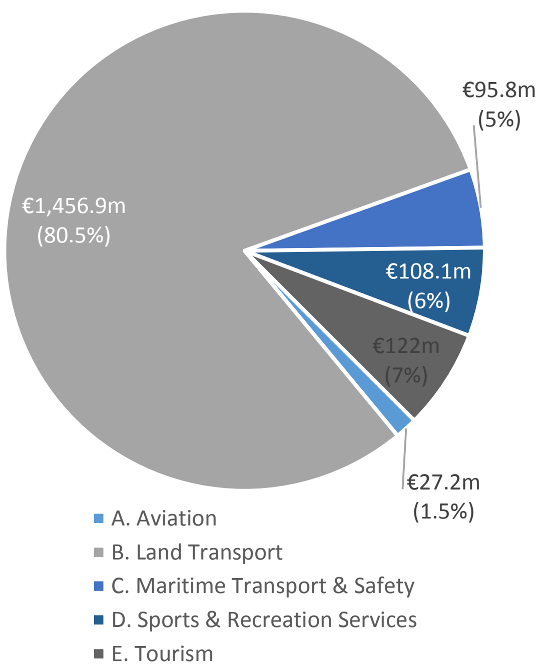
| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **D - Sports** | Current | 50 | 48 | 48 | 46 | 48 | 53 | 56 | 349 |
| | Capital | 34 | 25 | 27 | 49 | 54 | 74 | 52 | 315 |
| | **Total** | **84** | **73** | **75** | **95** | **102** | **127** | **108** | **664** |
| **E - Tourism** | Current | 128 | 122 | 120 | 112 | 104 | 107 | 109 | 802 |
| | Capital | 16 | 21 | 20 | 25 | 16 | 14 | 13 | 125 |
| | **Total** | **144** | **143** | **140** | **137** | **120** | **121** | **122** | **927** |
| **Total** | Total Current | 850 | 825 | 759 | 687.5 | 677 | 662 | 680 | 5,140.5 |
| | Total Capital | 1,497 | 1,217 | 950 | 982.5 | 1,051 | 1,171 | 1,129 | 7,997.5 |
| | **Over Total** | **2,347** | **2,042** | **1,709** | **1,670** | **1,728** | **1,833** | **1,809** | **13,138** |

## Section 2: Components of Expenditure

Total gross expenditure allocation for 2017 is €1,810 million: Current €680 million (38%) and Capital €1,129 million (62%). Figures 6.4 and 6.5 present this allocation by type and programme and demonstrates a distribution across these categories which is typical of recent years.

**Figure 6.4 and 6.5: Gross Expenditure by Type and Programme 2017**



**Aviation** programme accounts for 1.5% (€27 million) of gross expenditure. The largest beneficiary of the funding is the regional airports programme safety and maintenance (€12m). This programme also covers costs associated with membership of Eurocontrol and subscriptions to other international organisations.

**Land Transport** programme accounts for 80% (€1.456 million) of gross expenditure in the area of Roads and Public Transport.

**Roads**: The Roads Programme accounts for almost 53% (€781 million) of the Land Transport allocation, of which national roads account for 34% (€266 million); Regional and Local Roads 41% (€321 million), PPP operational payments 17% (€132 million). The primary focus is on road network maintenance with some funding for new road developments.

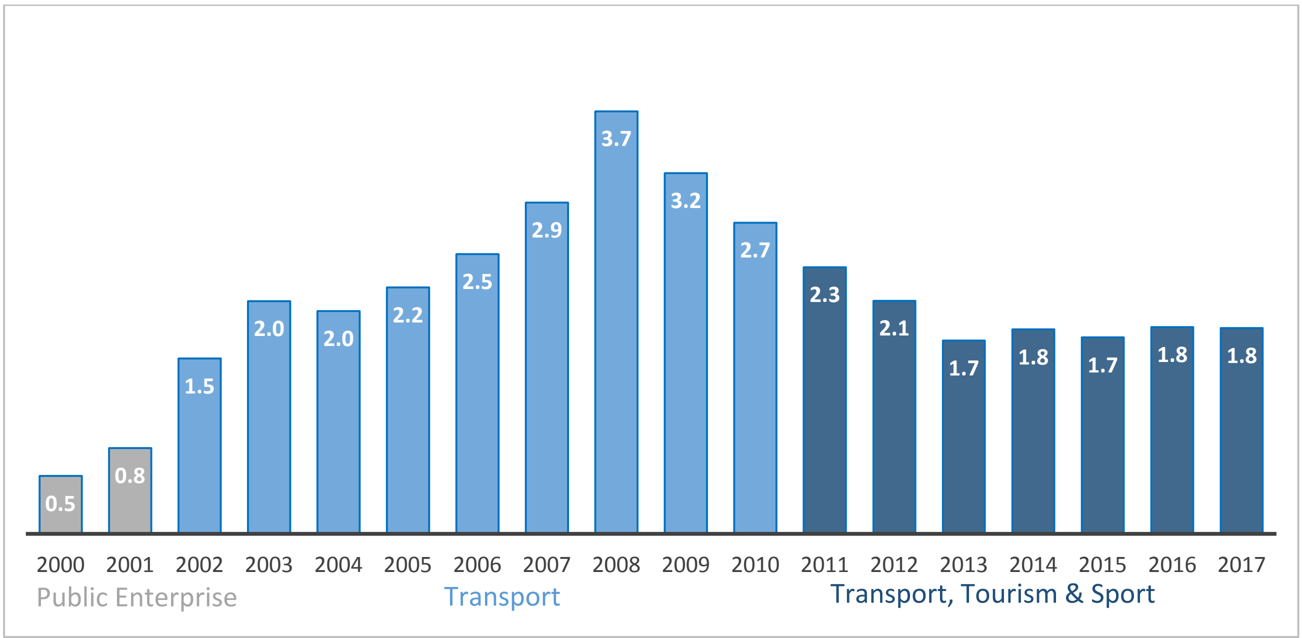
**Public Transport**: Public Transport amounts to almost 44% (€634 million) of the Land Transport allocation, with funding provided to the National Transport Authority for the Public Service Obligation (€264 million) for Iarnród Éireann, Dublin Bus and Bus Éireann. The NTA also fund the continued implementation of various programmes around sustainable travel, traffic management, regional cities and accessibility grants, as well as capital funding to Iarnród Éireann, primarily for the maintenance and renewal of the heavy rail network nationwide.

**Maritime** Transport and Safety programme accounts for 5% (€95m) expenditure, with the majority of the spend on supports to the Irish Coast Guard (Search and Rescue helicopters) at €79 million. This Programme also funds the Maritime Safety Policy Division (MSPD), the Marine Survey Office (MSO), the Mercantile Marine Office (MMO) and The Marine Radio Affairs Unit (MRAU).

**Sports and Recreation Services** programme accounts for 6% (€108 million) of expenditure. The programme supports Sport Ireland (€53 million), formed from the merger of the Irish Sports Council and National Sports Campus in 2015. Also provided under this programme is funding to the Sports Capital Programme (€44 million) and Swimming Pools Programme (€4 million).

**Tourism Services Programme** accounts for 7% (€122 million) of expenditure. This includes the expenditure of the two tourism agencies - Fáilte Ireland (€57 million) promoting and supporting the development of Irish tourism, providing a range of practical business supports, while also running a network of Tourist Information Offices; and Tourism Ireland (€15 million), a north/south body established under the Good Friday Agreement. The Tourism Marketing Fund (€36 million), which provides funding for overseas tourism marketing, is also funded from this programme. Also funded under this programme is the Tourism Product Development programme (€13 million) which provide for the support of tourism product development, in the form of capital grants administered by Fáilte Ireland.

**Figure 6.6: Expenditure Trends (€bn)**




## Section 3: Expenditure Drivers

The main drivers of expenditure are the growth in the economy, policy direction and implementation and climate change adaptations.

- Economy and employment growth has created an increased demand on roads and public transport services. Demand is forecast to be at peak 2007 levels by 2020, with associated expenditure pressure for improved capacity.
- There are a number of policy commitments driving expenditure, including increased expenditure on roads, together with regional airports and the Sports Capital Programme.
- The transition to sustainable transport systems will impact on expenditure. This will include the potential for developing technology and alternative fuel sources including hybrid and full electric bus systems.

## Section 4: Key Programme Areas

**Roads**

The road network in Ireland covers approximately 98,500km and accounts for 44% of gross expenditure. National Roads cover 5% of the road network and carry 45% of traffic.

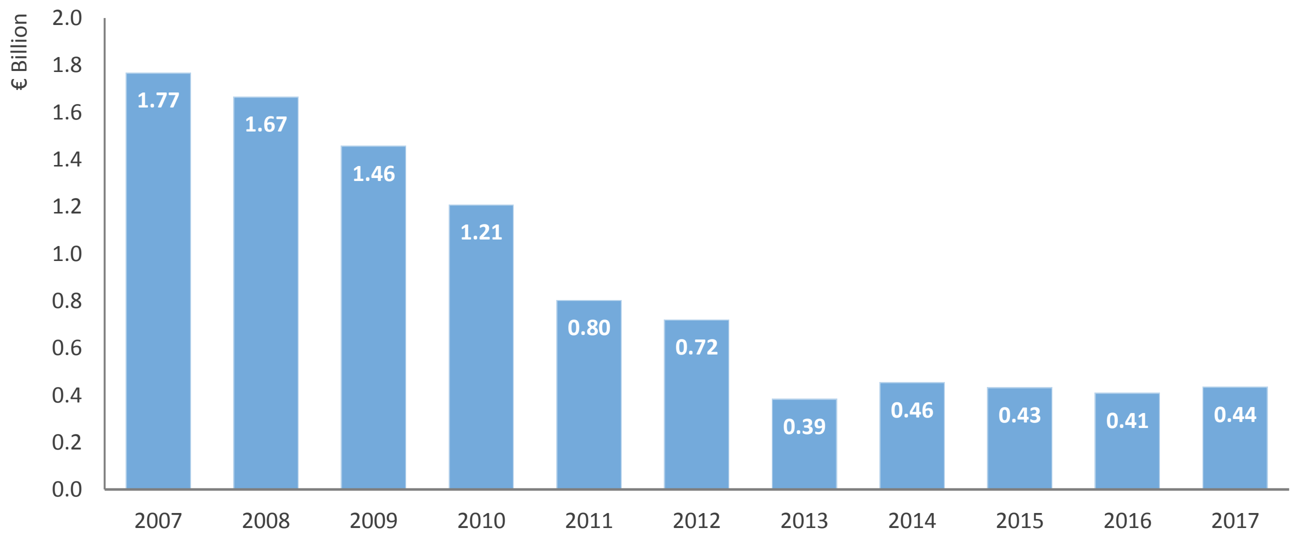
- Motorways 1,224km
- National Primary 1,515km
- National Secondary 2,676km

Regional and Local Roads cover 95% of the road network and carry 55% of traffic.

- Regional & Local Roads 93,000km

National Roads development and maintenance expenditure and PPPs are managed by grants to Transport Infrastructure Ireland (TII), established in 2015 through a merger of the National Roads Authority and the Railway Procurement Agency. This sub-programme areas has seen a reduction of €1,332 million (75%) over the 2007-2017 period, as illustrated in Figure 6.7.

**Figure 6.7: Expenditure on National Roads, 2007-2017**



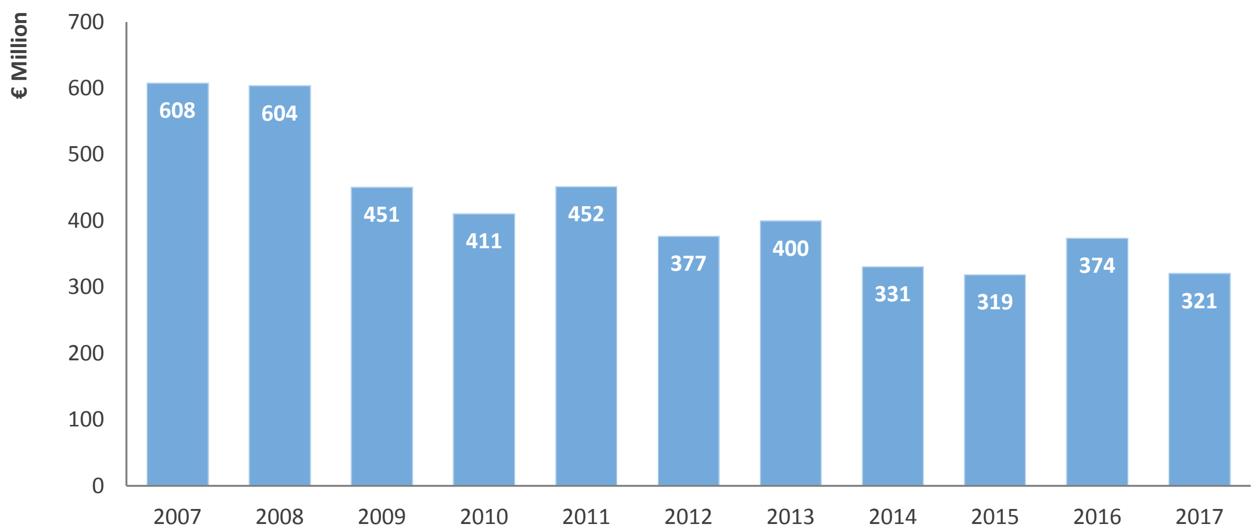

Source: DPER

**Regional and Local Roads (Local Government Funded)**

Regional and Local Roads accounts for 94% of the roads network and the primary responsibility for improvement and maintenance of regional and local roads rests with local authorities. The funding from the Department of Transport Tourism and Sport is intended to supplement contributions by local authorities from their own resources. Expenditure in this sub-programme area has reduced by €287 million (47%) over the 2007-2017 period, as set out in Figure 6.8.

Responsibility for Regional and Local Roads was transferred to Department of Transport in January 2008 from the Department of the Environment (now the Department of Housing, Planning, Community and Local Government). These roads are funded from the Local Government Fund, managed by the Department of Housing, Planning, Community and Local Government. Each year, subject to agreement between the Department of Housing, Planning, Community and Local Government and the Department of Transport Tourism and Sport, funds are transferred from the Local Government Fund to the Department of Transport Tourism and Sport.

**Figure 6.8: Regional and Local Road Grants, 2007-2017**

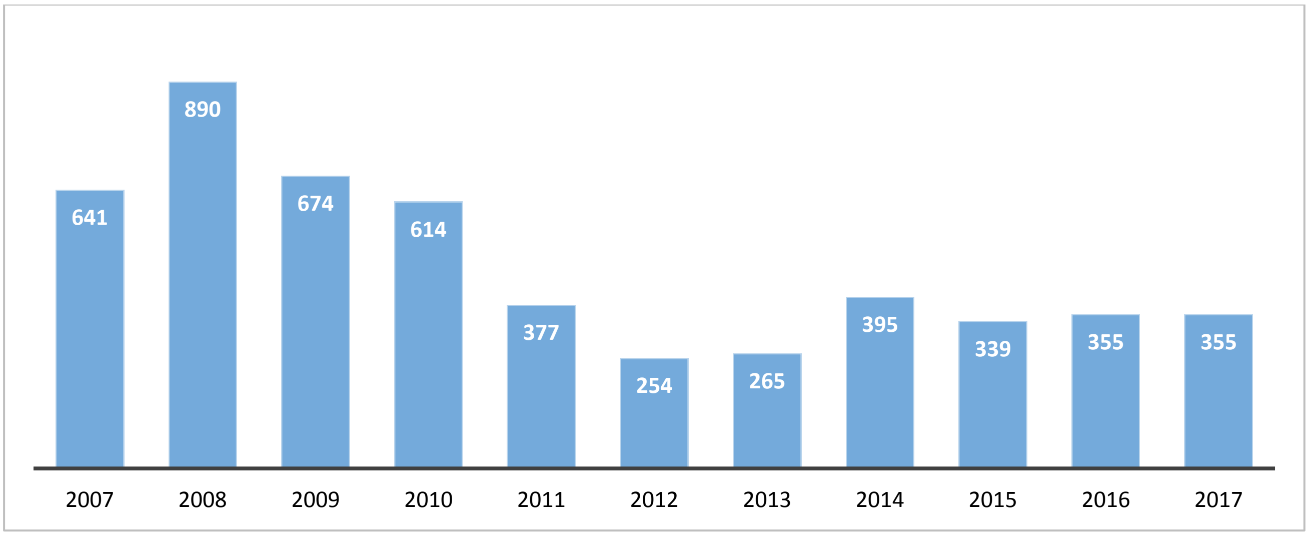



Source: DPER

**Public and Sustainable Transport**

Public and Sustainable Transport, as represented in Figure 6.9, is a sub-programme of the Land Transport programme, representing around 20% of gross expenditure. It provides funding for the development of public transport infrastructure and the improvement of railway safety. The National Transport Authority (NTA) has responsibility for public transport infrastructure in the Greater Dublin Area. The Authority also administers the Regional Cities and Accessibility Grants Programmes on behalf of the Department. Accessibility; Regional Cities (Public Transport) Programme; Technical Assistance; heavy rail network maintenance and renewal; Luas/Metro; buses nationally; Integration measures including Leap Card, RTPI and National Journey Planner in the Greater Dublin Area and regional cities. This subhead has been reduced by €535 million (60%) in 2017 compared to the 2008 allocation.

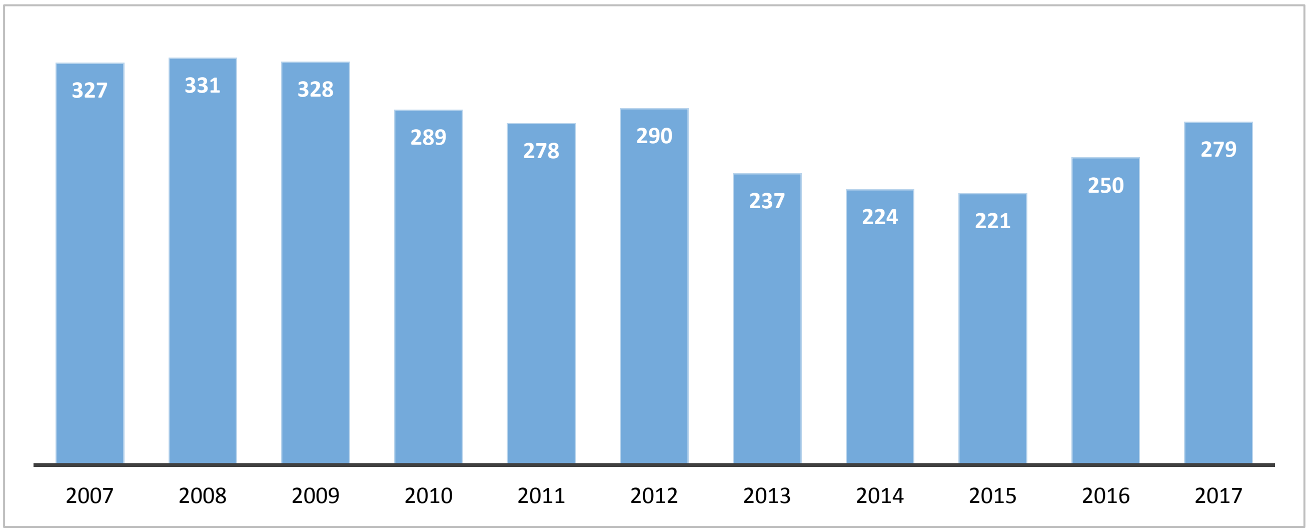
**Figure 6.9: Public & Sustainable Transport Investment, Programme, 2007-2017**




**Public Service Provision Payments.**

Public Service Provision payments, a sub-programme of the Land Transport programme accounts for around 15% Gross Expenditure. Public Service Provision payments provides funding to three areas (1) Public Service Obligation (PSO) (2) Rural Transport (3) Green Schools, with over 95% of the funding to the Public Service Obligation (PSO). This funding is managed by National Transport Authority (NTA) who in turn provides funding to Dublin Bus, Bus Éireann and Iarnród Éireann . These three companies are tasked with providing socially necessary but financially unviable public transport services. As illustrated by Figure 6.10, this expenditure has reduced by €48million (15%) in the period 2007-2017.

**Figure 6.10: Public Service Provision Payment (€m)**




**Sports and Recreation Services programme**

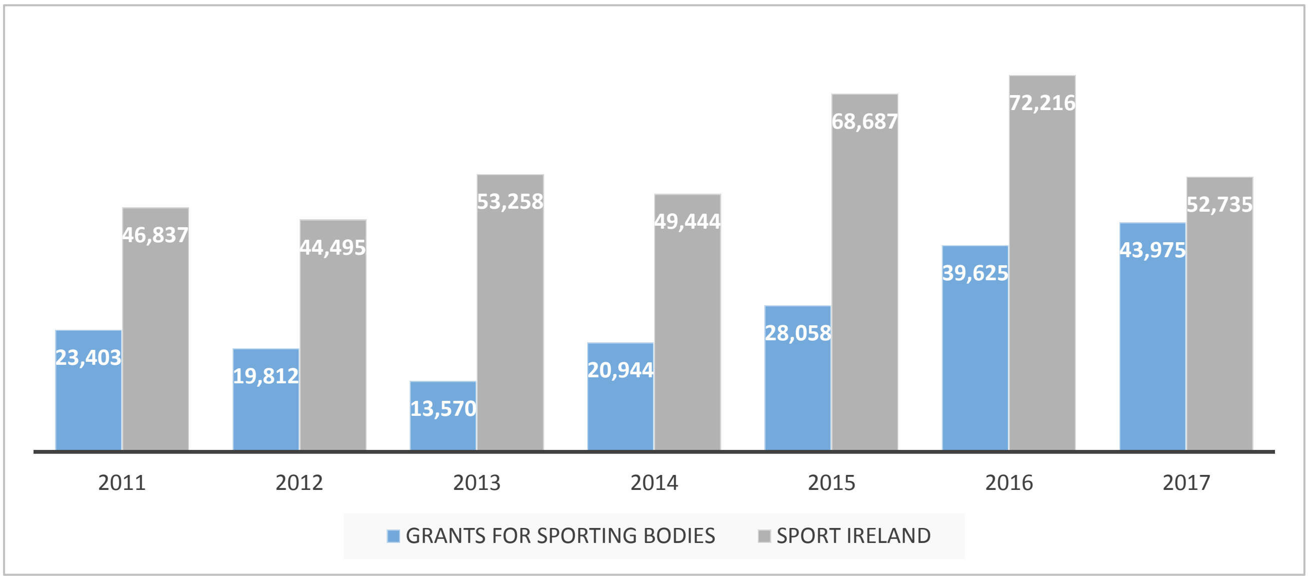
The two main sub-programmes in the Sports and Recreation Services Programme are:

(1) Grants for sporting bodies which, since 2011, has an average spend of around 33% of main programme. This provides grants for sports facilities to sports clubs and organisations and to voluntary and community organisations. Figure 10 below shows an increase in grants for sporting bodies in 2016 and 2017 reflecting the allocation of the Páirc Úi Chaoimh grant award of €30 million at €10 million per year 2016-2018.

(2) Sports Ireland average spend, since 2011, is around 67% of the main programme, providing grants to National Governing Bodies of Sport; Local Sports Partnerships; International Carding Scheme; and support for other sporting bodies and institutions (Institute of Sport, Olympic Council of Ireland, etc.) It also provides support for specific Sport Ireland programmes such as High Performance Strategy; Anti-Doping Programme; Buntús Programme; Women in Sport Initiative; Go for Life; Irish Trails Strategy; Code of Ethics; and Research. It includes a subsidy to a subsidiary of Sport Ireland – *National Sports Campus Development Authority* NSCDA (Operations) Limited. The subsidiary is responsible for the day-to-day management and operation of the National Sports Campus sporting facilities. It also provides building management services for the office accommodation provided to NGBs on Campus. There is a decrease in the allocation from 2016 to 2017 (see Figure 6.11 below, as the National Indoor Arena (NIA) Phase I was completed in 2016 and the NIA Phase II has not yet commenced.

There is also a sub-programme for swimming pools, with funding for grant aiding the provision of new and the refurbishment of local authority swimming pools.

**Figure 6.11: Sports and Recreation Services Programme (€000)**




**Tourism Services Programme**

The two main sub-programmes under the Tourism Service programme:

**Fáilte Ireland**

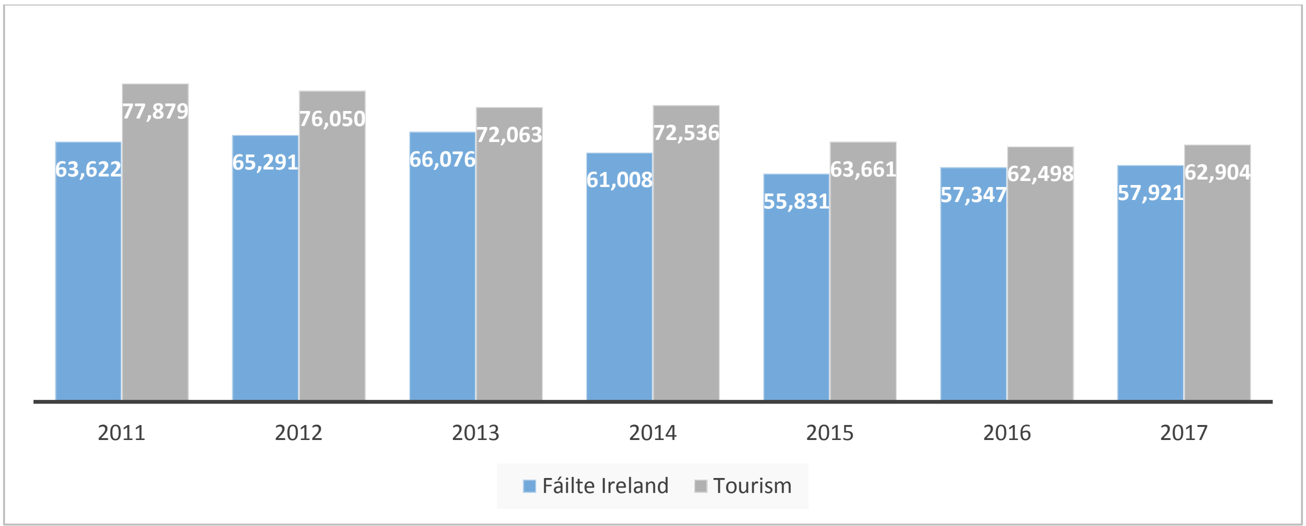
Fáilte Ireland, the National Tourism Development Authority, supports the tourism industry to sustain Ireland as a high-quality and competitive tourism destination. They provide a range of practical business supports to help tourism businesses better manage, market and sell their products and services and to develop experiences in line with Fáilte Ireland's new experience brands (Wild Atlantic Way, Ireland's Ancient East and Dublin). They also work with other state agencies and representative bodies, at local and national levels, to implement and champion positive and practical strategies that will benefit Irish tourism and the Irish economy. They promote Ireland as a holiday destination through their domestic marketing campaign (DiscoverIreland.ie) and through the experience brands and also manage a network of nationwide tourist information centres that provide help and advice for visitors to Ireland. Fáilte Ireland receives around 45% of the total Tourism Service programme. Fáilte Ireland has had a €6 million (9%) reduction in funding in the 2011 to 2016 period.

**Tourism Ireland**

Tourism Ireland is responsible for marketing the island of Ireland overseas as a holiday and business tourism destination. It was established as one of the "twelve areas of co-operation" under the framework of the Belfast Agreement of Good Friday 1998, to increase tourism to the island of Ireland

and to support Northern Ireland to realise its tourism potential. Operating under the auspices of the North/South Ministerial Council through the Department for the Economy in Northern Ireland and the Department of Transport, Tourism and Sport in Ireland, they work closely with the two tourist boards, Fáilte Ireland and Tourism NI, and with their partners in the tourism industry. Tourism Ireland, Tourism Marketing Fund and Tourism Product Development receives around 55% of the total Tourism Service programme and has had a €14 million (18%) reduction in funding in the 2011-2017 period, see Figure 6.12 below.

**Figure 6.12: Fáilte Ireland and tourism (€000)**




**Pay: Transport Tourism and Sport 2011-2017**

The Department of Transport Tourism and Sport reduced its departmental pay budget by €14 million (17%) over the 2011-2017 period. However pay for Non-commercial State Agencies in 2016 increased by around €14 million, mainly as a result of the merger of Rail Procurement Agency (a commercial State Body) and the transfer of its functions, staff, assets and liabilities to the National Road Authority (a non-commercial State Body). The new merged body uses the name "*Transport Infrastructure Ireland*" for operational and branding purposes.

Figure 6.13 below details gross pay expenditure between 2011 and 2017, while Figure 6.14 sets out the staff numbers for the same period. Full Time Equivalent staffing numbers increased from 1,552 in 2011 to 1,689 by Q1 2017, an increase of 137 or 9%.

**Figure 6.13: Departmental and Agency Pay 2011 to 2017, €m**

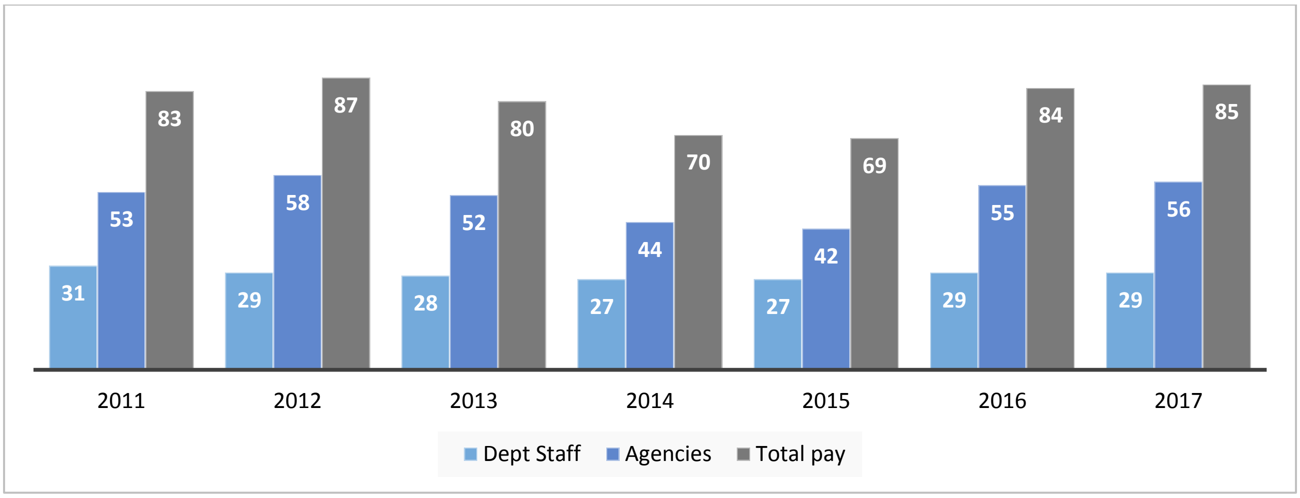
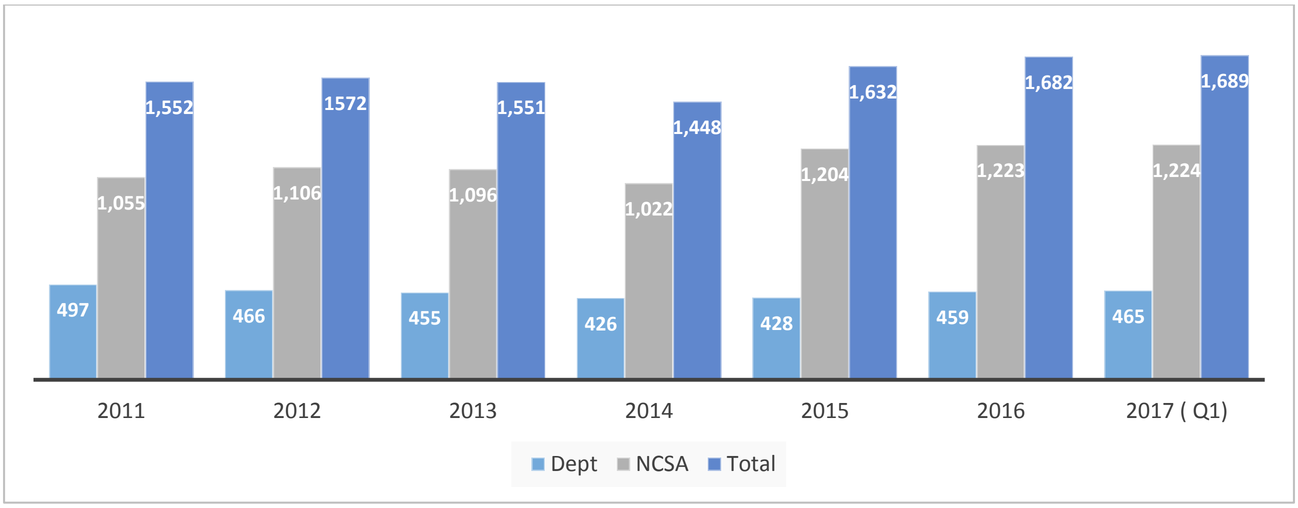



**Figure 6.14: DTTaS and Agencies Staff Analysis Numbers: 2011-2017**



# 7. Agriculture, Food and the Marine

Author: Terry Walsh

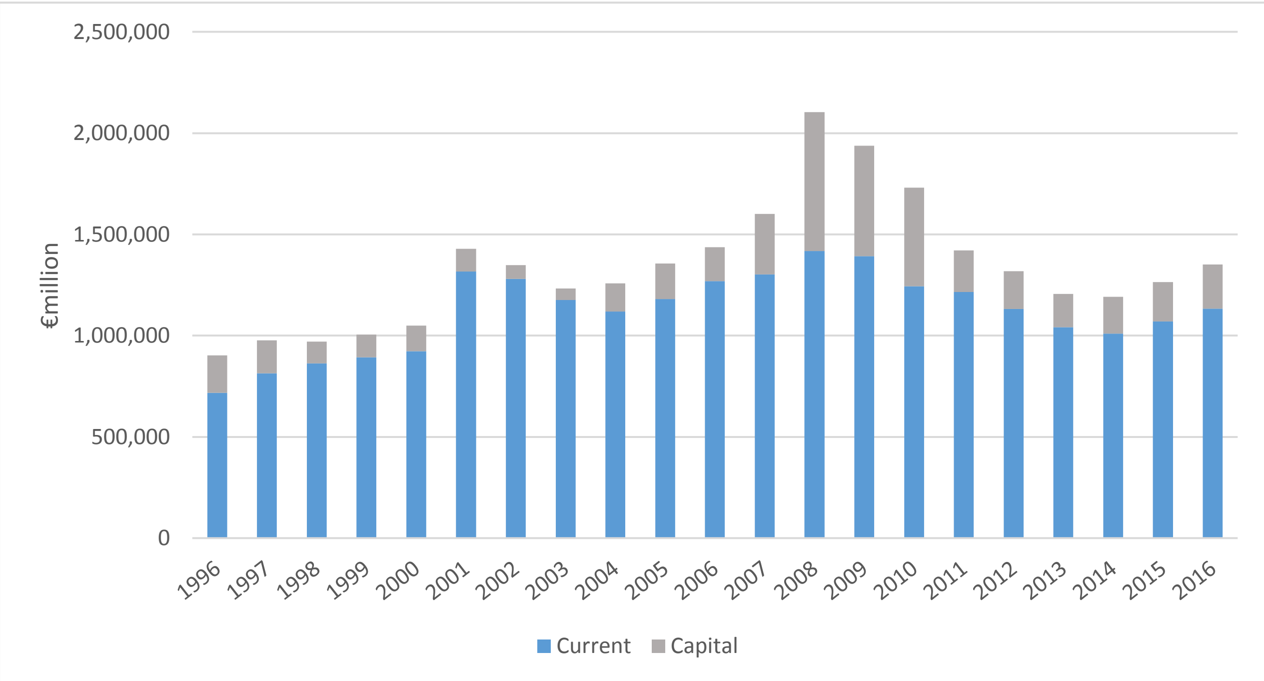
**Summary**

- From 1996 to 2016, Agriculture expenditure increased from €0.9bn to €1.35bn, although more moderate increases were evident over the period from 2006.
- As a proportion of government expenditure, Agriculture accounts for 2.5% of Gross Overall Expenditure (down from 2.9% in 2006 and 5.2% in 1996).
- The composition of expenditure on Agriculture tends to be relatively unchanged over time, while different sections e.g. marine (2008) and forestry (2004) have been added.
- Spending Review 2017 takes an in-depth look at one component of the EU cofunded Rural Development Plan (RDP) – Targeted Agricultural Modernisation Scheme (TAMS).

## Section 1: Long-Term Trends

From 1996 to 2016, Agriculture, Food and the Marine Vote expenditure increased from €902m to €1,468m, peaking in 2008 at €2.2bn. This peak was due to unplanned levels of take-up for the (now closed) Farm Waste Management Scheme (FWMS) surpassing allocated expenditure, which resulted in a marked increase in capital expenditure for the years 2008 - 10. In addition, responsibility for forestry was transferred to Agriculture in 2004 and for the marine/seafood sector in 2008. The EU co-funding driven cyclical nature of agriculture expenditure is evident in the ramping up of Exchequer funding deployed from 2007 onwards (RDP 2007-2013) and from 2014 onwards (RDP 2014-2020).

**Figure 7.5: Agriculture, Food and the Marine - Exchequer expenditure (€m), 1996 – 2016**[17]

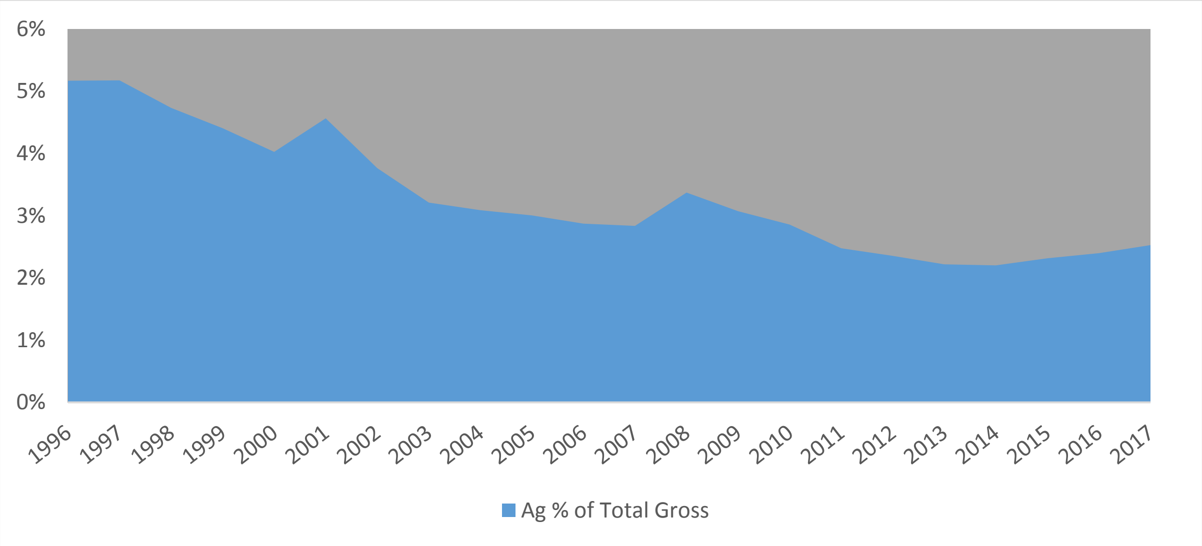



Source: Department of Public Expenditure and Reform

Over the past 20 years, Agriculture, Food and the Marine's expenditure as a proportion of total voted Exchequer expenditure has dropped from 5.2% in 1996 to just 2.2% in 2016. Figure 7.2 illustrates the 20 year trend.

[17] DPER estimates figures.

**Figure 7.2: Agriculture, Food and the Marine expenditure as a % of total Government voted expenditure**




Source: Department of Public Expenditure and Reform

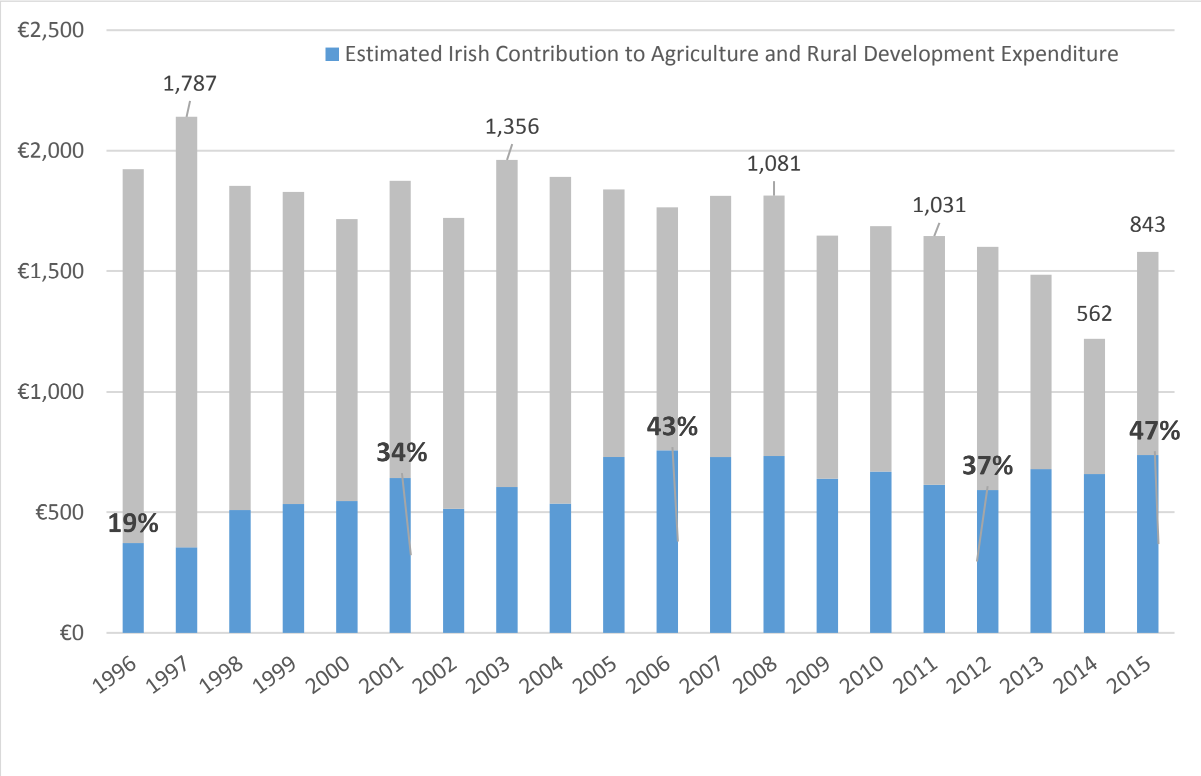
The proportionate reliance of the Agri-food sector on Exchequer funding has changed over the last decade. 2017 witnessed the ending of formal supports in the form of Direct Payments to farmers. EU Common Agriculture Policy (CAP) priorities have fostered a re-purposing of expenditure (moving away from direct supports towards targeted policy initiatives). The expenditure role of Department of Agriculture, Food and the Marine is to foster leading-edge research and propagate best-practice innovation to enhance value-added from a finite resource (land).

Simultaneous with gradual proportional reduction in Exchequer burden imposed by Agricultural subvention during the same time period, exports from the agri sector increased from €6.2 billion in 1996 to €12.2 billion for 2016 (see figure 7.4).

## Section 2: Expenditure Drivers

The different priorities assigned to each seven-year duration (EU-co-funded) Common Agriculture Policy (CAP) programme has fostered a re-purposing of expenditure (moving away from direct supports towards targeted policy initiatives). The present 2014-2020 CAP objectives (as expressed by the EU) are (1) enhancing the competitiveness of agriculture; (2) ensuring the sustainable management of natural resources and climate action and (3) achieving a balanced regional development of rural economies and communities.

**Figure 7.3: Exchequer contribution to Agriculture and Rural Development expenditure €m since 1996**



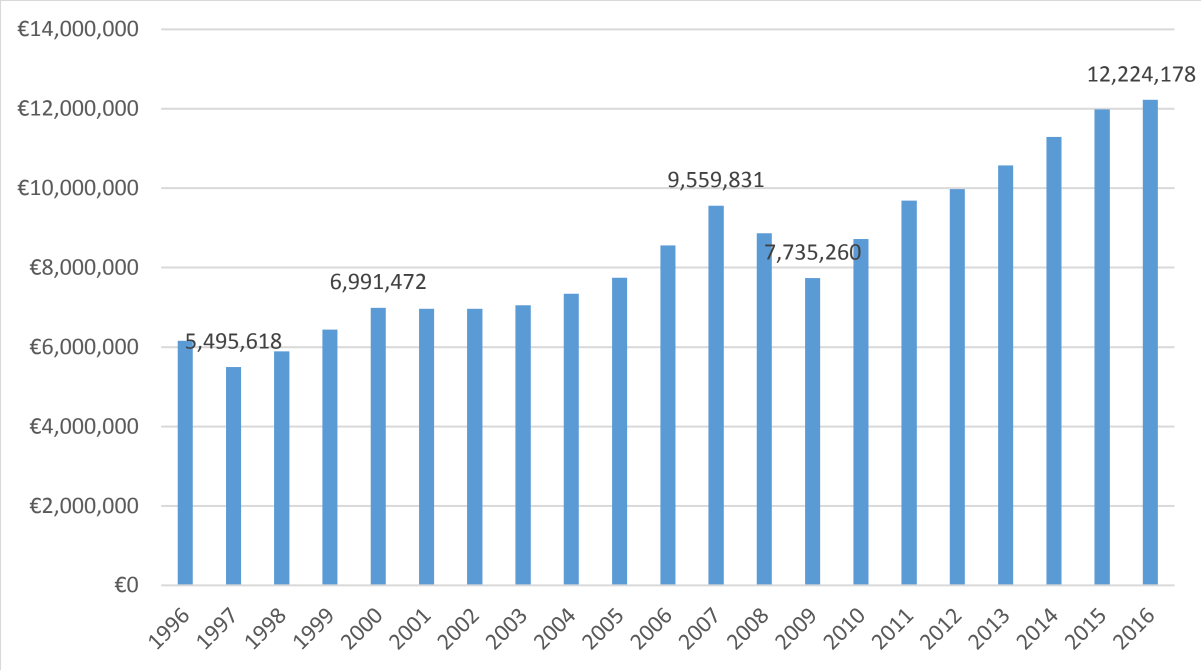

Source: Figures from DAFM consolidated statistics

While Ireland received €22.8bn from the EU CAP towards Agriculture and Rural Development (between 1996 and 2015 inclusive), during the same period, the Exchequer CAP contribution was €12.2bn. The steadily rising Exchequer contribution toward Agriculture and Rural Development expenditure is evident, having risen from 19% in 1996 to 47% in 2015.

## Section 3: Outcomes

Since 1996, annual agri sector exports have risen from €6.2bn to €12.2bn in 2016 (figure 7.4). It should be noted that the agri-food industry strategy ‘FoodWise 2025’ export target is €19 billion annually by 2025. While perhaps two-thirds of the expected value increase is expected to be derived from buoyant global food prices (as global population numbers and global prosperity levels rise faster than global food output (in the period up to 2025), the remaining circa €3 billion improvement in agri-food exports value is anticipated to be generated by incorporating existing commodity export items (such as beef) into Prepared Consumer Foods (PCFs) for global export. To-date, the experience has been that such an approach effectively triples the value obtained from the same commodity input i.e. €1 worth of raw beef previously exported as a commodity, is instead incorporated into a PCF and can then command a market value of €3 (excluding any additional material inputs to the PCF).

**Figure 7.4: Agri-sector exports, 1996 - 2016**




Source: Figures supplied by DAFM from CSO tables

## Section 4: Future Policy Challenges

There are a number of challenges facing the Agriculture sector over the short and long term, including BREXIT, Climate Change, structural challenges and the roll-out of the Rural Development Plan.

The most effective hedge against Brexit-related negative effects is to continue to boost competitiveness. This approach could be implemented by focusing on reducing input costs or maximising the use of available resources which hitherto may have been regarded as by-products or waste.

Structural changes may be accelerated by the prospect of Brexit e.g. beef farmers switching to become dairy operators or some small-scale beef farmers exiting the sector (retiring) permitting nearby farms to increase their scale and attain financial viability.

Ireland's Rural Development Programme 2014 - 2020 is co-funded by the EU's European Agricultural Fund for Rural Development (EAFRD) and the Exchequer. EU support for the RDP via the EAFRD amounts to an aggregate sum of €2.19 billion over the 7-year Programme lifespan. This EU funding will be supplemented by Exchequer funding, bringing the total envisaged allocation to some €4 billion.

However, for the period 2014 – 2016 there is an underspend which means that meeting the projected spend for the full programme will prove problematic within current fiscal rules.

# 8. Housing

Author: Paul Kilkenny

**Summary**

- From 1994 to 2016, Government expenditure on housing has increased from €372m in 1999 to a peak of just over €1.7b in 2008. Following the economic crisis, it dropped to €589m in 2013 but has since increased to just over €1.2b in 2017.
- Housing stock in the state has risen from approximately 1.16 million units in in 1991 to just under 2 million units in 2016.
- The state currently faces has a shortage of housing to meet overall demand
- Under the *Rebuilding Ireland Action Plan*, the Government has committed to investing €5.3bn to advance a range of policy interventions to ensure a sustainable and sufficient supply of housing.

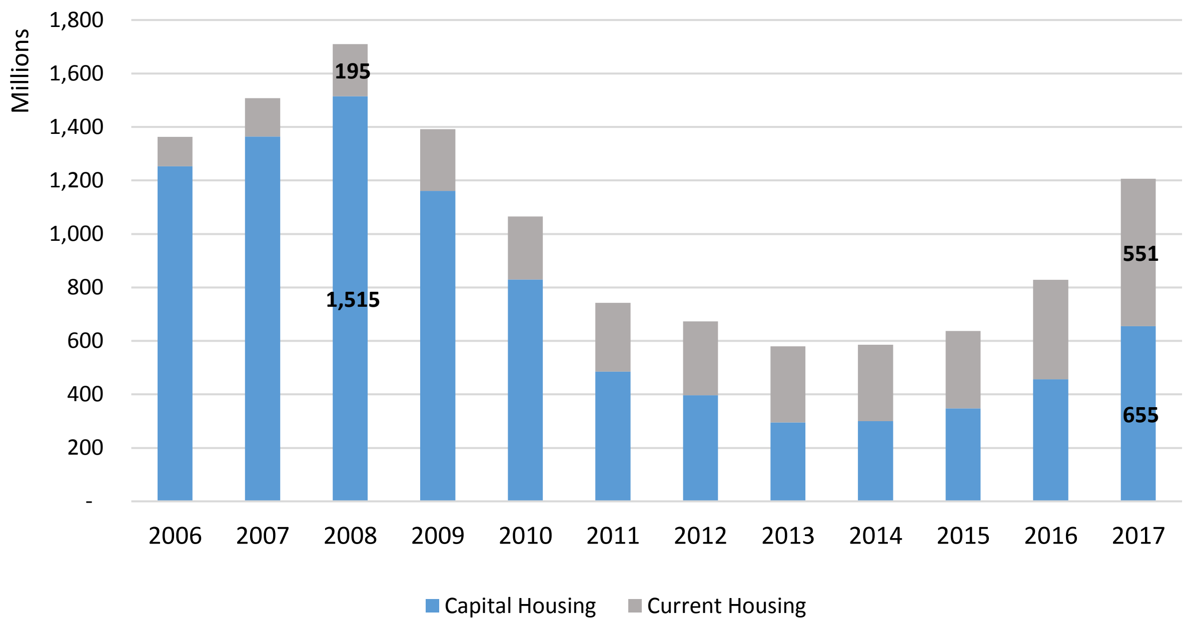
The housing market and sector is a fundamental part of the economy and a large element of national infrastructure. Government intervenes to provide support to those who cannot provide for their own accommodation needs through a variety of mechanisms including the construction and acquisition of social housing stock via capital expenditure and a number of current expenditure programmes which provide support through income supplement, direct rental support and leasing units from the private market.

This expenditure trend analysis relates solely to housing expenditure administered by the Department of Housing, Planning & Local Government (DPHLG). It does not therefore include any tax expenditures, Rent Supplement support provided by the Department of Social Protection, other housing supports that may have historically been provided by other central government departments or own resource investment by local authorities.

## Section 1: Long-Term Trends

As illustrated in the graph below, since 2008 expenditure on housing has been rising steadily with a greater share of the budget on current expenditure supports for social housing provision. Capital expenditure on housing had reduced significantly since a peak in 2008 as demonstrated in Figure 8.1 below.

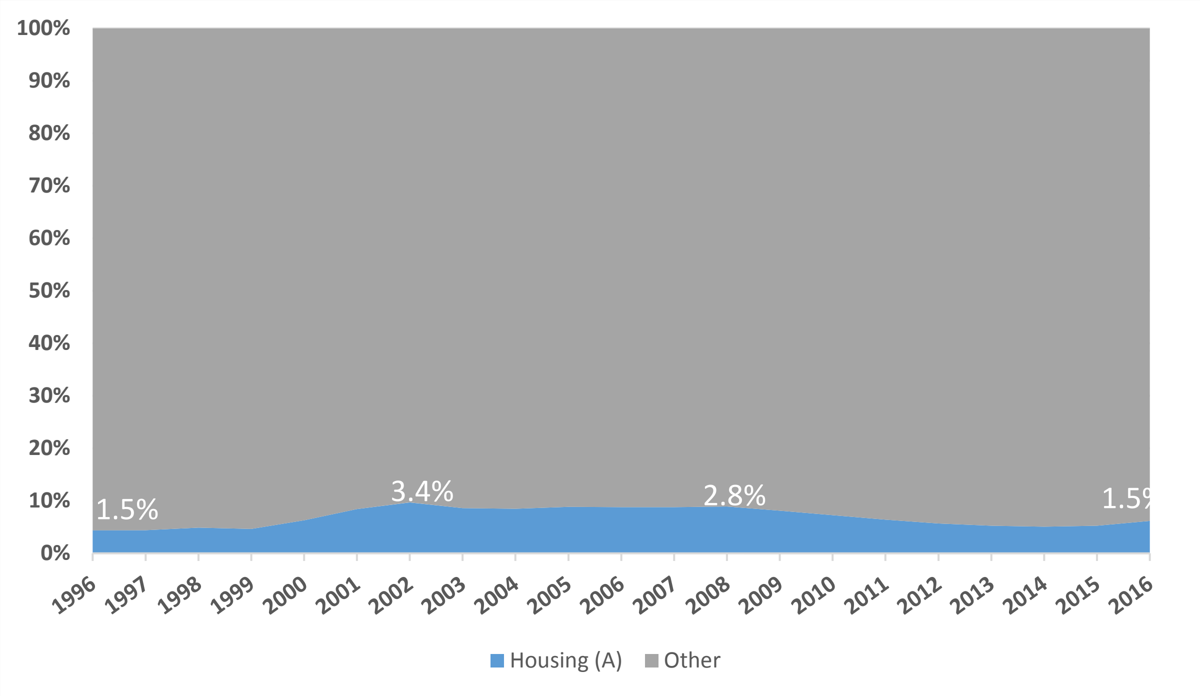
**Figure 8.1: DHPCLG Expenditure on Housing 1994 – 2017**




Source: DPER Appropriation Accounts

For 2016, housing outturn amounted to 1.5% of gross voted public expenditure, the same proportion as twenty years ago as demonstrated in Figure 8.2 below.

**Figure 8.2: Housing Programmes Expenditure as % of Government expenditure* 1996-2016**



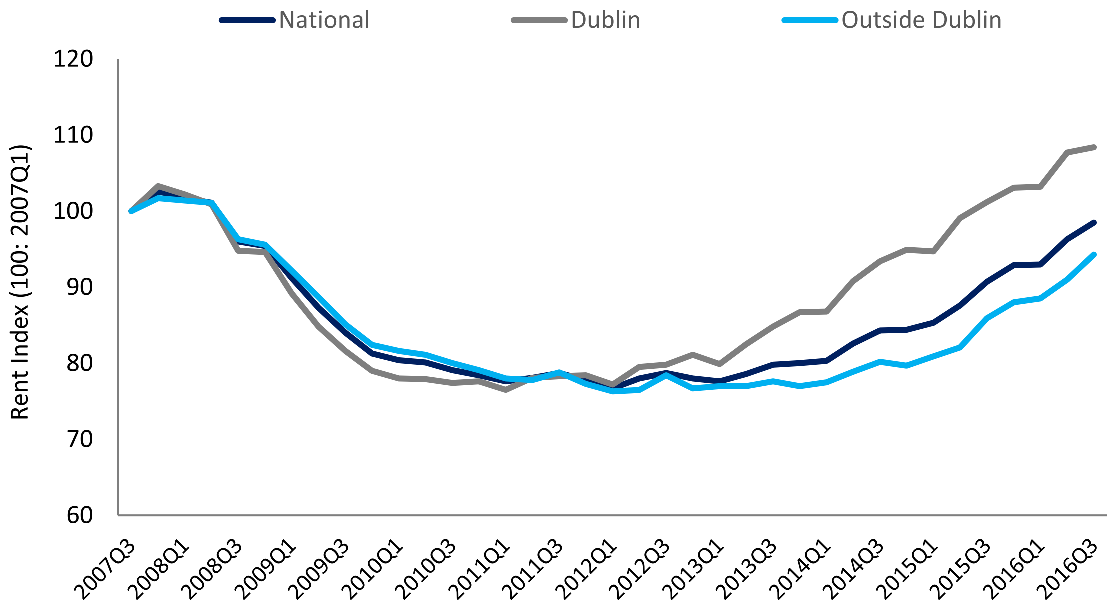

Source: DPER Appropriation Accounts.

*Important to note that housing here relates only to housing programmes (subhead A) which is a portion of the overall departmental vote. DHPC&LG expenditure at €1.8b (€1.1b current and €0.7b capital) accounts for 3% approximately of total voted expenditure.

## Section 2: Expenditure Drivers

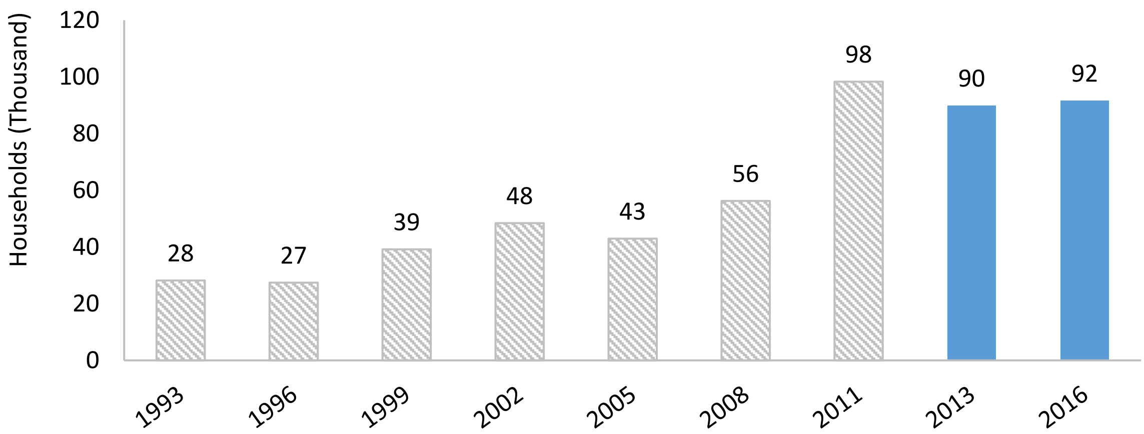
Developments in the overall housing market are strongly interlinked with the operation of social housing and housing support programmes. In particular, developments in property purchase and rent prices effect overall social housing demand. Figure 8.3 below provides and illustration of how rent prices have now exceeded the pre financial crash level in Dublin. Figure 8.4 demonstrates the consistent level of social housing need in that context.

**Figure 8.3: Rental Price Index, 2007 Q1-2016 Q3**




**Source:** RTB

**Figure 8.4: Level of social household need, 1993-2016**

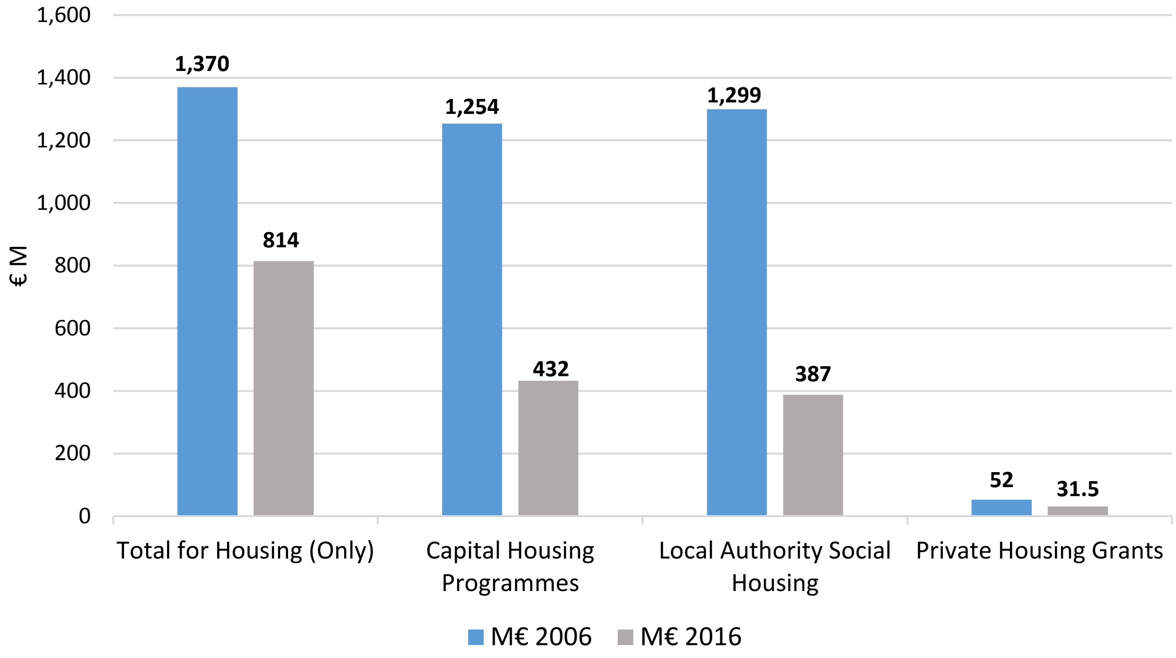



Source: Housing Agency. Net Household Need excludes those already recieving social housing support. Includes Rent Supplement recipients. Data not comparable pre-2013.

The latest estimate of social housing demand puts the total net household need at 91,600 as of 21st September 2016. 'Net Household Need' is defined as the total number of households qualifying for social housing support whose social housing need is not being met. Net household need has increased between 2013 and 2016 by 1.9% or 1,728 households. However, there has been an increase in funding year on year since 2013 and the total level of households supported is increasing as shown below in Figure 8.5.

The analysis below represents an aggregate view of housing support expenditure over time on a like for like basis given changes in the budget estimates nomenclature.

**Figure 8.5: Comparison of main expenditure drivers for housing in 2006 and 2016**

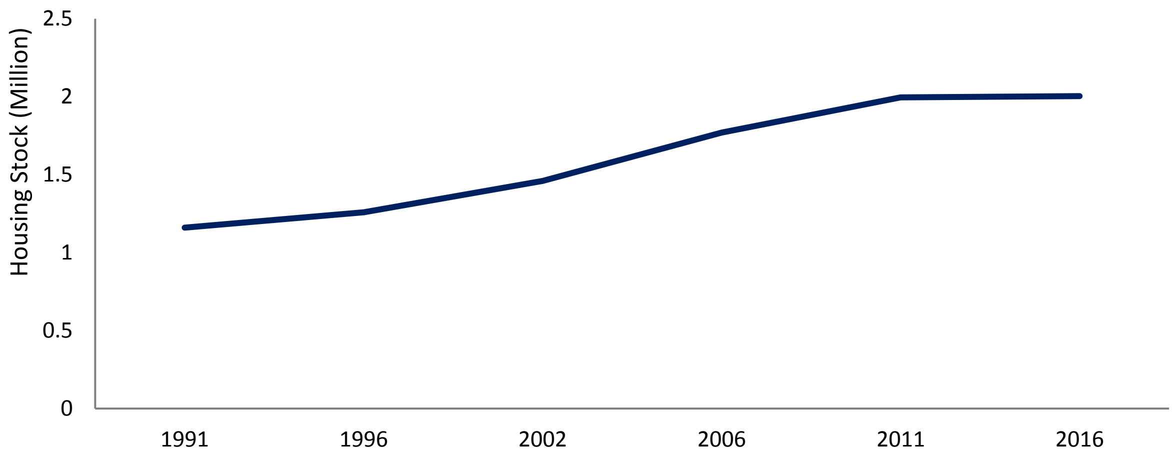



Source: DPER Revised Estimates 2006 & 2016

## Section 3: Outcomes

We can observe from Figure 8.6 below that there was a large increase of overall housing stock between 1991 and 2011 from 1.16 million to just under 2 million. Between 2011 and 2016, there has been a slight increase of 0.4% indicating a restricted level of additional supply. However, supply trends are positive, with the supply of new housing reached just under 15,000 in 2016 and forecast to increase to around 18,500 in 2017 and to between 20,000 and 21,000 units in 2018.

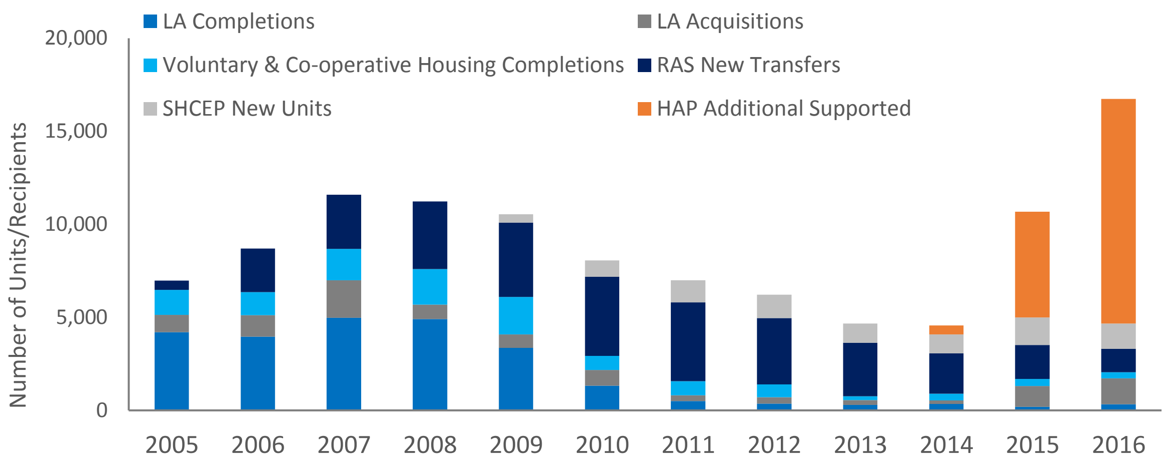
**Figure 8.6: National Housing Stock Changes 1991 - 2016**




**Source:** Central Statistics Office

Social housing delivery is funded through local authority capital funded construction and current expenditure schemes, e.g. the rental accommodation scheme (RAS), the housing assistance payment (HAP) and the Social Housing Current Expenditure Programme (SHCEP).

**Figure 8.6: Social Housing Output, 2005-2016**




Source: DHP&LG Statistics

**Table 8.1: Total number of supported households, end-2016**

| Year | Units/Households/Recipients |
|---|---|
| **LA Owned Social Housing** | 129,860 |
| **AHB Owned Social Housing** | 30,000 |
| **HAP** | 16,493 |
| **RAS** | 20,090 |
| **LA and AHB Leasing** | 8,366 |

## Section 4: Future Policy Challenges

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

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

Overall, measures under the plan will facilitate an increase in the supply of housing to 25,000 houses or more annually to meet housing needs.

The Plan will deliver 47,000 social housing units over the period 2016 to 2021. It is estimated that over 26,000 units will be delivered via construction, while 11,000 will be acquired by local authorities and approved housing bodies directly from the market or the Housing Agency, with a portion of these being newly built units. The remaining 10,000 units will be leased by local authorities and approved housing bodies.

In addition, housing supply will be boosted through initiatives such as approved funding of €226 million under the Local Infrastructure Housing Activation Fund for 34 key projects which will provide enabling public infrastructure works to facilitate the delivery of some 20,000 private housing units on these sites by 2021, with potential for up to 70,000 homes by 2027.

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

# 9. Children and Youth Affairs

Author: Daniel O'Callaghan

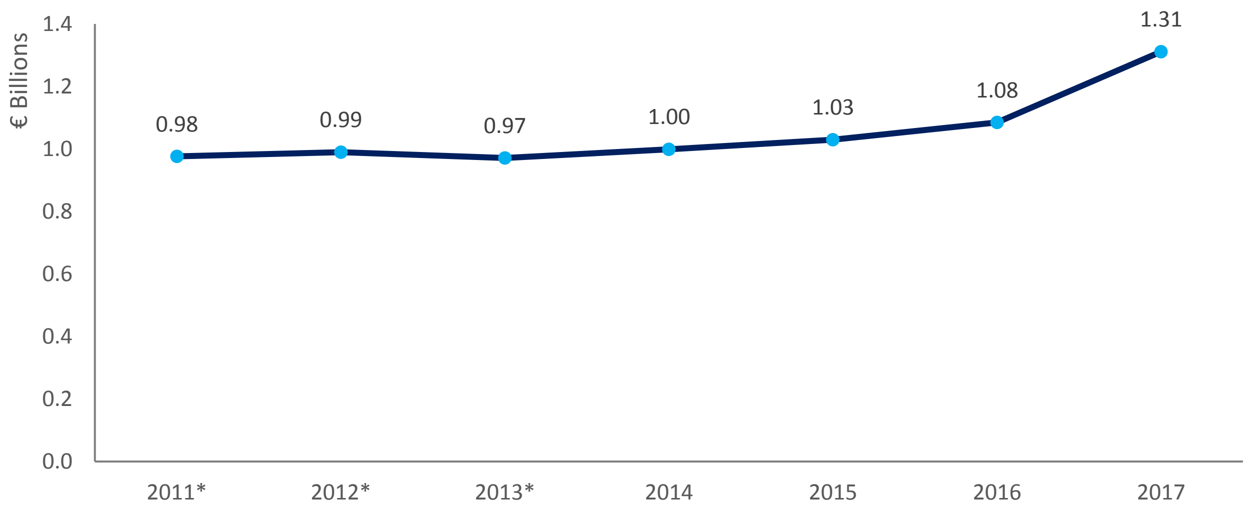
**Summary**

- Since 2014, gross voted expenditure by the Department of Children and Youth Affairs has increased by 31% to €1.31 billion.
- In terms of composition, 54% of gross expenditure allocated for 2017 relates to the work and services of TUSLA while 35% is accounted for by childcare related supports.
- The primary drivers of expenditure are related to demographics, economic dynamics, service demand and policy direction/implementation.
- In terms of demographics, the number of children is projected to increase over the next couple of years but demographic pressure in this cohort is expected to ease over the medium term.
- Policy direction and implementation is a key factor in determining expenditure pressures in the area with the implementation of the Affordable Childcare Scheme and commitments to provide supports in this area being important factors.

## Section 1: Long-Term Trends

Over the period 2014 to 2017, gross expenditure (current and capital) on the Children and Youth Affairs Vote increased from just under €1 billion to €1.31 billion, an increase of €312 million or 31%. Comparing expenditure before 2011 is difficult as the Children and Youth Affairs Vote was only established in 2011. The move to establish the Department of Children and Youth Affairs centralised a number of policy areas and programmes from a range of areas including health, education and justice. Thus, while many of the functions and programmes were in place before 2011, it is difficult to track previous developments. As can be seen in Figure 9.1, expenditure has increased since 2014 by 31%.

**Figure 9.1: Gross Voted Expenditure, 2011 – 2017**




Source: DPER. 2011 and 2016 are provisional outturn. 2017 is allocation.
** Note: 2011-2013 figures adjusted for Children and Family Services expenditure under the HSE which was subsequently transferred into CYA with establishment of Tusla.*

Children and Youth Affairs expenditure is focussed on policy issues that affect children in areas such as early childhood care and education, youth justice, child welfare and protection, children and young people's participation, research on children and young people, youth work and cross-cutting initiatives for children. As stated the Vote was established in 2011 and centralised a number of functions across a wide range of areas that related to children and youth affairs. As such, the work of the Department and the programmes delivered have a range of cross-cutting implications and relevance for other areas of policy. For instance, the delivery of childcare and youth initiatives supports overall Government objectives including better educational outcomes, health outcomes, labour force participation, social development etc. The cross cutting nature of the programmes is reflected in the Department's National Policy Framework, 'Better Outcomes, Brighter Futures' which was launched in 2014.

Total expenditure on the CYA Vote can be analysed in a number of ways. The following sets out an overview of expenditure by programme between 2011 and 2017 and by type in 2017. Firstly, it is possible to look at expenditure on the CYA vote by sub-programme area. As can be seen in Table 9.1, 54% of gross expenditure allocated in 2017 is associated with TUSLA and the delivery of its services. The childcare related schemes, ECCE and general programmes and initiatives, account for 25% and 10% of the allocation respectively while the remainder of the expenditure can be accounted for by youth services and organisations (5%) and other expenditure streams. Table 9.1 details these expenditure levels between 2011 and 2017. It should be noted that the 2011-2013 figures have been amended to include expenditure on Child and Family Services under the HSE which was subsequently transferred to the CYA Vote following establishment of TUSLA[18].

**Table 9.1: Gross Expenditure 2011-2017 by Sub-Programme Area, €'000**

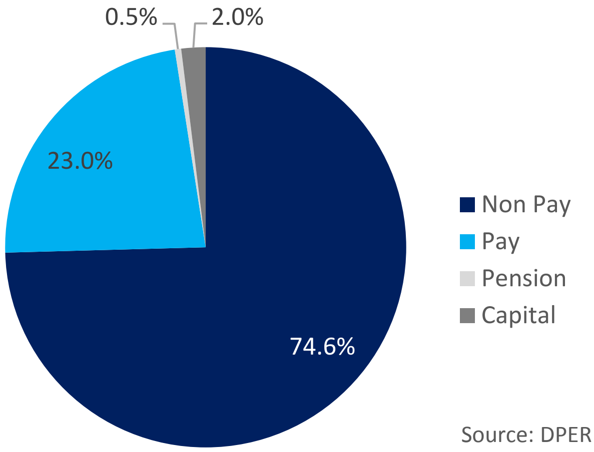
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|
| TUSLA - Child and Family Agency | 623,645* | 628,560* | 623,988* | 619,318 | 662,690 | 676,496 | 712,895 |
| Early Childhood Care and Education Scheme | 163,033 | 175,768 | 174,112 | 173,797 | 177,082 | 223,752 | 329,500 |
| General Childcare Programmes and Childcare Initiatives | 85,778 | 85,682 | 76,139 | 79,001 | 84,179 | 81,244 | 134,521 |
| Youth Services and Organisations | 60,941 | 57,030 | 53,895 | 50,523 | 51,485 | 53,592 | 60,395 |
| Youth Justice - Child Detention Centres | 15,853 | 17,254 | 19,293 | 54,701 | 29,343 | 21,869 | 25,860 |
| Other | 26,913 | 25,072 | 23,733 | 21,805 | 24,594 | 27,941 | 47,865 |
| **Total** | **976,163*** | **989,366*** | **971,160*** | **999,145** | **1,029,373** | **1,084,894** | **1,311,036** |

Source: DPER. 2011 and 2016 are provisional outturn. 2017 is allocation.

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

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

**Figure 9.2: Gross Allocated Expenditure 2017 by Type**




Source: DPER

Furthermore, gross expenditure under the CYA Vote can be roughly broken down as three quarters non-pay and one quarter pay as detailed in Figure 9.2. As such, the vast majority of the Vote is current expenditure with capital expenditure accounting for 2% of the allocation in 2017. The following sets out a brief overview of the main programme areas under the CYA Vote.

### TUSLA – Child and Family Agency

The funding of TUSLA is delivered under Programme A of the Vote which is titled Children and Family Support Programme. The stated aim of the overall programme is to support and improve the existing service delivery arrangements to protect and support the welfare of children, young people and families, including oversight of the Child and Family Agency (TUSLA). TUSLA provides a range of services including child protection and welfare services, educational welfare services, psychological services, alternative care, family and locally-based community supports, early years services and domestic, sexual and gender-based violence services. Expenditure had increased significantly over the time period given the establishment of the TUSLA and the transfer of functions and expenditure from the HSE.

### ECCE and General Childcare Programmes/Initiatives

Both ECCE and General Childcare Programmes are delivered under the overall programme of Sectoral Programmes for Children and Young People. The stated aim of the overall programme is to continue to support the provision of both universal and targeted services for the care, development and well-being of children and young people. The primary area of expenditure is the Early Childhood Care and Education Scheme (ECCE). The scheme is a universal programme, meaning that it is available to all children in the State in the qualifying age range. From September 2016, every child in Ireland can start pre-school at age three, and remain in pre-school until they start primary school. Children are able to enrol in pre-school at three different points in the year – September, January and April. In line with this expansion of free pre-school, capitation payments to providers have been fully restored to pre-2012 levels.

There are a number of targeted childcare scheme programmes delivered through the General Childcare Schemes and Childcare Initiatives and these include Community Childcare Subvention (CCS), Childcare Education & Training Support (CETS), After-School Childcare (ASCC) and Community Employment Childcare (CEC) or Community Employment After-School Childcare (CEAS). These programmes have a variety of targeted cohorts. Recent expansions of the ECCE scheme and the introduction of schemes such as ASSC and CEC have increased expenditure and the Budget 2017 decision to introduce an Affordable Childcare Scheme implies a significant change in overall programme delivery under these schemes.

### Youth Services and Organisations

The Youth Services and Organisations sub-programme provides funding to support initiatives and organisations in the provision of service in the area of youth development. The budget largely comprises of provision for various grant programmes and services including the Youth Service Grant Scheme, the Special Projects for Youth Scheme, the Young People's Facilities and Services Fund Rounds 1 and 2, Local Drug Task Force projects, the Local Youth Club Grant Scheme, Youth Information Centres, certain other youth programmes and provision for Leargas and An Gaisce. In 2015, a new initiative was introduced which focused an assisting young people to improve their employability termed the Youth Employability Initiative.

### Other Expenditure

Other areas of expenditure primarily relate to smaller areas of expenditure within the programmes of Children and Family Support and Sectoral Programmes for Children and Young People. This includes:

- Youth Justice – Children Detention Centres;
- Area Based Childhood Programme;
- Intervention Programme Children and Young People;
- Programme for Peace & Reconciliation; and
- Administration expenditure

In addition, expenditure is targeted at a third overall programme in the Policy and Legislation Programme and its stated aim is to oversee key areas of policy, legislation and inter-sectoral collaboration to improve the lives and well-being of children and young people. Expenditure has expanded in recent years and this relates to expenditure on research (longitudinal studies and policy framework) and a Commission of Investigation.

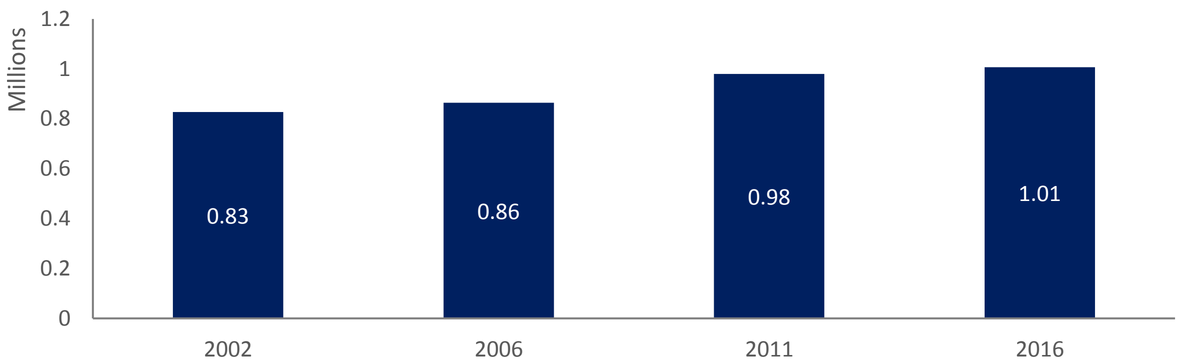
## Section 2: Expenditure Drivers

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

- **Demographic Change**

The primary driver of expenditure in the policy area is demographic trends in the cohort of children in the State. Over the period 2002 to 2016, the cohort of those aged between 0-14 expanded significantly by 22%, from 827,428 to just under 1.01 million. As such, there has been a significant expansion in the child population which has led to expenditure pressures in a number of areas of Government including education, children services, childcare and child related payments (Child Benefit).

**Figure 9.3: Population Years 0-14, 2002-2016**




Source: CSO

- **Economic Dynamics**

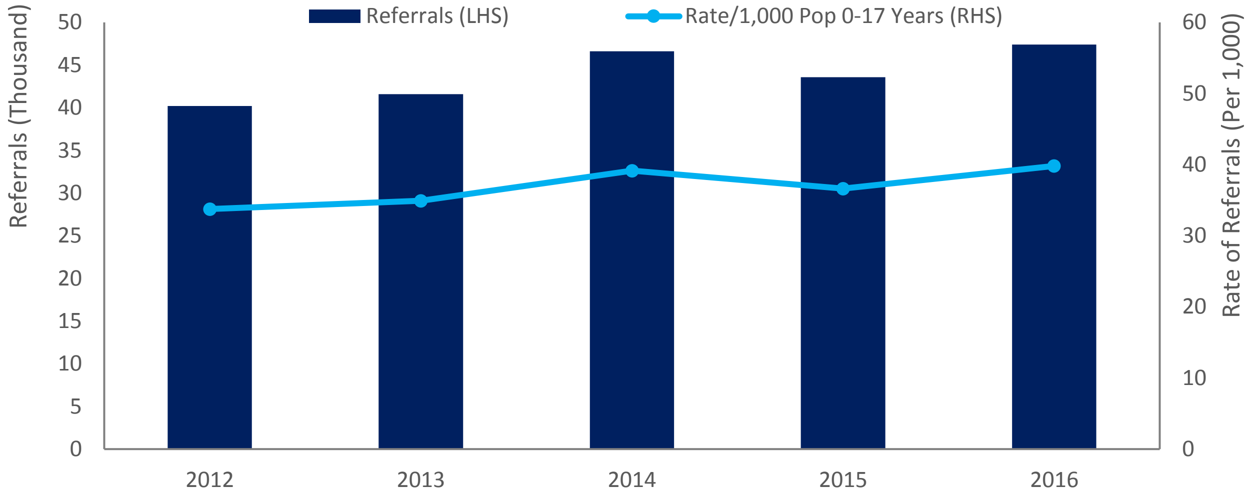
A second key driver of expenditure is economic dynamics. Trends in household income, employment, cost of living, quality of life, poverty and wealth are all important factors which contribute to child development and wellbeing. This can be seen as a general driver which impacts the demand for services. For example, in the area of childcare, demand to access childcare and the need for support to do so can be seen as a function of a number of factors including employment rates, the cost of childcare and income levels etc.

***Service Demand***

The level of demand for service provision is a driver of expenditure and is itself impacted by other stated factors such as demographics. As with other policy areas, expenditure pressures are interlinked with demand for services. An example of service demand is set out in Figure 4 which shows the total number, and rate, of referrals to Child Protection and Welfare Social Work Services between 2012 and

2016 at TUSLA. As can be seen the total number of referrals has increased by 18% to 47,399 between 2012 and 2016 while the rate of referrals (per 1000 population 0-17 years) increased from 34 to 40.

**Figure 9.4: Referrals to Child Protection and Welfare Social Work Services and Rate per 1,000 Population 0-17 Years, 2012–2016**




Source: TUSLA 2017 Business Plan, Management Data and CSO Cenus 2016. Note: Population 0-17 Years is per Census 2016

A further indication of service demand can be seen through the total number of children in care as measured by TUSLA. The data, displayed in Table 9.2, indicates that the total number of children in care was 1.6% higher at the end of December 2016 compared to the same time in 2011. However, the total number of children in care has decreased in the last couple of years. While these two high level indicators show some trends in demand it is worth noting the overall point that demand for services in this area is interlinked with overall expenditure.

**Table 9.2: Total Number of Children in Care, End-December 2011-2016**

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

Source: TUSLA Review of Adequacy Report 2014 and Monthly Management Data

- **Policy Decisions**

As in other areas, policy decisions taken within the childcare space have implications on the level of expenditure in the area. The additional resources provided to the Department of Children and Youth Affairs in Budget 2017 will facilitate the introduction of a new national scheme of financial support towards the cost of childcare, including both targeted (means tested) and universal subsidies. Targeted subsidies will be available for children aged between 6 months and 15 years, with eligibility based on net parental income. The universal subsidy is focused on children, aged 6 months to 36 months.

**Staff Numbers**

Finally, a further area of consideration under the CYA Vote is trends in staffing numbers. Table 9.3 sets out the number of FTEs under the CYA Vote between 2012 and 2017. As can be seen staff numbers under the Vote increased substantially in 2014 with the establishment of TUSLA, when over 3,000 FTEs transferred from the HSE and with the approximate 100 staff of the Family Support Agency and the National Educational Welfare Board represented the opening staff numbers of the new agency. Since 2014, total staff numbers have increased by 360 or 9.5%.

**Table 9.3: FTE Numbers, CYA Vote, 2012 Q1–2017 Q1**

| | 2012 Q1 | 2013 Q1 | 2014 Q1 | 2015 Q1 | 2016 Q1 | 2017 Q1 |
|---|---|---|---|---|---|---|
| **CYA Vote** | 462 | 466 | 3,788 | 3,834 | 4,001 | 4,148 |

Source: DPER Databank

## Section 3: Outcomes

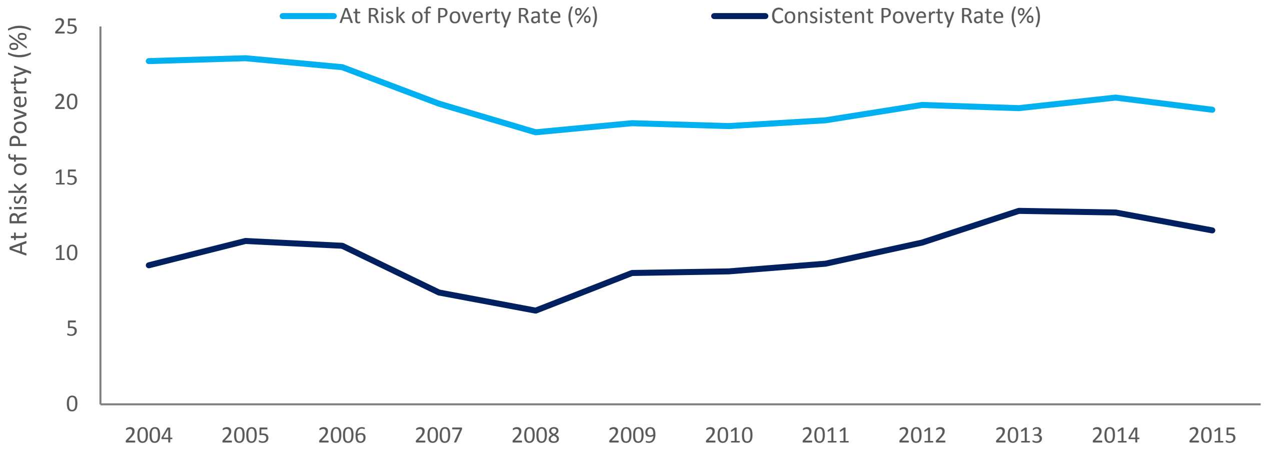
Assessing outcomes in relation to expenditure through DCYA is a challenging task with many of the policies aimed at achieving outcomes over the longer term in terms of improving the outcomes for children. Furthermore, the factors which affect outcomes such as child wellbeing are multifaceted and span a range of supports provided by Government as well as external factors. The biennial 'State of the Nation's Children Report'[19] provides a comprehensive overview of a variety of measures. However, for the purposes of this brief overview it is possible to look at trends in three relevant metrics, some of which relate to agreed indicators by Eurostat[20]: child poverty rates, the cost of childcare and labour market participation.

The proportion of children at risk of poverty decreased between 2006 and 2008 but has since increased. While useful to consider as an important outcome measure of child wellbeing it is clear that this will be impacted by a number of different factors. The prevalence rate of those at risk of poverty at ages up to 17 is 3.4 percentage points lower in 2015 (19.5%) in comparison to 2006 (22.9%). However, the rate has grown in the years following 2008. In addition, the percentage of the population between the ages of 0 and 17 that are in consistent poverty has increased by 5.3 percentage points since 2008 to 11.5%. As such, the level of poverty experienced among children can be seen to have increased since 2008. These trends are described in Figure 9.5.

[19] https://www.dcya.gov.ie/documents/stateofthenationschildren/20170302SOTNCReport2016.pdf
[20] http://ec.europa.eu/eurostat/web/employment-and-social-inclusion-indicators/social-protection-and-inclusion/investing-children

It is also of note that Ireland has a higher at risk of poverty or social exclusion rate[21] than the EU28 average. As of 2015, Ireland's rate of 28.8% was above that of the EU28 (26.9%) and the Euro Area (25.4%).

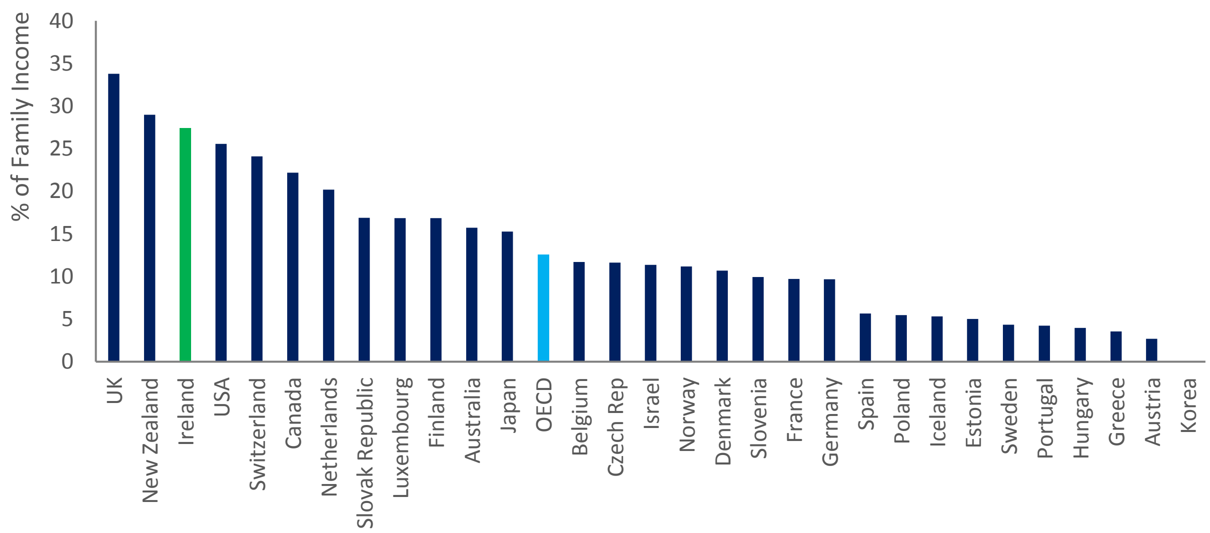
**Figure 9.5: At Risk of and Consistent Poverty Rate, Age 0-17, 2004-2015**




Source: CSO

In terms of childcare costs, Ireland can be seen to have higher costs relative to other OECD countries. As Figure 6 displays, the cost of full-time childcare in Ireland as a % of family income is 27.4% as measured in 2012. This is slightly lower than the UK level of 33.8% but above the overall OECD average of 12.6%. It should be noted that the latest data available is for 2012 and as such predates much of the latest policy changes in the area.

**Figure 9.6: Out of Pocket Full-Time Childcare Costs as % of Net Family Income, Couple Family, 2012**



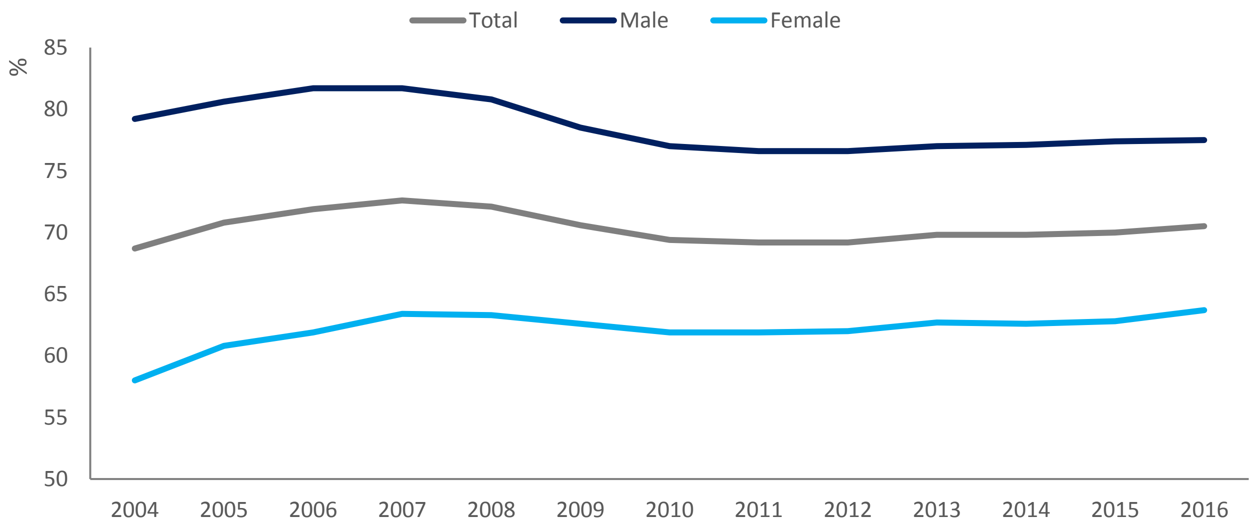

Source: OECD Society at a Glance 2016

[21] As measured by Eurostat. Note: different measurement than CSO.

Labour force participation rates among women are lower than men but the gap has narrowed in recent years. The European Commission's latest Country Specific Report on Ireland[22] notes that the availability and cost of childcare remain barriers to female labour market participation. Around 27.4% of inactive women aged 20-64 do not work because they have to look after children or incapacitated adults (4.5 % of men) and 26% of women who work part-time cite the same reason (3.6 % of men)[23].

Figure 9.7 sets out the rate of participation in the labour force by gender. As can be seen there has been a decrease in rates for both genders with a fall of 2.1 percentage points overall between 2007 and 2016. However it is of note that the male participation rate fell by 4.2 percentage points lower while the female rate is 0.3 percentage points higher. As such, the gap between the two has narrowed. In comparison to the rest of the EU15, Ireland's female labour participation rate is low. As of Q4 2016, Ireland's rate of 63.9% was 4.8 percentage points below the EU15 average of 68.7%[24].

**Figure 9.7: Labour Force Participation (Ages 15-64) by Gender, 2004-2016**




Source: ILO. Note: Population 15-64

The 'State of the Nation's Children 2016' report produced by DCYA highlights a variety of measures related to outcomes across a number of areas including demographics, education and health. For instance the report highlights that:

- The number of children in the care of Tusla, the Child and Family Agency increased by approximately 3.6% between 2011 and 2015.

[22] https://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-ireland-en.pdf
[23] ibid
[24] Source: Eurostat

- Retention rates to the completion of the Leaving Certificate have increased by 6.4 percentage points – from 83.8% of children in the 1999 school entry cohort to 90.2% of children in the 2009 school entry cohort.
- Approximately 38% of the 4,178 pre-school services contracted to deliver the Early Childhood Care and Education (ECCE) Programme in June 2016 met the higher capitation requirements.

## Section 4: Future Policy Challenges

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

Demographic pressure will likely moderate over the medium/long term. Population modelling and analysis of demographic cost pressures carried out previously by IGEES[25] estimated that the number of children (ages 0-18) will continue to increase until 2020 but will then begin to decrease with an average fall of 3,264 between 2021 and 2022 and an average fall of 7,312 between 2023 and 2027. The CSO's latest projections (based off Census 2011) estimates a similar trend with the cohort increasing initially before the overall number declines due to falling birth rates. However, it is unclear as to how the relative level of service demand as a proportion of the population will trend in the future.

Policy direction and implementation presents the second main factor for expenditure in the policy area. Budget 2016 and 2017 saw a number of reforms and expansions of policy intervention in this area. Budget 2016 saw the extension of Early Childhood Care and Education scheme, including facilitation of children with disabilities and an increase in the number of places available through the Community Childcare Programme. Budget 2017 committed to the introduction of a new Affordable Childcare Scheme. The Programme for Partnership Government features childcare and child related programmes[26] as priority areas. As such, a key driver of expenditure in the area beyond demographic changes will be policy decisions around future delivery of childcare supports and the implementation of the Affordable Childcare Scheme.

[25] http://igees.gov.ie/wp-content/uploads/2015/02/Demographic-Paper-Final-101016.pdf

[26] http://www.merrionstreet.ie/MerrionStreet/en/ImageLibrary/Programme_for_Partnership_Government.pdf

# 10. Defence

Author: Peter Molloy

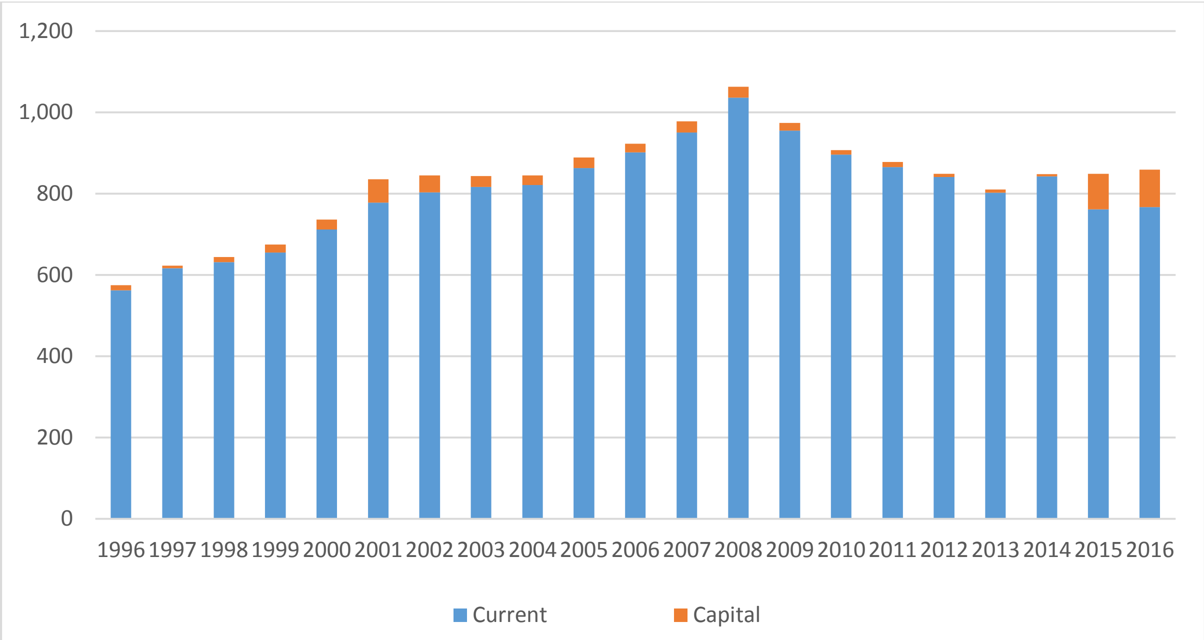
**Summary**

- Defence expenditure is provided for by the Exchequer through two votes: Vote 35 (Army Pensions) and Vote 36 (Defence) which, together, form the **Defence Vote Group**.
- From 1996 to 2016 gross expenditure on the Vote Group increased from €0.6 billion to €0.9 billion.
- Personnel costs (incorporating both pay and pensions) consistently account for the largest element of annual expenditure on the Defence Vote Group.
- *Spending Review 2017* focuses on a baseline review of Irish defence expenditure by means of comparative international indicators.

## Section 1: Long-Term Trends

Between 1996 and 2016, gross expenditure on the Defence Vote Group increased from €0.6 billion to €0.9 million. Defence expenditure peaked during this period in 2008 at €1.08 billion; falling back to €0.89 billion by 2013 (Figure 10.1). Vote 35 (Army Pensions) has, due to under-provision, required a technical Supplementary Estimate each year since 2006.

**Figure 10.1: Defence Vote Group Gross Expenditure 1996-2016 (€ million)**



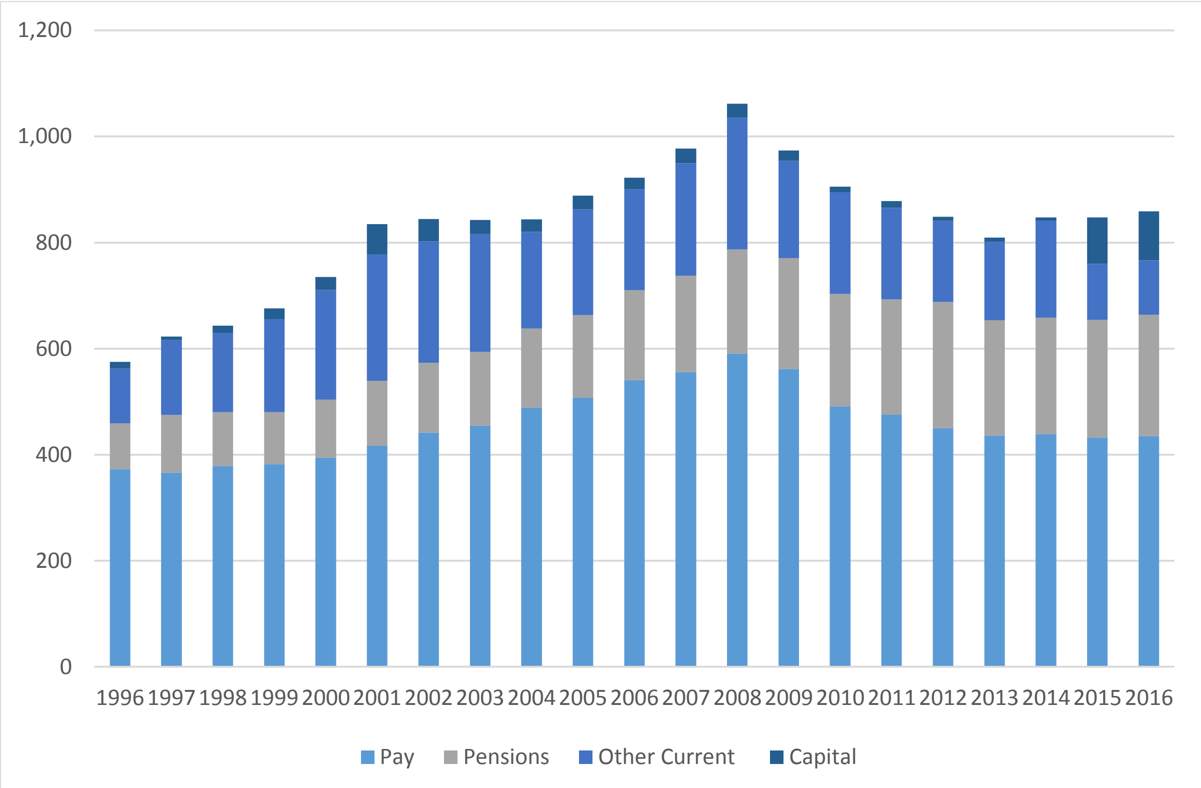

Source: Department of Public Expenditure and Reform Databank

**Note: from 2015 onwards, military equipment was reclassified as capital expenditure rather than current expenditure (D/PER Circular 07/14)*

## Section 2: Expenditure Drivers

Without exception, the largest annual element of expenditure in the Defence Vote Group is personnel spend. This category incorporates pay for serving personnel (military, civil servants and civilian employees), as well as pensions and post-service entitlements for retired members of the Defence Forces (Figure 10.2).

**Figure 10.2: Defence Vote Group Expenditure by Category 1996-2016 (€ million)**




Source: Department of Public Expenditure and Reform Databank

**Note – from 2015 onwards, military equipment was reclassified as capital expenditure rather than current expenditure (D/PER Circular 07/14)*

Ireland has a small, professional military which does not maintain an extensive suite of high cost military hardware and infrastructure. In other countries, equipment and infrastructure costs can account for a much larger annual element of defence expenditure. By contrast, the particular size and configuration of Ireland's defence establishment means that personnel costs are the biggest single driver of spend.

The defence pension costs funded through Vote 35 are demand-driven and non-discretionary. There has been a significant increase in military pensioner numbers and a technical Supplementary Estimate[27] has been required every year since 2006.

Both the *White Paper on Defence* (2015) and the *Programme for a Partnership Government* (2016) feature a commitment to maintain the regular Permanent Defence Force (PDF) at its current

[27] Savings on Vote 36 are redirected within the Vote Group to cover the shortfall on Vote 35. No additional overall funding for the Defence Vote Group is required – hence the *technical* nature of these Supplementary Estimates.

authorised establishment of 9,500 personnel, and also commit to replacing military equipment to allow the Defence Forces deliver on all roles assigned by Government.

The *Building on Recovery: Infrastructure and Capital Investment Plan 2016-21* (2015) allocates a total of €437 million in capital funding to the Defence Vote Group for this five year period.

## Section 3: Outcomes

The high-level objective of the Defence Organisation[28] is: *'To provide for the military defence of the State, contribute to national and international peace and security and fulfil all other roles assigned by Government'* (*Department of Defence and Defence Forces Strategy Statement 2016-19*, p. 3). The *Public Service Performance Report 2016* summarises annual outputs for the Defence Vote Group for the year (Figure 3).

**Figure 10.3: Defence Vote Group Outputs 2016**

### What has been delivered?

The following section lists the latest headline figures for the defence sector in Ireland.

| | | | | | |
|---|---|---|---|---|---|
| **Department of Defence €670.7m** | | | | | |
| **9,126** | Permanent Defence Force (PDF) strength | **96%** | PDF Strength as % of establishment (9,500) | **2,049** | Army Reserve and Naval Service Reserve effective strength |
| **50%** | Reserve forces as % of establishment (4,069) | **100%** | Requests for ATCP and approved ACTA support met | **1,068** | Naval Service fishery protection patrol days delivered |
| **297** | Air Corps fishery protection maritime air patrols delivered | **479** | PDF personnel deployed overseas (on average) | **16%** | % PDF personnel who served overseas |
| **Army Pensions €234.7m** | | | | | |
| **12,760** | Cases processed under the Defence Force superannuation code | **1,374** | Cases processed under the Defence Force occupational injuries code | **12,909** | Pension accounts in payment at year end |

Source: Public Service Performance Report 2016

[28] I.e. Department of Defence and the Defence Forces.

## Section 4: Future Policy Challenges

A policy challenge that may impact on the Irish defence sector in the medium term is an increasing focus at EU level on cooperative European defence.

In November 2016, the European Commission published the *European Defence Action Plan*. This represents a blueprint for significantly increased European investment in defence. It is one of a number of initiatives being pursued by the EU with the aim of enhancing defence expenditure and integration amongst member states.

Such initiatives will need to be assessed not only with regard to Ireland’s constitutional position of neutrality but also in terms of the potential implications for the Exchequer where these developments may lead in future to new defence expenditure pressures for the State.

Separately, the dynamic wider security environment may also present future challenges with regard to ensuring that Government can call on sufficient military capabilities to respond to potential new types of security threats.

# 11. Jobs, Enterprise and Innovation

Author: Emma Lynch

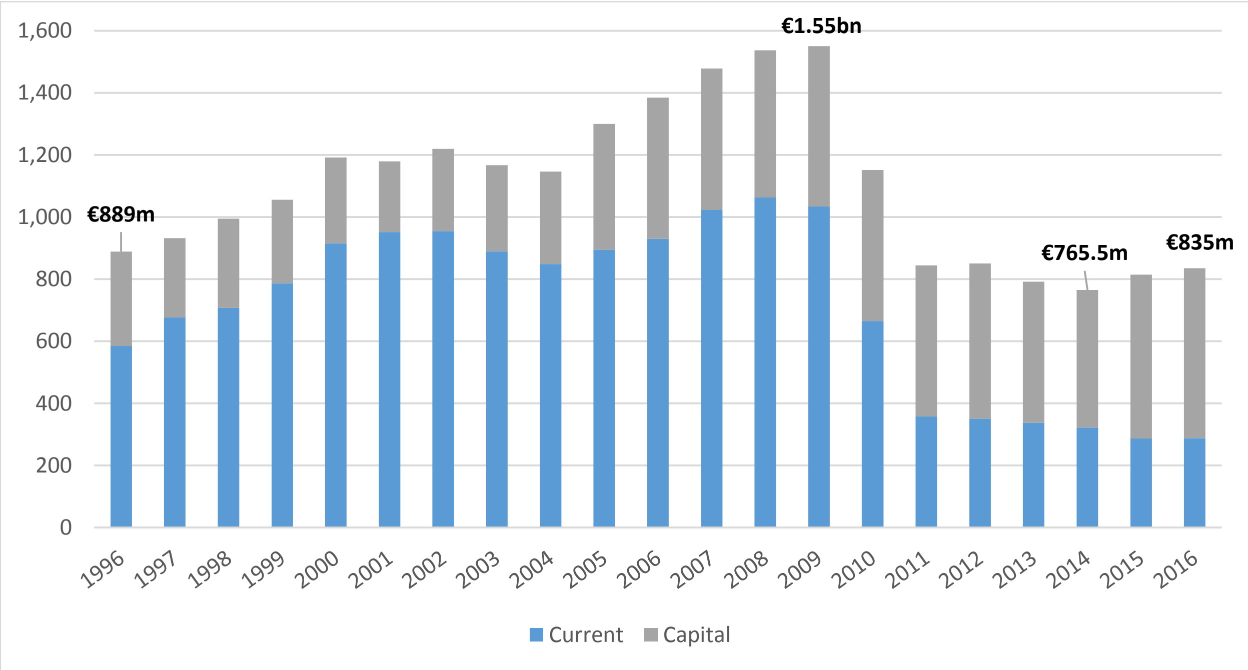
**Summary**

- From 1996 to 2016, Jobs, Enterprise and Innovation Vote expenditure (excluding FÁS) increased from €425m to €835m.
- Expenditure (inclusive of FÁS) in Jobs, Enterprise and Innovation has dropped from 5.1% of overall gross voted Government expenditure to 1.5% from 1996 to 2016.
- The programme spend on Innovation has risen by 1097% or €350 million in the period of 1996 to 2016.
- *Spending Review 2017* has two papers related to this vote - Enterprise Supports and an Evaluation of R&D Supports.

## Section 1: Long-Term Trends

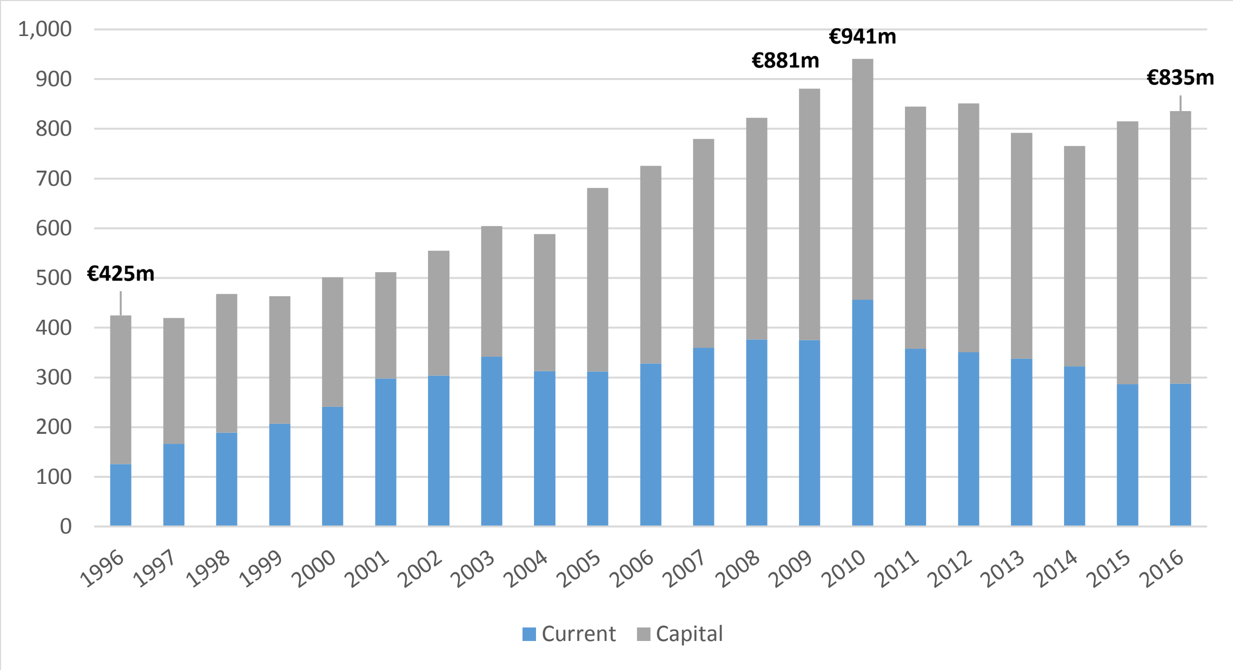
From 1996 to 2016, Jobs, Enterprise and Innovation Vote expenditure (excluding FÁS) increased from €425m to €835m. To begin, a look was taken at the expenditure trend without taking into account all the various compositions of the Vote due to Departmental changes over the period, the key one being the removal of FÁS expenditure from the Vote in 2010. Reduction was greatest between 2009 and 2014 when expenditure decreased by €784.5m mainly due to the two factors - the removal of the FÁS function from the Department (€1bn approximately) in 2010 and the Great Recession. Expenditure peaked in 2009 at €1.55bn just prior to the economic downturn.

**Figure 11.1: Jobs, Enterprise and Innovation Expenditure inclusive of FÁS (€m), 1996 - 2016**




Source: INFOR System

**Figure 11.2: Jobs, Enterprise and Innovation Expenditure excluding FÁS (€m), 1996 - 2016**



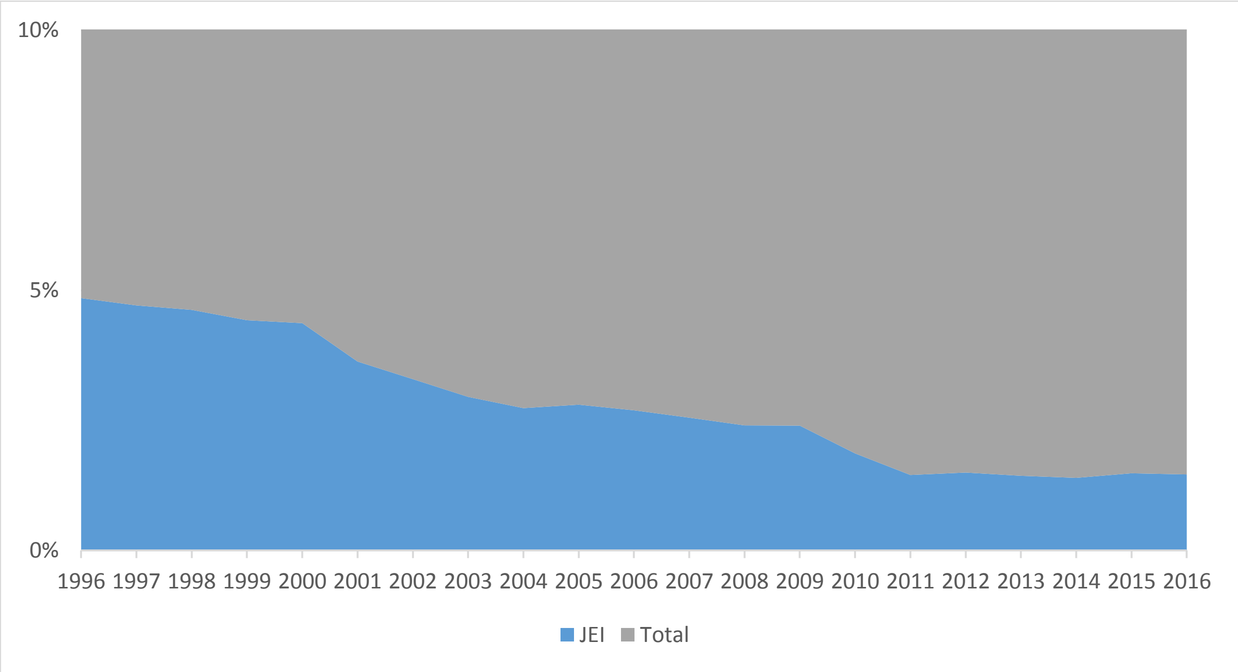

Source: INFOR System

Figure 11.2 shows a more steadily increasing trend when you exclude FÁS expenditure, where the Vote rose from €425m in 1996 to €941m in 2010 at its peak. Expenditure for the Vote in 2016 was up to €835m indicating that an upward trend is beginning again following the economic downturn. Figure 11.2 also illustrates the more dominant capital element to the D/JEI Vote from 2005 onwards.

Over the past 20 years Jobs, Enterprise and Innovation's Vote expenditure as a proportion of total voted expenditure inclusive of FÁS has ranged from 5.1% in 1996 to just 1.5% in 2016. Figure 11.3 illustrates the 20 year trend with Jobs, Enterprise and Innovation's increases in expenditure still far below increases in overall Government expenditure. This results in Jobs, Enterprise and Innovation's proportion of overall Government expenditure falling consistently each year from 5.1% in 1996 to 1.5% in 2011, a figure which has held constant from 2011 to 2016.

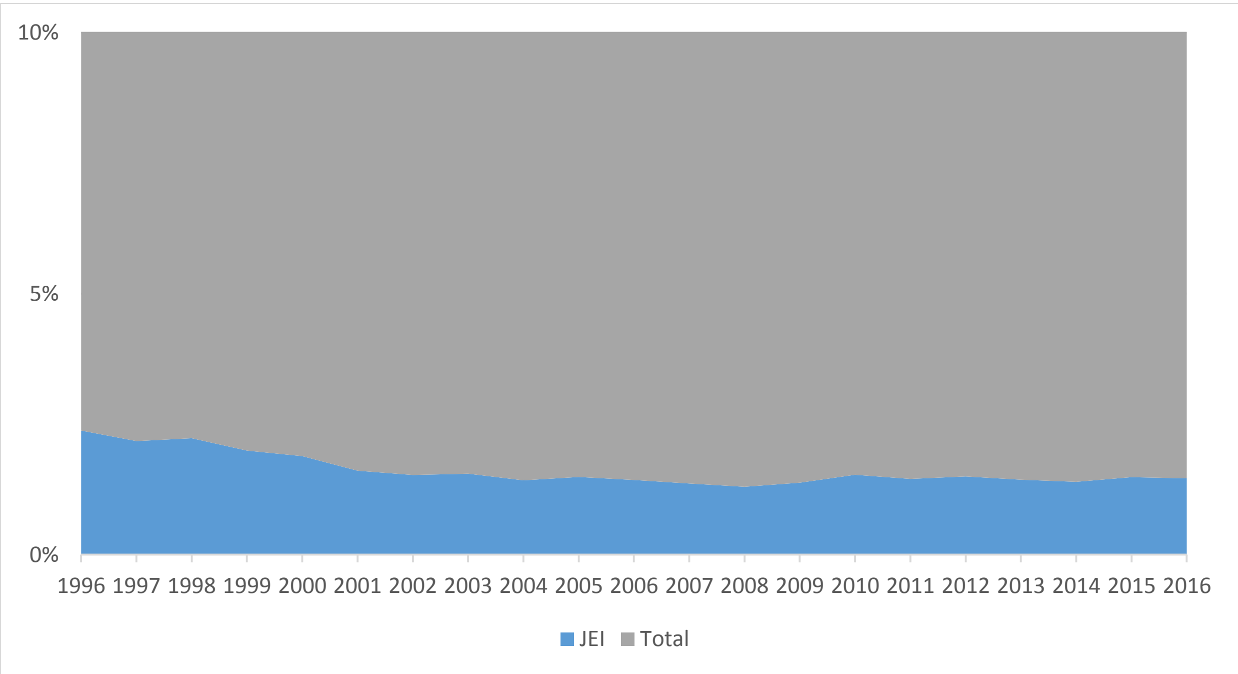
However, the drop from 5.1% in 1996 to 1.5% in 2016 is largely due to the removal of FÁS from the D/JEI Vote in the 2011 Estimate. When FÁS is excluded from the figures for 1996 to 2016, D/JEI expenditure as a percentage of total Government expenditure is more consistent. Figure 11.4 highlights this trend, from 2001 to 2016 D/JEI's expenditure remained constant at roughly 1.5% for the period when expressed as a percentage of the total Government spend.

**Figure 11.3: Jobs, Enterprise and Innovation expenditure (inclusive of FÁS) as a proportion of total Government expenditure**




Source: INFOR System

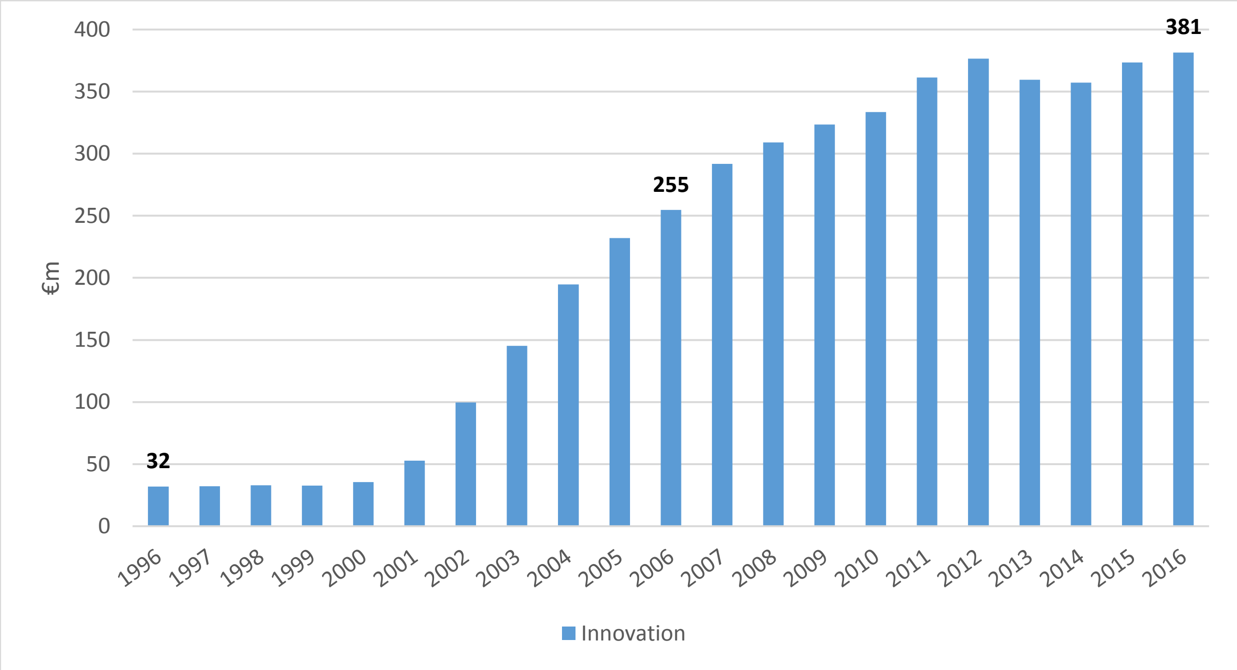
**Figure 11.4: Jobs, Enterprise and Innovation expenditure (excluding FÁS) as a proportion of total Government expenditure**




Source: INFOR System

The total amount of expenditure on Innovation increased by €349.6 million or 1,097% over the period 1996 to 2016. This increase is steady from 2000 when expenditure was €35m until 2012 when expenditure hit €377m. Taking the period 2012 to 2016, Innovation expenditure decreased to €357m in 2014 before rising to a peak expenditure of €381m in 2016. It should be borne in mind that total voted Exchequer expenditure fell by 3.3% between 2012 and 2014. In light of this, the reduction of 5.3% in R&D expenditure between 2012 and 2014 is not excessively at variance with the general trend in Government expenditure in those years.

**Figure 11.5: Innovation Expenditure, 1996 - 2016**




Source: INFOR System

The Innovation programme has demonstrated the largest increase in expenditure over the period of 1996 to 2016.

**Table 11.1: Expenditure on innovation programme, 1996 and 2016**

| €m | 1996 | 2016 | Change 1996-2016 | |
|---|---|---|---|---|
| Innovation | 31.874 | 381.479 | 349.605 | 1097% |

Source: INFOR System

## Section 2: Expenditure Drivers

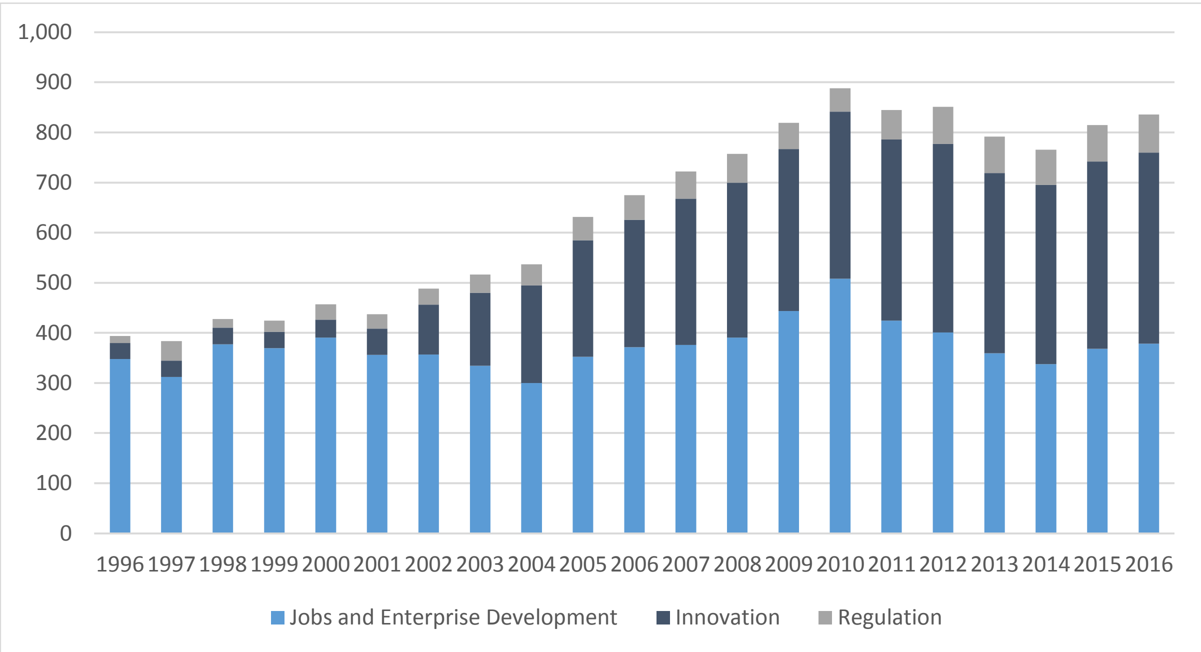
There are no clear drivers of expenditure, such as demographics, in the case of D/JEI. The capital allocations for the two programmes, Jobs and Enterprise Development and for Innovation are not based on demographic factors. Rather, such allocations are based on the perceived need for IDA

Ireland and Enterprise Ireland to spend more on grants and on capital investment in order to attract Foreign Direct Investment and to stimulate indigenous enterprise, given the Government's commitment to create an additional 200,000 jobs by 2020, including 135,000 to be located outside of Dublin.

There was a very large increase in expenditure on Science and Technology Development under Programme B – Innovation, between 2000 and 2016. The increase in 2011 reflects a commitment by Ireland to increase gross expenditure on R&D (combined public and private investment) to an amount equivalent to 2.5% of GNP on Research, Development and Innovation by 2020.

Gross Expenditure on R&D (the country's total expenditure on R&D), expressed as a percentage of GNP stood at 1.38% of GNP in 2006. This figure increased to 1.95% of GNP in 2009, before declining in each subsequent year, reaching 1.92% in 2012 and 1.79% in 2014. The figure for 2015 is estimated at 1.6% of GNP while the figure for 2016 is not yet available. The actual amount of R&D investment has increased over this period reaching €2.9bn in 2014.

**Figure 11.6: Jobs, Enterprise and Innovation Expenditure by Programme, 1996 - 2016**




Source: INFOR System

Within the programme spends the largest increase has been in relation to Innovation.

**Table 11.2: Breakdown of expenditure by programme, 1996 and 2016**

| €m | 1996 | 2016 | Change 1996-2016 | |
|---|---|---|---|---|
| Jobs and Enterprise Development | 347.674 | 378.504 | 30.830 | 8.9% |
| Innovation | 31.874 | 381.479 | 349.605 | 1097% |
| Regulation | 14.222 | 75.490 | 61.268 | 431% |

Source: INFOR System

## Section 3: Outcomes

Capital supports from the D/JEI Vote have contributed to reducing the rate of unemployment from 15.1% in early 2012 to 6.6% in February 2017, although other supports and activation measures from other Votes would have provided a supportive policy mix.[29]

At end 2016, 435,869 jobs (22% of all employed) were being directly supported by the Enterprise Agencies (IDA Ireland, Enterprise Ireland, and the Local Enterprise Offices). The Agencies estimate that allowing for a multiplier effect, a similar number of jobs are being supported indirectly in services and sub-supply to the enterprise agency clients. That would equate to approximately 870,000 jobs (43%[30] of all employed) being supported via the enterprise agencies.

D/JEI supports have helped to increase levels of indigenous exports and have also leveraged high levels of Foreign Direct Investment for Ireland in recent years.

The effectiveness of outcomes is referenced in a paper entitled *An Assessment of the Rationale, Efficiency and Targeting of Supports in Enterprise Ireland* by Pádraic Reidy, IGEES Unit, Dept of Public Expenditure and Reform. The *Public Service Performance Report 2016* includes the following headline figures for 2016 for the Jobs, Enterprise and Innovation sector:

- 242 IDA investment projects won
- 18,627 gross new jobs created by IDA client companies

[29] The R&D Tax Credit operated by the Department of Finance also contributes to the enterprise mix.
[30] Mid-Term Review Capital Review 2018 – 2021, DJEI Submission to DPER, Page 14

- 14,814 gross permanent full-time job gains in EI client companies

Investment in R&D has helped Ireland to improve its ranking in global scientific excellence. In 2016, Ireland was ranked 10$^{th}$, placing Ireland amongst leading research performers and thus enhancing Ireland's reputation amongst potential FDI companies.

Twelve SFI Research Centres are currently in operation. They are focused on key sectors of the Irish economy, including pharmaceuticals, data analytics, medical devices, advanced materials, marine and renewable energy: Building scale in research disciplines in Ireland.

## Section 4: Future Policy Challenges

D/JEI is a wide ranging department that has a number of diverse and interesting areas under its remit and nine non-commercial state agencies under its aegis. As such there is an infinite number of policy challenges that may emerge in the future across the three programme areas – Jobs & Enterprise, Innovation and Regulation.

There are a number of future policy challenges that will need to be carefully considered. As the economy approaches full employment should some of the agencies' (IDA, EI &SFI) existing resources be reallocated from job creation to dealing with current geo-political pressures for example BREXIT and the divergence in outlook from previous US administrations. The rationale for supporting 43% of all employment, (direct and indirect) at a time when we approach full employment, may need to be revisited.

**Rationale for looking at specific areas within Spending Review**

The two topics for spending reviews being undertaken in 2017 are:

(i) Capital Grants to Enterprise with particular focus on Enterprise Ireland

(ii) Capital Grants to R&D

In view of the fact that IDA Ireland, Enterprise Ireland and the Local Employment Offices will spend in the region of €225m in grants to enterprises in 2017, while the IDA, EI and SFI will together spend around €270m in R&D grants to enterprises, these topics are very significant as they represent round over 50% of the total 2017 gross expenditure allocation for D/JEI.

# 12. Arts, Heritage, Regional, Rural and Gaeltacht Affairs

Author: Áine Mannion

**Summary**

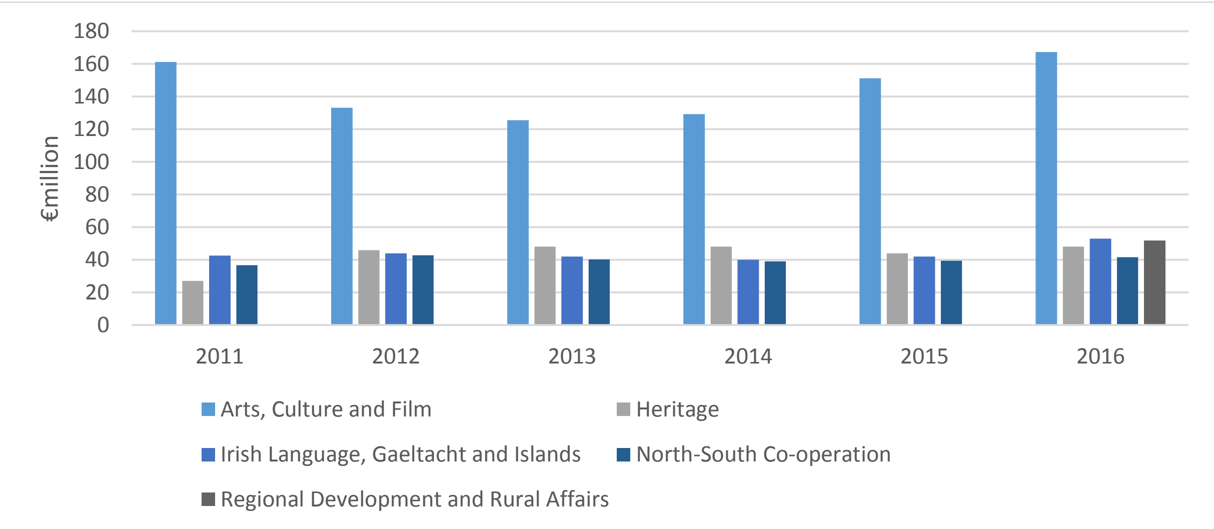
- The arts function of the Department of Arts, Heritage, Regional, Rural and Gaeltacht Affairs has gone through six different departmental formations since 1997.
- Spending on arts, culture and film has been the largest component of spending on the Vote in recent years.
- Spending on arts, culture and film increased by 11% in 2016 on 2015, which was largely due to the Ireland 2016 Centenary programme.
- In 2016 pay and pensions accounted for 23% of the Vote's spend. Programme spending accounted for over 2/3s of the total Vote spend.

## Section 1: Long-Term Trends

The structure of the Department of Arts, Heritage, Regional, Rural and Gaeltacht Affairs has changed in line with Government priorities. For example, between 1997 and 2017 the arts function was within five different Departments:

- Department of Arts, Culture and the Gaeltacht (1993-1997)
- Department of Arts, Heritage, Gaeltacht and the Islands (1997-2002)
- Department of Arts, Sport and Tourism (2002-2010)
- Department of Arts, Heritage and the Gaeltacht (2011-2016)
- Department of Arts, Heritage, Regional, Rural and Gaeltacht Affairs (2016-2017)

**Figure 12.1: Breakdown of Department of Arts, Heritage, Regional, Rural and Gaeltacht Affairs gross expenditure by programme, 2011-2016[31]**



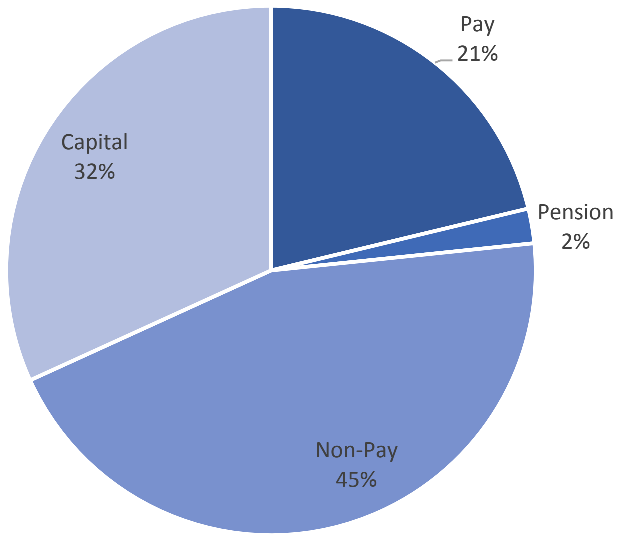

Source: Infor, Appropriation Accounts on eEstimates Outturn History. Data for 2016 is based on Provisional Outturn.

Figure 12.1 shows that in the period identified that spending on arts, culture and film has been the largest contributor to expenditure on the Vote. Spending on arts, culture and film peaked in 2007 at €204m and fell to its lowest point of €125m in 2013. Since then, spending has increased by €42m or 33%. This area saw an 11% increase in 2016 over 2015, which was largely due to the additional funding provided for the 2016 Centenary programme.

[31] This is for indicative purposes only. To allow a like-for-like comparison, admin spend for 2011, which had been accounted for differently due to administrative changes, has been apportioned here based on programme size. The 2011 programme "Art and Culture" became "Arts, Culture and Film" from 2012 onwards. In 2011 Programme C was "Irish language and the Gaeltacht". From 2012 it became "Irish language, Gaeltacht and the Islands". The National Gallery of Ireland ceased to have its own vote from 2014 and was included in Programme A from 1 January 2015.

Figure 12.2 demonstrates that pay and pensions, while together contributing 23% of the allocation, are not the key drivers of expenditure on this Vote.

**Figure 12.2: 2016 Department of Arts, Heritage, Regional, Rural and Gaeltacht Affairs gross expenditure by type**




Source: Infor, Provisional Outturn 2016

In 2016, the Department of Arts, Heritage, Regional, Rural and Gaeltacht Affairs accounted for 0.65% of total Voted expenditure. Capital spending for the Department comprised 2.81% of total Voted capital expenditure. In 2016, the Department was involved in the delivery of the Ireland 2016 Centenary programme.

Over €48m in funding was allocated in 2016 for the Ireland 2016 Centenary Programme, including almost €31m for major capital works. Capital funding was provided for the following projects under Vote 33: the GPO Interpretative Centre and Exhibition Centre; the new visitor centre at Teach an Phiarsaigh, Ros Muc; the Tenement Museum at 14 Henrietta Street, Dublin; the refurbishment of Richmond Barracks, Dublin; the redevelopment of the Kevin Barry Rooms at the National Concert Hall; and expansion and improvement works at the National Archives.

## Section 2: Expenditure Drivers and Future Policy Concerns

Unlike other areas of expenditure, changes in allocation or actual spend in this area are not primarily driven by demographics or service demand. The key expenditure driver is Government policy.

**1. Programme for a Partnership Government**

Published in May 2016, the Programme for a Partnership Government's aim is "to combine all our different talents to build a strong economy and to deliver a fair society, so that communities thrive, throughout both urban and rural Ireland". While some the commitments in the Programme will likely transfer to the new Department of Rural and Community Development, a large number of commitments relating to arts, culture, film, heritage, Irish language, Gaeltacht, and the islands, and North-South co-operation will remain.

**2. Creative Ireland (2017-2022)**

*Creative Ireland* is the main implementation vehicle for the priorities identified in *Culture 2025-Éire Ildánach*, the draft cultural policy published in July 2016. It is a five-year initiative to put creativity at the centre of public policy.

**3. 20 Year Strategy for the Irish Language 2010-2030**

Policy in this area is to increase on an incremental basis the use and knowledge of Irish as a community language. It commits to the development of a bilingual society, while recognising the policy focus of maintaining the linguistic identity of the Gaeltacht community.

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

Despite the transfer of the Regional Development and Rural Affairs programme to the new Department, this Action Plan, which contains over 270 actions and aims to ensure that people who live in rural areas have increased opportunities for employment locally and access to public services and social networks that support a high quality of life, will still impact on the Department in regards Údarás na Gaeltachta, etc.

Future policy challenges will differ across the programmes. However, a significant challenge exists in measuring and analysing outcomes and benefits delivered by the programmes in question (as highlighted above). As a result, prioritisation both between the programmes and against other areas of Government expenditure will remain an ongoing challenge.

## Section 3: Outcomes

It is important to link spending to impact in all areas of expenditure. While challenges exist in the analysis of outcomes for the different functions under the Department's remit, efforts have been made to capture the impacts of these expenditure areas. For example, the Value for Money and Policy Review of the Arts Council published in 2015 proposed a set of performance indicators as part of the agreed terms of reference. Assessments of the economic impact of the arts, and specifically the film industry, have also been conducted (e.g. Indecon 2007 and 2011). Further analysis of this evidence should be undertaken to feed into decisions on the level and distribution of future funding.

# 13. Communications, Climate Action and Environment

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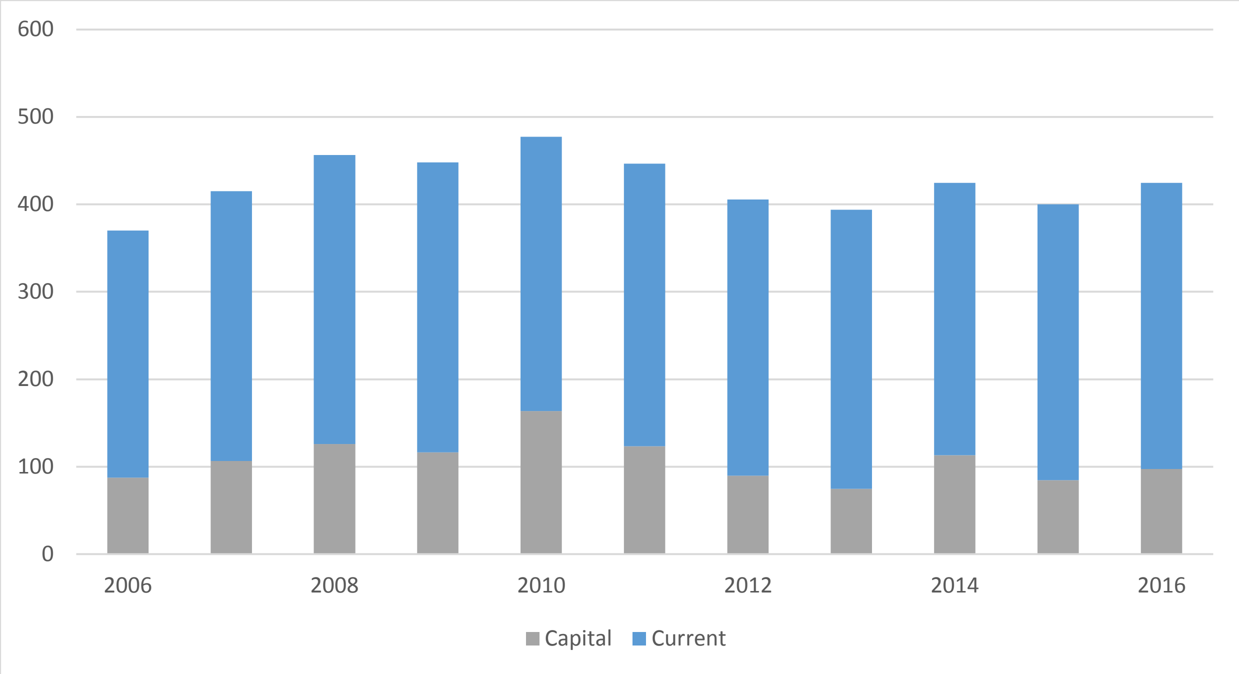
**Summary**

- From 2006 to 2016, Exchequer expenditure has increased from €370m to €425m in 2016, although annual expenditure over the period cannot be compared on a like-for-like basis due to a number of changes to Departmental functions.
- As a proportion of overall gross Government expenditure, the Department accounts for less than 1% in 2016.
- Expenditure relates to a number of sectoral areas, determined by transfer of Departmental functions.

## Section 1: Long-Term Trends

**Figure 13.6: Communications, Climate Action and Environment - Expenditure (€m), 2006 – 2016**



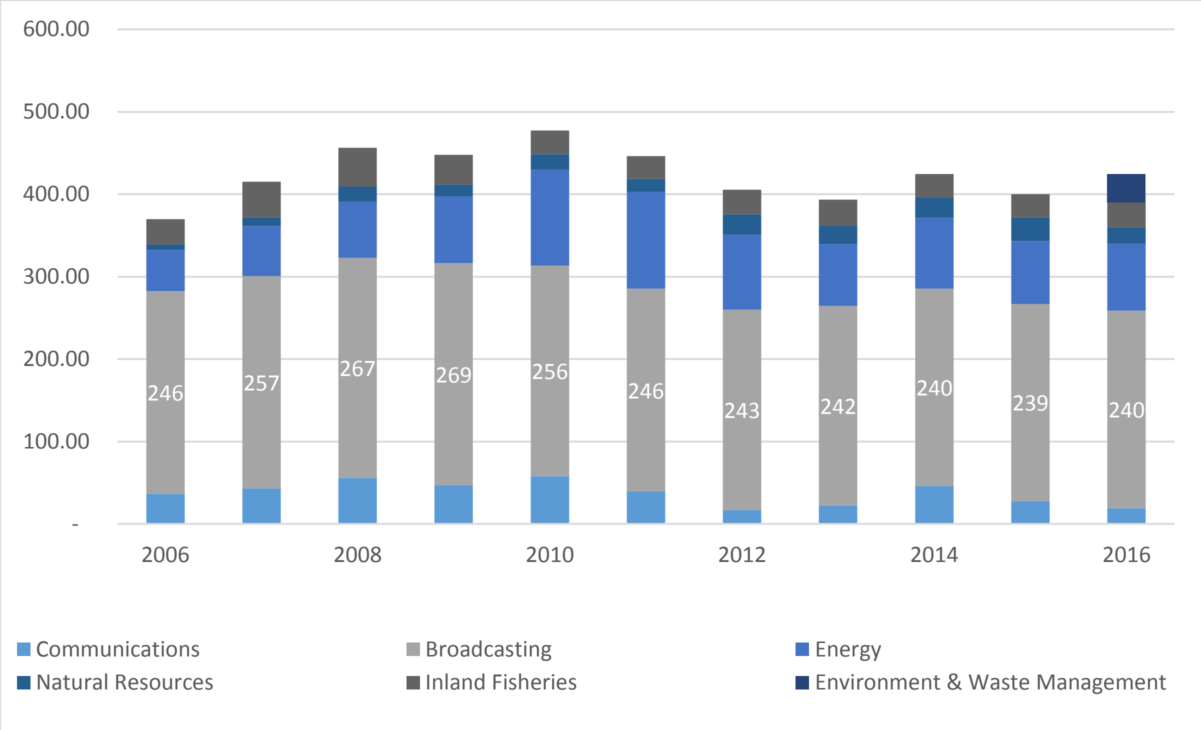

**Source:** Department of Public Expenditure and Reform

2016 Gross Exchequer expenditure of the Department at €425m is less than 1% of the overall Government expenditure. Expenditure in the Department over the period has always been across a number of sectoral areas, determined by transfer of Departmental functions at different times during the period from 2006 to 2016. For example, the Environment and Waste Management area with a 2016 gross spend of €34m was added to the functions of the Department in 2016. As a result, the total expenditure from 2006 to 2016 depicted in Figure 13.1 does not show a like-for-like trend over the period. Certain functions also transferred out of the Department at different times during the period from 2006 to 2016. Therefore, the Department's expenditure in this analysis only relates to those Departmental functions that are currently within the Department.

## Section 2: Expenditure Drivers

The current structure of the Department covers expenditure on Communications, Broadcasting, Energy, Natural Resources, Inland Fisheries, Environment and Waste Management programmes. Figure 2 outlines expenditure in each of these areas from 2006 to 2016.

**Figure 13.2: Communications, Climate Action and Environment - Expenditure (€m), 2006 – 2016**




**Source:** Department of Public Expenditure and Reform

Figure 13.2 shows that the Broadcasting programme is the single largest area of gross expenditure in the Department. Annual current expenditure on Broadcasting is driven by the level of TV licence receipts as appropriations in aid. The Broadcasting area transferred to the then Department of the Marine and Natural Resources in 2002. Prior to 2006, licence fee receipts were below €200m. Receipts rose to the €200m mark in 2006 and have remained above €200m per annum since then.

Within the Department, the allocation of resources to the different programme areas is driven by a variety of factors. For example, the level of annual expenditure on the Energy programme prior to 2006 was under €20m. This increased steadily from €50m in 2006, peaked at €118m in 2011, and is currently at €82m in 2016. This reflects increased introduction and uptake of initiatives for meeting the State's renewable energy and energy efficiency targets.

## Section 3: Outcomes

Energy consumption from renewable sources has grown from c.2% in the early 2000s to 9.1% in 2015 as a result of targeted policy measures, including the development of onshore wind energy (with over 25% of Ireland's electricity consumption coming from renewable sources in 2015) and the biofuels obligation in the transport sector.

Implementation of energy efficiency policies has resulted in energy savings of over 18,500 GWh by end 2016, contributing some 12% towards the national target of a 20% improvement in energy efficiency by 2020. These energy savings have avoided c. 4.4 million tonnes of carbon emissions and equate to over €1 billion in monetary terms. Public investment through the Better Energy Programme has delivered energy efficiency improvements in over 330,000 homes and hundreds of community and commercial buildings, while supporting approximately 3,000 jobs each year. The public sector has a more challenging 2020 target of improving efficiency by 33%. At end 2015, this sector had improved by 21%, avoiding energy spend of over €600m.

Ireland has made significant progress across a range of environmental policy areas and has taken important steps towards a circular economy where resources are used in a more sustainable way. For example, packaging waste recovery rates have improved from 64% in 2007 to 88% in 2013; collection rates of Waste Electrical and Electronic Equipment (WEEE) have been met or exceeded each year since 2007 (8.1 kg of household WEEE per person, equating to double the EU target, was collected in 2014), while the target for collection of waste portable batteries has also been exceeded with a 48% collection rate in 2016 (the equivalent of 44 million AA batteries).

In the telecommunications area, Exchequer expenditure in rolling out interventions such as the National Broadband Scheme and the Metropolitan Area Networks, and more recently in preparing for the National Broadband Plan, has acted as a catalyst in stimulating industry investment. Commercial operators have invested over €2.5 billion in the past four years in upgrading and modernising infrastructure, resulting in a rise from 10% to over 60% of the population now having access to high speed broadband services.

As one of the fastest growing sectors in the economy, Ireland’s digital economy grew by some 40% between 2012 and 2016 (over 6% of GDP) and is conservatively expected to expand to about 8% of GDP by 2020. Digital adoption has been promoted through a number of initiatives under the National Digital Strategy. The Trading Online Voucher Scheme has resulted in more than 3,300 micro enterprises trading online since mid-2014, while in overall terms, some 30% of SMEs are trading online, putting Ireland ahead of the EU average. The Digital Skills for Citizens programme has contributed to the fall since 2011 from 21% to 16% in the number of citizens who do not engage with the internet.

## Section 4: Future Policy Challenges

Ambitious and sustained action will be required to enable the State, within EU and global frameworks, to meet its climate change obligations. The transformation required to transition Ireland to a low carbon, climate resilient and environmentally sustainable economy is significant. Implementation of the whole-of-Government National Mitigation Plan to start to close the gap in meeting Ireland's greenhouse gas emissions reduction target of 20% by 2020 and lay the foundations for Ireland's contribution towards the achievement of the EU's binding target of at least 40% reduction in emissions by 2030, is a key policy priority. It will require substantial scaling of public and private sector investment in the key sectors of electricity generation, the built environment, transport and agriculture, in tandem with significant societal change.

Climate and energy policy are inextricably linked. Focus will be maintained on achieving energy objectives in the area of infrastructure deployment, renewable energy and energy efficiency targets and on addressing energy affordability. Continued secure supplies of energy and the continued operation of the Single Electricity Market across the island of Ireland are key considerations in the Brexit process. In progressing Ireland's transition to a low carbon economy, the further development of renewable energy across the electricity, heat and transport sectors will be a key policy challenge. The EU's Clean Energy Package proposes to place further obligations on Ireland to ensure continued growth in renewable energy post 2020. Development of energy infrastructure such as electricity grid and onshore wind is becoming more challenging due to planning and public acceptability issues. As the economy continues to grow, further investment in energy infrastructure will be required.

Delivering a "connected" economy and society is a strategic priority. Focus will be maintained on the successful conclusion of the ongoing competitive procurement process under the National Broadband Plan to select a bidder(s) to roll out a State subsidised high speed broadband network to areas that will not be served by commercial operators. Building on better connectivity, a new cross-Government National Digital Strategy with ambition and scale will further optimise the use of digital platforms for jobs, economic growth and social inclusion. Facilitating a secure and safer internet environment for citizens, businesses and critical infrastructure providers is essential, along with internet governance policies that foster greater and safer use of the internet.

Ensuring a sustainable funding model for public service broadcasting remains a priority and will require detailed consideration of options and meticulous implementation of any changes to the existing model.