

Budget Factsheet for Member Organisations: *How to get the most out of the pre-budget process*

June 2011

Decisions taken each year at Budget time have a serious impact on children's lives. Now, social policy decisions are dictated by the economic and budgetary situation, with public discussion dominated by how to do more with less. The Budget process is changing in response to new international requirements¹ and domestic commitments. This factsheet is designed to support Alliance member organisations in influencing the Budget process, as they work towards achieving better outcomes for children.

NGOs and the Budget

Why is the Budget relevant to NGOs?

The Budget is the annual focal point of the financial cycle and sets out Government fiscal policy (tax and expenditure) for the forthcoming year. It is usually presented to the Dáil in December and provides details of overall spending targets, including social welfare payments, and tax changes. Economic and public finance forecasts for the Budget year and the following three years are also usually set out.² In outlining how and where public money will be spent in the year ahead, the Budget shows where Government spending priorities lie. Successfully influencing the Budget process and ensuring your priorities are taken into account will help make Ireland one of the best places in the world to be a child.

How does the Budget affect children?

- Family income levels and investment in services and infrastructure for children are affected by Budget decisions, can be divided into three areas:
- Annual rates of social welfare and other payments (adult social welfare payments, Child Benefit, Qualified Child Increase and the Family Income Supplement);
- Taxation levels and their implications for disposable income; and
- Votes for individual Government Departments and Agencies, including the Departments of Education and Skills, Health and Children, Social Protection, Justice, Equality and Law Reform and the HSE.

How can NGOs influence the Budget?

NGOs can influence the Budget in five ways:

1. Submit an annual pre-Budget submission to the Department of Finance and relevant Government Departments whose budgets impact on their work;
2. Develop clear, concise arguments, complemented where possible with appropriate figures, for the measures they propose in the Budget (this is especially important now, given the financial constraints in public spending (see table on pages 7-8 for a breakdown of the Budget process and the ideal timing for NGO influence);
3. Influence the Comprehensive Spending Review, announced by the new Government, which will provide a rationale for Government spending; and
4. Engage in public debate and media work to highlight the importance and value of investment in particular issues and services.

¹ Budgetary reform at EU level means that from 2011 onwards, Member States will present and discuss their medium-term budgetary strategies through Stability and Convergence Programmes which will be sent to the European Commission in April for assessment. Essentially, the broad parameters of budgetary policy are now required to be outlined far earlier in the year than was previously the case.

² All Budget documentation is available at www.budget.gov.ie.

Alliance Recommendations to our Members:

- Submit a **short, clear pre-budget submission** to the Department of Finance and other relevant Government Departments in early September with **figures** to back-up policy suggestions.
- Work with colleagues in the sector to develop **consistent messages**.
- Send a **copy** of your pre-budget submission **to the Alliance** at info@childrensrights.ie so that we can ensure your messages are included in our engagement with Departments in the run-up to the Budget. We will feature all pre-budget submissions received on a special section of our website dedicated to the Budget and how it impacts on children.

What Makes a Good Pre-Budget Submission?

A good pre-budget submission is one that is:

- **Short** – the shorter the better, with an executive summary at the start outlining key policy demands
- **Reasoned** – provides a clear rationale for key policy demands
- **Evidenced** – demonstrates the proven benefits of key policy demands and includes examples where relevant
- **Costed** – provides figures to back-up key policy demands³
- **Clear** – is written in concise, accessible and easily understood language
- **Timely** – is submitted early, in time to influence departmental and governmental decisions

Critically, a good pre-budget submission should be **solutions-based**, providing concrete suggestions and asks. Remember, each year the Department of Finance receives hundreds of pre-budget submissions from community and voluntary groups, industry and members of the public.

You want yours to stand out as one that is clear, reasoned and supported by figures.

³ If you would like advice on how to cost your policy proposals please contact the Policy Team at the Alliance at 01-6629400.

The Budget: the Facts

What is included in the national Budget?

Public spending is funded through income received by Government and, in more recent years, by a large volume of borrowing. Government has two main types of income: capital and current.

- Current income is made up of tax revenue, such as income tax and VAT; and to a lesser extent non-tax revenue, such as dividends from state companies and interest on loans advanced from the Exchequer.
- Capital income is made up mainly of principal repayments of loans, proceeds from the sale of State property and EU structural funds.

New development: Comprehensive Spending Review

The new Government has committed to a Comprehensive Review of Public Spending, which will see each Department undertake a comprehensive and thorough analysis of their own expenditure and that of agencies under their control. The objective of the Review is to deliver a more efficient, effective and more modern public service with the lower level of resources now available. The first Comprehensive Spending Review is expected to be published in autumn 2011, and will be an important influence on Budget 2012 and subsequent budgets.

When is the Budget decided?

The Budget is announced in December each year, usually on the first Wednesday of the month. The Department of Finance begins working on the Budget months in advance of the actual announcement of the Budget in December, by preparing its economic and public finance forecasts and estimating expenditure over the coming years.

During October and November, bilateral discussions take place between the Minister for Finance and the Ministers of the key spending Departments, such as Social Protection, Health, Education and Skills, and Children and Youth Affairs. These line Departments set out their financial requirements and the Minister for Finance outlines the level of resources available, based on economic and revenue projections compiled by the Department of Finance. Negotiations between these Departments and the Department of Finance take place in relation to specific Budget allocations and, in particular, in relation to any increases sought by Departments. In recent years, these discussions have reduced in importance given the constraints being placed on public expenditure. However, opportunities do still exist for key Departments and their respective Ministers to influence the budgetary process.

The final decision on the make-up of the Budget rests with the Minister for Finance and the Taoiseach. The Cabinet is briefed on the Budget shortly before it is announced in Dáil Éireann.

Tax Strategy Group

In drafting the taxation element of the Budget, the Department of Finance is assisted in making its decisions by the Tax Strategy Group (TSG). This is an inter-departmental committee chaired by the Department of Finance with membership from senior officials and advisors from the Departments of Finance, An Taoiseach, Enterprise, Jobs and Innovation, Social Protection, and the Revenue Commissioners. The role of the TSG is to examine and develop proposals for tax, social welfare and PRSI and to look at how the various proposals interact with each other and how they will affect the economy.⁴

⁴ For further information on the work of the Tax Strategy Group, including papers relating to previous years Budgets, see <http://www.finance.gov.ie/viewdoc.asp?docid=-1&catid=18>

New EU Semester

In 2010, the European Commission proposed the creation of a “European Semester”, a new governance architecture under which the EU and the Euro Zone will coordinate their budgetary and economic policies, in line with both the Stability and Growth Pact and the Europe 2020 Strategy.⁵ From Budget 2012, assessment will happen prior to the formal announcement of budgets, rather than afterwards as was previously the case.

The European Semester means that the parameters of budgetary policy must be outlined far earlier in the year than was previously the case. From now on, Member States will present their medium-term budgetary strategies to the European Commission in April for assessment. The European Council and the Council of Ministers will provide policy advice before Member States finalise their draft budgets for the following year. That said, the Irish Government will continue to fully exercise its right to decide on budget.

When does the Budget come into effect?

Some of the changes announced in the Budget, for example changes to VAT and excise duties, come into effect immediately (as of midnight on Budget day). These are given initial legislative effect through the passing of Financial Resolutions on Budget night. Others, such as changes in Social Welfare payments, usually take effect from the beginning of January the following year. Others need to be finalised before coming into effect (for example the decentralisation programme or the universal free pre-school year).

Finance Bill

The Finance Bill gives legal effect to the taxation measures announced in the December Budget. It is usually published in January or February following the Budget, as time is needed for it to be drafted and debated. The Finance Bill can also include amendments to legislation that were not announced in the Budget, although these are generally more technical matters relating to tax legislation, and providing the finer detail on the Budget for the year ahead. In some cases, elements of measures signalled in the Budget may be amended before they are put into legislation through the Finance Bill; for example, the Finance Bill provided exemption to medical card holders from the income levy introduced in Budget 2009.

Social Welfare Bill

The Social Welfare Bill gives legal effect to the social welfare measures announced in the Budget by providing for certain amendments to the ‘social welfare code’. This Bill is usually passed in January or February, as well, so that there is time for it to be drafted and debated. However, following Budgets 2010 and 2011, the Social Welfare Bill was passed the same week as the reductions made to social welfare rates announced in Budgets 2010 and 2011 to be effective from 1 January respectively.⁶

What is a ‘Vote’?

Voted expenditure

‘Vote’ is the term used for the annual allocation of funds to each Government Department and Office to cover their individual functions. It is called a vote because the Dáil must vote for the allocations as part of the annual Budget process.⁷

5 European Commission (2010) Europe 2020: a European strategy for smart, sustainable and inclusive growth, see http://europa.eu/press_room/pdf/complet_en_barroso__007_-_europe_2020_-_en_version.pdf [accessed 20 May 2011]

6 The Government stated this was in order to bring necessary changes into effect rapidly in order to make Government savings as soon as possible. The Opposition argued this was not the case, and that instead, the Government opted to pass the Bill rapidly (the day after the Budget) before Government TDs had an opportunity to go back to their constituencies and be lobbied locally to oppose the Bill. Articles outlining the situation as it unfolded include Marie O’Halloran and Michael O’ Regan, ‘Labour pledges to obstruct welfare Bill’ *The Irish Times*, 9 December 2009, and Mary Minihan, ‘Dail passes social welfare cuts after heated debate turns ugly’, *The Irish Times*, 12 December 2009.

7 The Public Financial Procedures document, published by the Department of Finance refers to ‘Government Departments and Offices’, this refers to Offices, including the Chief State Solicitors Office, but also to Agencies, including the HSE. See <http://www.finance.gov.ie/documents/publications/guidelines/pfpdec2008.pdf> [accessed 7 April 2011].

There are currently 41 votes, covering each Government Department and additional areas, including the Gardaí, the Offices of the President, the Ombudsman, and the HSE. Within each vote there are 'sub-heads' stating specifically how and where the overall allocation is to be spent. Allocations can only be transferred between sub-heads with the approval of the Department of Finance; this process is known as 'virement'. For a full list of votes see Appendix Two, and for an example of the breakdown of sub-heads under a vote see Appendix Three.

'Non-voted' expenditure

Spending that the Oireachtas has declared by law to be paid from the Central Fund (the Exchequer)⁸, without annual reference to the Dáil, is called non-voted expenditure. These are items that the State has a constitutional duty to pay and that should not be interfered with by the Executive (Government). They include expenditure associated with servicing the National Debt, contributions to the EU Budget, judicial salaries and pensions and the salaries of the President and the Comptroller and Auditor General.



What is the role of the Department of Finance during the year?

Apart from developing the national Budget, the Department of Finance has a central role in implementing Government policy, in particular the Programme for Government, and in advising and supporting the Minister for Finance and the Government on the economic and financial management of the State and the overall management and development of the public sector. The work of the Department is distributed between four main divisions:

1. Financial Services Division
2. Budget Taxation and Economic Division
3. Sectoral Policy Division
4. Public Services Management and Development Division

The new Government has stated its attention to reconfigure the Department of Finance into two separate departments – one of which, the Department of Public Expenditure and Reform, will deal with public expenditure and public sector reform. The first step towards this was the appointment of two separate Ministers, Michael Noonan T.D. as Minister for Finance and Brendan Howlin T.D. as Minister for Public Expenditure and Reform.

⁸ The Central Fund is also known as the Exchequer. Article 11 of the Constitution lays down the general principle that, unless otherwise provided by law, all revenues of the State must be paid into one fund (called the Central Fund or the Exchequer), on which the Government then draws for expenditure on State services.

How can I keep track of spending during the year outside of Budget time?

There is no formal mechanism for tracking expenditure by sub-head during the year. However, each month the Department of Finance produces Exchequer Returns relating to the cumulative period to the end of the previous month. These are published on the second working day of each month and are available on the Department of Finance's website www.finance.ie. The Exchequer Returns detail current and capital spending by Government Department (amongst other things) although they do not detail expenditure at the sub-head level.

TDs can ask Parliamentary questions and NGOs can submit Freedom of Information requests, but it is not possible to get a full picture of detailed spending at sub-head level during the year.

Revised Estimates Volume

The REV or Revised Estimates Volume is usually published in February of Budget year and sets out a detailed breakdown of spending by vote and sub-head for the Budget year. The REV reflects the changes to expenditure announced in the Budget.⁹ Departments also prepare annual output statements which are submitted to relevant Dáil committees to enable the Dáil assess what is being achieved with public expenditure. After the end of each financial year, each Department or Office with a vote is required to prepare an Appropriation Account for submission to the Comptroller and Auditor General. The Appropriation Account provides details of expenditure outturns against the estimated provision in the REV.

To find out more!

- **Contact the Alliance** at info@childrensrights.ie or on 01 6629400. The Alliance is available to support members in devising and promoting their pre-budgeting submissions, feel free to contact us with any questions, ideas or difficulties; we would be delighted to help.
- For information on previous budgets, including all relevant documentation see the Budget section on the **Department of Finance** website <http://budget.gov.ie/budgets/2011/2011.aspx>. This is also where documents are uploaded on Budget day.
- To see the **National Recovery Plan 2011-2014**, which states the parameters of Budgets between now and 2014 see <http://www.budget.gov.ie/RecoveryPlan.aspx>.
- For further tips on influencing the Budget see the **Combat Poverty Agency's** '*Finding your way around the Budget*' report. Note that this report was published in 2007 and so does not include the new budget process structured around the EU Semester.
- http://www.cpa.ie/publications/FindingYourWayAroundTheBudget_2006.pdf
- To see how NGO Budget monitoring has had an impact worldwide see this Briefing Paper by the **Overseas Development Institute** on '*Budget Monitoring and Policy Influence*'
- <http://www.odi.org.uk/resources/download/80.pdf>

⁹ The Book of Estimates or AEV (Abridged Estimates Volume) was previously published in November but this process stopped in 2007 with the production of a unified Budget in which all spending and tax measures were announced together.

Appendix One
Government Activity in the Budget Process and Suggested NGO Activity

Month	Government Activity	Recommended NGO activity
March/April	<p>Budget preparation begins. The Department of Finance begins formulating expenditure policy, in the context of overall economic and fiscal policy, leading up to the submission of the Stability Programme Update to the European Commission.</p>	<ul style="list-style-type: none"> • Begin thinking about your pre-budget submission.
May/June/July	<p>Based on the European Commission's assessment, the European Council will issue country-specific guidance and possible country-specific guidance to countries whose policies and budgets are out of line.</p> <p>Each July, the European Council and the Council of Ministers will provide policy advice before Member States finalise their draft budgets for the following year. Importantly, national Governments and Parliaments continue to fully exercise their right to decide on budget.</p>	<ul style="list-style-type: none"> • Talk to other relevant NGOs about what they intend to call for in their pre-budget submission – where possible develop consistent messages.
September	<p>Work ongoing internally in the Department assessing emerging economic and fiscal data and its impact on Budget for the following year, but no major publications or key public activities.</p> <p>Departments begin discussions with Department of Finance regarding allocations.</p>	<ul style="list-style-type: none"> • Submit pre-budget submission to Department of Finance and copy to other relevant departments highlighting particular issues relevant to each. • Send a copy of your pre-budget submission to the Children's Rights Alliance at info@childrensrights.ie.
October	<p><i>Mid-Oct:</i> Department of Finance usually publishes a Pre-Budget Outlook (PBO), giving an updated medium-term economic and fiscal outlook. This document usually includes detailed pre-budget estimates for the coming year's budget.</p> <p><i>Late Oct:</i> The Department of Finance holds detailed discussions with Departments on their proposed expenditure allocations, in particular for the forthcoming year. Bi-lateral meetings between the Minister for Finance and other Ministerial colleagues of key spending Departments can be part of this process.</p>	<ul style="list-style-type: none"> • Last chance to submit pre-budget submission to relevant departments • Seek some press coverage for your pre-budget submission • Attend the pre-budget forum hosted by the Department of Social Protection.

Month	Government Activity	Recommended NGO activity
November	<p>In light of October discussions, the Minister for Finance formulates proposals for expenditure and taxation for the Budget year. The Minister brings these proposals to the Government for approval.</p> <p><i>Late Nov/early Dec:</i> the White Paper on Receipts and Expenditure is published on the weekend before Budget day. This shows the forecast outturn for the current financial year and for the new financial year (i.e. the one for which the Budget is being set) on the basis of no policy change. Essentially the White paper shows the position if there was no Budget, including estimated Exchequer expenditure on a pre-budget basis.</p>	<ul style="list-style-type: none"> • Seek media coverage for your Budget demands • Consider developing a campaign around your key issues in advance of the Budget.
December	<p><i>Early Dec:</i> The Minister for Finance presents the annual Budget Statement to the Dáil, usually on the first Wednesday of the month, setting out the Government’s taxation policy, expenditure decisions and budgetary targets for the year.</p> <p><i>Late Dec:</i> The annual Appropriation Act is passed giving statutory effect to the Estimates, including any supplementary estimates voted by the Dáil for the current year (not the Budget year).</p> <p>The Social Welfare Bill is also published at this point, immediately following the December Budget.</p>	<ul style="list-style-type: none"> • On the day: React to the Budget. Is it a good or bad Budget for your group? Why? Were your calls addressed? • After the Budget: Analyse measures in the Budget that effect your organisation.
February	<p>The annual Finance Bill is published, to give legislative effect to the tax changes proposed in the Budget statement. The Bill is referred by the Dáil to the Select Committee on Finance and the Public Service for detailed consideration.</p> <p>The Finance Bill must be enacted within four months of Budget day if the tax measures announced on the day are to remain in effect.</p> <p>The Revised Estimates Volume (REV) for the year is also published in February, showing the full detail of the Budget Estimates, including by sub-head, for each Government Department and Agency. A profile of total expenditure (current and capital) by Government Department is published shortly after the REV and is used to track expenditure over the course of the year.</p> <p>The Dáil approves the Estimates later in the year.</p>	

Appendix Two

List of 'Votes' in Annual Budget

Number	Vote	2011 Estimates
1	President's Establishment	€3,153,000
2	Taoiseach	€25,728,000
3	Attorney General	€15,103,000
4	Central Statistics Office	€82,616,000
5	Comptroller and Auditor General	€12,910,000
6	Finance	€70,577,000
7	Superannuation and Retired Allowances	€450,025,000
8	Appeal Commissioners	€509,000
9	Revenue Commissioners	€392,859,000
10	Office of Public Works	€405,384,000
11	State Laboratory	€9,135,000
12	Secret Service	€1,000,000
13	Chief State Solicitor's Office	€36,048,000
14	Director of Public Prosecutions	€43,877,000
15	Valuation Office	€10,406,000
16	Public Appointments Service	€8,025,000
17	Office of the Commission for Public Service Appointments	€913,000
18	Ombudsman	€7,472,000
19	Justice and Law Reform	€373,894,000
20	Garda Síochána	€1,532,468,000
21	Prisons	€347,583,000
22	Courts Service	€112,126,000
23	Property Registration Authority	€36,398,000
24	Charitable Donations and Bequests	€440,000
25	Environment, Heritage and Local Government	€1,602,002,000
26	Education and Skills (including National Training Fund)	€9,272,753,000
27	Community, Equality and Gaeltacht Affairs	€352,388,000
28	Foreign Affairs	€205,895,000
29	International Co-operation	€534,230,000
30	Communications, Energy and Natural Resources	€475,466,000
31	Agriculture, Fisheries and Food	€1,647,506,000
32	Transport	€2,119,427,000
33	National Gallery	€10,100,000
34	Enterprise, Trade and Innovation	€900,876,000
35	Tourism, Culture and Sport	€385,442,000
36	Defence	€725,479,000
37	Army Pensions	€208,088,000
38	Social Protection (including Social Insurance Fund)	€20,615,416,000
39	Health and Children	€342,518,000
40	Health Service Executive	€13,794,487,000
41	Office of the Minister for Children and Youth Affairs	<u>€332,688,000</u>
Total		€57,503,410,000

Source: Gross Expenditure Estimates from 2011 Revised Estimates Volume

Note: Some vote titles will change in Budget 2012 to reflect the new make-up of Government Departments, for example the creation of a new Department of Children and Youth Affairs.

Appendix Three

Vote 41: Office of the Minister for Children and Youth Affairs

Below is an example of a Budget 'Vote'. It shows the breakdown into 'Sub-heads' of Vote 41: Office of the Minister for Children and Youth Affairs (OMCYA). Vote 41 is likely to change in Budget 2012 given the creation of the new Department for Children and Youth Affairs with its expanded remit and functions.

[41] *Office of the Minister for Children and Youth Affairs* [41]

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OFFICE OF THE MINISTER FOR CHILDREN AND YOUTH AFFAIRS

- I. Estimate of the amount required in the year ending 31 December 2011 for the provision of certain services in respect of children and youth affairs, including miscellaneous grants and grants-in-aid.

Three hundred and twenty-five million, nine hundred and eighty-eight thousand euro

(€325,988,000)

- II. Subheads under which this Vote will be accounted for by the Office of the Minister for Health & Children.

	2010 Estimate			2011 Estimate			Change 2011 over 2010 %
	Current €000	Capital €000	Total €000	Current €000	Capital €000	Total €000	
CHILDCARE PAYMENTS							
- <i>EARLY CHILDCARE PAYMENT</i>	4,500	-	4,500	-	-	-	-
CHILDCARE PROGRAMMES							
A. - NATIONAL CHILDCARE INVESTMENT PROGRAMME (a)	75,078	30,000	105,078	76,278	10,000	86,278	-18%
B. - EARLY INTERVENTION PROGRAMME FOR CHILDREN (DORMANT ACCOUNTS FUNDED)	5,340	-	5,340	4,374	-	4,374	-18%
C. - ECCE PRE-SCHOOL YEAR SCHEME	170,000	-	170,000	167,000	-	167,000	-2%
NATIONAL CHILDREN'S STRATEGY (NCS)							
D. - NCS - NATIONAL LONGITUDINAL STUDY AND OTHER PROGRAMMES	24,190	1,600	25,790	26,644	800	27,444	6%
YOUTH AFFAIRS							
E. - GRANT-IN-AID FUND FOR GENERAL EXPENSES OF YOUTH ORGANISATIONS AND OTHER EXPENDITURE IN RELATION TO YOUTH ACTIVITIES (b)	8,000	-	8,000	8,756	-	8,756	9%
F. - GRANT-IN-AID FUND FOR GENERAL EXPENSES OF YOUTH ORGANISATIONS AND OTHER EXPENDITURE IN RELATION TO YOUTH ACTIVITIES (PART FUNDED BY THE NATIONAL LOTTERY)	38,600	-	38,600	35,836	-	35,836	-7%
OTHER SERVICES							
G. - COST IN CONNECTION WITH THE HOLDING OF A CONSTITUTIONAL REFERENDUM ON CHILDREN'S RIGHTS	3,000	-	3,000	3,000	-	3,000	-
<i>Gross Total :-</i>	328,708	31,600	360,308	321,888	10,800	332,688	-8%
<i>Deduct :-</i>							
H. - APPROPRIATIONS-IN-AID	9,040	-	9,040	6,700	-	6,700	-26%
<i>Net Total :-</i>	319,668	31,600	351,268	315,188	10,800	325,988	-7%
				Net Decrease (€000)			25,280