

3 Control of funding for voted public services

- 3.1** The Constitution and legislation set out the framework underpinning the manner in which funds are appropriated for voted public services, and how they are accounted for. Voted expenditure covers the ordinary services of departments and offices (such as income support, public servants' pay and pensions, and grants) and is approved each year by Dáil Éireann.
- 3.2** Through the Appropriation Act 2017, Dáil Éireann approved the provision of a total of €49.7 billion for 42 voted services in 2017. This comprised issues from the Central Fund totalling €46.8 billion, and €2.9 billion of appropriations-in-aid from other receipts collected by the respective departments and offices.¹ The Act was passed by Dáil Éireann on 14 December 2017 — the second-last sitting day of 2017.
- 3.3** This chapter reviews the process employed to implement the annual appropriations. It also considers the risks to the continuity of funding of public services arising from an unexpected or short notice dissolution of Dáil Éireann.

Release of funds from the exchequer

- 3.4** Under article 33 of the Constitution, the Comptroller and Auditor General controls the release of moneys from the Central Fund of the Exchequer which is held at the Central Bank of Ireland. Section 2 of the Comptroller and Auditor General (Amendment) Act 1993 sets out the detailed requirements for the process.
- The Minister for Finance (or a delegated official) applies to the Comptroller and Auditor General for a 'credit' of an amount of money to be released from the Central Fund for a specified purpose and within a specified time period.²
 - When the Comptroller and Auditor General is satisfied that the amount and purpose of the disbursement has been authorised by law or voted by Dáil Éireann, he/she issues a formal notification of a grant of credit to the Central Bank, with a copy being sent to the Minister for Finance. This is, in effect, a credit limit available for drawdown.
 - The Minister instructs the Central Bank to release funds as required, up to the limit specified in the credit approval.

- 3.5** Unless approval of credit is granted by the Comptroller and Auditor General, the Department of Finance cannot instruct the Central Bank to release funds from the Central Fund.

Consideration and approval of expenditure proposals

- 3.6** The legal authority to incur expenditure on the ordinary services of government departments and offices — also referred to as 'voted services' or 'supply services' — involves a two stage process
- Dáil Éireann considers the estimate for each service and passes the relevant financial resolution (voting of expenditure)
 - legislation to give effect to the financial resolutions for each year must be enacted within that year — this is done through the annual Appropriation Act.

¹ Apart from the amount issued from the Central Fund for these voted services, non-voted expenditure of €10.2 billion in 2017 was paid directly from the Fund under specific legislation, for items such as the service of the national debt, EU budget contribution, salaries of the judiciary, etc. This non-voted expenditure also requires the grant of credit by the Comptroller and Auditor General.

² The form of approval in the Act is referred to as a credit — this is the maximum amount which can be issued from the exchequer account at the Central Bank within a specified period of time. The NTMA is also empowered to apply for credits in respect of transactions related to the management of the national debt.

3.7 The key elements of this process are set out in Figure 3.1.

Figure 3.1 Annual appropriations approval process

Month	Approval stage	Impact: amounts which can be released from the Exchequer
October	Budget statement and estimates for the public services for following financial year. ^a	
December	Estimates referred to relevant Dáil Select Committees.	From the following 1 January, the amount is limited to 80% of the lower of the prior year appropriated amounts or the amounts set out in the estimates.
March	Estimates considered by relevant Select Committees.	
April	Votes by Dáil Éireann to give legal effect to estimates.	Limit revised to the current year voted amounts.
During year	Supplementary estimates considered and voted.	Limit adjusted for any voted supplementary estimates when approved by Dáil Éireann.
December	Appropriation Act passed to give statutory effect to the estimates.	No revisions — confirms previous votes.
March	Appropriation accounts prepared by Accounting Officers and submitted to C&AG for audit.	

Source: Public Financial Procedures issued by the Department of Public Expenditure and Reform

Note: a The Estimates for Public Services set out the purpose of the service and the amount to be appropriated thereto.

3.8 In order to ensure that spending on the vote-funded public services can continue from the start of each financial year, the Central Fund (Permanent Provisions) Act 1965 gives the Minister the power to request credits for funds to be issued from the Exchequer once the Appropriation Act has been passed for the preceding financial year. The 1965 Act caps the amounts which can be spent on each service at 80% of the sums appropriated in the preceding year until the Dáil passes the estimates.

3.9 The 80% rule is normally sufficient to maintain the funding of services of a department until the Estimate is voted. Occasionally, an early vote is needed, for example, the Central Statistics Office had an early requirement for additional funds to facilitate the taking of the census in 2016.¹

¹ In April 2016, a motion was passed by Dáil Éireann before the full debate on Estimates in order to allow funding to be allocated to the Central Statistics Office to complete the 2016 census.

3.10 Because the annual appropriation legislation is one of the last pieces of legislation to be enacted each year, two potentially serious difficulties could arise should there be a failure, for whatever reason, to pass the legislation.

- The parliamentary process for approving expenditure for the current financial year would be incomplete, contrary to the provisions in the Constitution.
- The Minister would not be able to request credits for moneys to be released under the 1965 Act to fund public services in the early part of the following financial year.

3.11 The first issue may give rise to some difficulties in relation to the accounting and audit of the sums for a financial year.

3.12 A failure to enact the appropriations legislation by year end — for example, as the result of an unexpected dissolution of Dáil Éireann late in the year — would result in there being no legal mechanism to release funds from the exchequer from the first day of the new financial year. This could impact on the delivery of vote-funded public services. In the passing of the Appropriation Bill 2017, the Minister of State at the Department of Finance stated that

“If the Bill were not enacted before the end of December there would be no authority to spend any voted moneys in 2018 from the start of January until approval of the 2018 Estimates, since this authority for 2018, as contained in the Central Fund (Permanent Provisions) Act 1965, is based on the amounts provided for in the Appropriation Act 2017 itself.”

Approaches in other jurisdictions

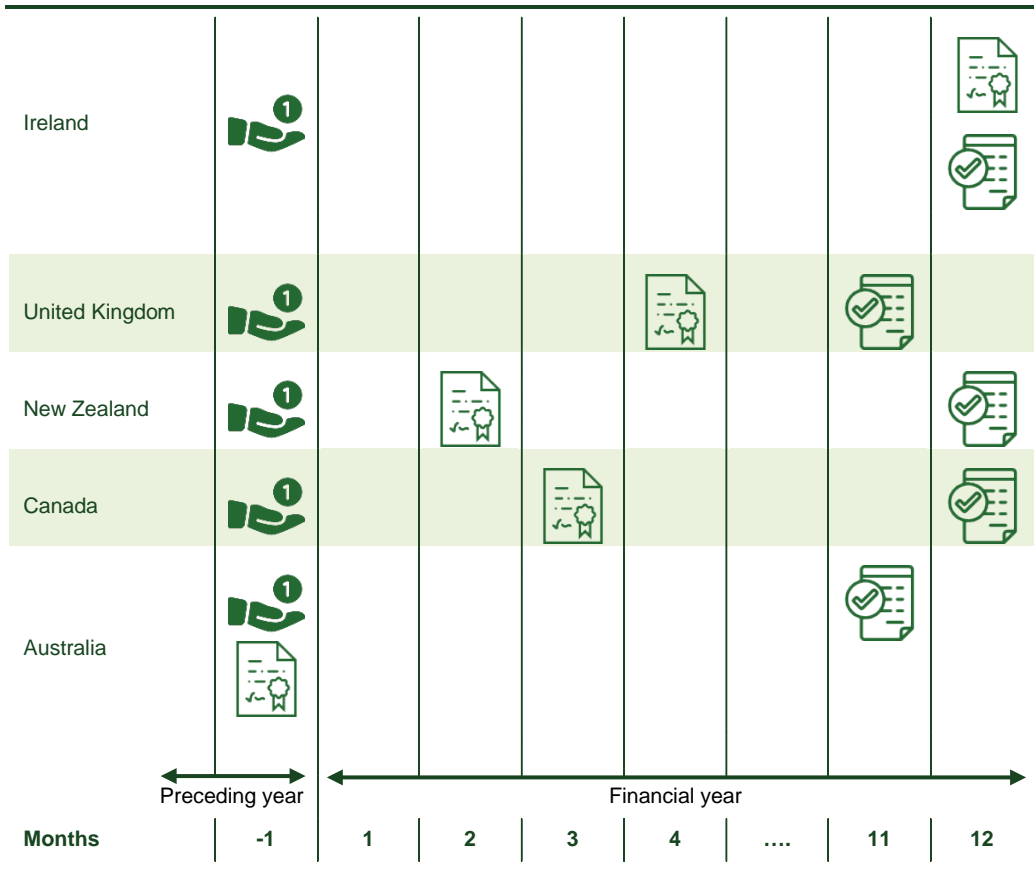
3.13 Other ‘Westminster model’ jurisdictions apply many of the budgetary procedures which are used in Ireland. A common feature in many of the jurisdictions is the distinction between the legislature

- granting supply, whereby it controls the amount and time period when the government can draw down public funds and how unspent funds or excessive expenditures are dealt with, and
- formally appropriating through legislation the specific amounts of public resources assigned for specific purposes.¹

3.14 A comparison of key features of the appropriation process for jurisdictions with the Westminster model is set out in Figure 3.2.

¹ The separate elements of supply and appropriation are recognised in Article 22 of the Constitution dealing with Money Bills.

Figure 3.2 Comparison of the appropriation process in other jurisdictions



Source: United Kingdom (*HM Treasury Supply Estimates: a guidance manual 2011*); New Zealand (*A Guide to Appropriations — The Treasury 2013*); Canada (*Treasury Board — Estimates Publications and Appropriation Acts*); Australia (*Parliament of Australia — the budget and financial legislation*)

- Notes:
- Supply granted for the next financial year. In Ireland, up to 80% of the preceding financial year is granted. In the United Kingdom, up to 45% of the next financial year is granted. In New Zealand and Canada, supply is granted for the first three months of the financial year.
 - Appropriation legislation is passed for the financial year.
 - Legislation for supplementary estimates is passed. In several jurisdictions, legislation for supplementary appropriations can be enacted earlier in the financial year.

3.15 In each jurisdiction, there is a legal mechanism to fund public services for the financial year in advance, either through a specific supply statute or as part of the (prior year) annual appropriation statute. There are also mechanisms to provide for the continued funding of government services if there is an unexpected interruption to the appropriation process. For example, in the UK, a general election can sometimes interrupt the normal cycle for supply approval. Parliamentary authorisation of the estimates provision sought must be made through legislation. If the relevant legislation is not passed before the election, the amounts that had not been duly appropriated would have to be voted again in the next parliamentary session before a legal appropriation could be effected. In Ireland’s case, the Constitution prescribes that the legislation to give effect to the financial resolutions of Dáil Éireann for each year must be enacted within that year.

- 3.16** Several jurisdictions also allow multi-annual limits for expenditure planning. These controls may be exercised by government or by legislation. For example, in Australia, about 25% of government expenditure is authorised through the annual appropriation process, with the remaining 75% authorised by specific statutes. These statutes appropriate funds for a specified purpose such as the financing of a particular project or programme. Such appropriations are often not specific in amount or duration.
- 3.17** The Department of Public Expenditure and Reform has stated that in the context of the constitutional requirement that legislation to give effect to the financial resolutions of Dáil Éireann must be enacted within that year, the Appropriation Bill is scheduled based on the timing of approval, by Dáil Éireann, of supplementary estimates for the year. This ensures that all Estimates voted by Dáil Éireann are reflected in the Appropriation Bill, thereby meeting the constitutional requirement. The Department stated that this constitutional requirement is the key parameter guiding arrangements in respect of Estimates and the Appropriation Bill. Within this parameter, recent reforms to the budgetary process have mitigated certain risks in relation to the 80% limit that applies under the 1965 Act.
- 3.18** The Department stated that it was important to note that the risks would only crystallise in the event of an unexpected dissolution of Dáil Éireann where no appropriate arrangements were made in respect of enacting the Appropriation Bill. The Department stated that given the potential impact of a failure to enact the legislation, it ensures that there is clear communication with the Whip's Office on the timeline for publication of the Appropriation Bill, with all relevant briefing material provided in a timely manner, including for the Business Committee of Dáil Éireann.

Conclusion

- 3.19** In other jurisdictions, the passing of appropriations legislation takes place early in the year after consideration of estimates, with further appropriations legislation at the year end to cover any required supplementary estimates. In Ireland's case, the formal appropriation of funds for supply services is generally taken very late in the year. This results in a risk that, in the event of an unexpected dissolution of Dáil Éireann when agreement cannot be reached on the passing of an Appropriation Bill
- appropriations in the financial year would not be in accordance with the Constitution
 - spending on supply services in the following year could not proceed as provided for in the Central Fund (Permanent Provisions) Act 1965.

