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BUDGET 2018 ANALYSIS

The purpose of The Wheel's analysis of the 2018 Budget, announced 10th October 2017, is to examine its impact on the voluntary and community sector and those whom it serves. The examination first addresses the social impact of the budget and then looks in detail at the public service estimates for 2018, especially those spending lines that fund or most affect voluntary and community organizations. This analysis is derived from the ministerial budget statement by the Minister for Finance, Public Expenditure and Reform, the *Estimates for public services, 2018* and the accompanying *Expenditure allocations 2018-2020*, where additional detail is available.

The 2018 budget marks an important milestone, for it is ten years since the economic and social crisis broke in 2008. I will continue to use this as an anchor year to test the degree to which both social reconstruction in general and the recovery of the voluntary and community sector in particular is in evidence.

The headline figure for government spending for 2018 is €55.5bn, compared to €53.9bn in 2017, an increase of 3%, about the same as the year before. This is the second year in which the figure is above the pre-crisis benchmark 2008 figure of €53.4bn, so we are now 3.9% above the benchmark. The overall strategy of governments has been to reduce government spending from its 2009 peak to a low point of €49.6bn in 2014, followed by the first year of spending recovery, 2015 and we are now 11.9% above the 2014 low point. The financial crisis still continues to cast a long shadow, for the cost of servicing the debt will be €7bn in 2018.

Budget day was also important for the one issue *not* spoken about by government, which was the still uncollected €13bn from Apple, which could have significantly added to what is now called the 'financial space' available.

Social impact of the budget

The first concern of voluntary and community organizations will be the social impact of the budget on their clients. This has been well covered elsewhere in other commentaries, so only an outline need be given here. The decisions in this area are few and simple.

- As was the case last year, a €5 across-the-board increase in weekly social welfare benefits from March. There had been speculation that the increase would apply only to pensioners, which would have isolated the unemployed, the group hardest hit by the economic and social crisis (who lost -22% of their standard of living, according to the Economic and Social Research Institute), but this was not the case. The €5 increase will, this time, include jobseekers under 25;
- No increase in child benefit, maintaining it at €140, but a €2 increase in the child dependant allowance for those on social welfare, which had been

frozen for eight years. This will rise from €29.30 to €31.80 weekly and will benefit those on the lowest incomes.
- Increase in the earning disregard for those entitled to One Parent Family Payment (OPFP) from €110 to €130, also applicable to those on the job seekers' transitional scheme;
- Increase of €10 in the Family Income Supplement (FIS) for families of up to three children. This is a long-standing subsidy to low pay families, which will be renamed the Working Family Payment (WFP);
- New Youth Employment Support scheme, details of which are to be announced and which may replace the former JobBridge scheme;
- Telephone Support Allowance of €2.50 weekly to older people already in receipt of the Living Alone Allowance and Fuel Allowance, effectively replacing the €9.50 a week telephone allowance ended 2014;
- Extension of the weekly Fuel Allowance from 26 weeks to 27 weeks.

A key question will the the relief afforded to those living in poverty. The poverty threshold is €230.761[1]. Pension payments are perhaps the most above the poverty line (they will now be €243.30 for the contributory and €232 for the non-contributory). Most of the others are well below the poverty line, for example, Supplementary Welfare Allowance (€191, now €196, or 15% below the poverty line); Job Seeker Benefit and Allowance and related benefits (€193, now €198, or 14% below the line). The OPFP, €229.80, is just below the line. The proportion living below the poverty line now is 16.9%, still significantly above the 2010 level of 14.7%. Child benefit, the state's key instrument in tackling child poverty is still 15% below its 2009 level of €166 (table). Ireland once again stands out, compared to the rest of Europe in its idiosyncratic responses to the elderly and fuel poverty. Older people continue to be supported by a variety of schemes, whereas in the other countries pension payments and public services are at a higher level, but unaccompanied by special schemes; while allowances for inefficient and expensive fuels there have given way elsewhere to more efficient heating systems and insulated homes.

There is some indication of the rebuilding of the public service, reduced by 9% from 2008-13, with 1,300 additional teaching posts and 800 more Gardai and a further 500 civilian staff. These figures, though, must be set against total staff losses of 24,700.

Spending

The other half of the budget is the estimates, outlining where the government will spend revenue over the next year. The estimates published alongside the budget provide broad headings of spending and for the full effect of changes, it will as always be necessary to await the publication of the detailed, revised estimates next spring. Here, we look at spending patterns to see their effect on the social sphere, specifically where voluntary and community organizations work. In many critical areas, the estimates do not give sufficient detail to

[1] This is defined as 60% of median income by the Central Statistics Office/European Union Eurostat Survey on Income and Living Conditions (EU-SILC), set at €12,000 annually (divided by 52 for weekly figure, €230.76).

enable us to make a meaningful assessment of the likely results for voluntary and community organizations. Some broad figures may hint at the outcomes.

- Health spending, the most important line for voluntary and community organizations, is up from €14.1bn to €14.8bn, +5%. The HSE allocation, from which this is drawn, is up from €9.7bn to €10.1bn, also +5%, which should be positive for voluntary and community organizations if this is applied across the board, which is normally the case. The additional spending is to be allocated to acute services, waiting lists, discharging older people, mental health and primary care, but with no specific mention of voluntary and community organizations;
- For organizations concerned with children, the budget for the Department of Children and Youth Affairs is critical and this is up from €1.28bn to€1.36bn, also +5%, divided between child and family support and sectoral programmes. Tusla's budget is increased by €40m to €754m, with an additional €20m for childcare services, principally to extend the Early Childhood Care and Education (ECCE) scheme from 61 to 76 weeks; and a further €1.5m for youth programmes;
- The Human Rights & Equality Commission, which is important for NGOs working in the human rights and equality field and has a small grants scheme for them, rises from €6.52m to €6.58m, up +1%;
- The 'Equal and inclusive society' heading of the Department of Justice is up 18% to €26.3m, the purpose being to host Syrian refugees and to implement the Decision Support Service under the Assisted Decision Making (Capacity) Act, 2015;
- There is an 8% increase in the National Educational Psychological Service, from €18.3m to €19.8m, which will hire ten more psychologists and an unstated number of speech and language therapists;
- Funding for the Community Employment Programme, which is largely delivered by voluntary and community organizations, falls slightly from
    - €353m to €350m.
- The budget for development assistance is up 3% from €485m to €498m. This covers both governmental and non-governmental assistance - we do not know the proportions - but indicates the trend, which is for a slight increase.

- One of the most difficult lines to interpret is housing, due to both limited information and the manner in which it is disaggregated or not. This is important for voluntary organizations concerned with social housing and homelessness. The overall housing budget is up, for a second year, another substantial 50%, from €1.2bn to €1.831bn. The minister announced that:
- The Housing Assistance Payment would be increased by €149m with a view to increasing the number of beneficiaries from 15,000 to 17,000, the new total being €301m;
- '3,800 new social houses will be built next year by the local authorities and Approved Housing Bodies (AHBs)' but he did not give the balance between the two.
- Funding for homeless services will increase by €18m to €116m (+18%).

The severity of the housing and homelessness crisis is well accepted within government, but the key question is the direction of the funding and whether it will successfully address the housing and homelessness crisis. There are three problem areas:

- First, the increased allocation to homeless services continues the reversal of the historic decision that funding for emergency services should be minimized, so that homeless people should be quickly moved on to housing. It accepts, reluctantly, that such onward housing will not be available and that emergency accommodation will consider to silt.
- Second, we know that the key to resolving the problem of homelessness and the shortage of housing for those on low incomes is to provide local authority housing, which generally offers secure, affordable accommodation of reasonable quality in suitable locations. We know that local authority housing in 2015 fell to its lowest point since the second world war, with 75 completions, since recovering to 247 in 2016, accompanied by about 401 and 331 completions by voluntary cooperative housing. The ministerial commitment that the combined total of 578 in
- 2016 will rise to 3,800 in 2018 is ambitious, but has to be scaled against a housing waiting list of 19,752 in Dublin city alone and over 91,600 nationally;
- Third, the balance of housing funding continues to be for the private sector, with €115m for social home leasing and rental from private landlords, €301m for HAP, €134m for the Rental Accommodation Scheme,
- €179m for the Rent Supplement, €750m for the Home Building Finance Ireland housing finance vehicle, €50m for Help-to-buy and €301m for the Local Infrastructure Housing Activation Fund.

Turning to social protection, we have more details of social welfare spending than many others and these give us a more detailed picture of government priorities in social policy and here information is available on selected headings.

Table: Changes in social welfare-related budgets

Heading	2017 to 2018	Change
Jobseeker Allowance	€2.1bn to €1.8bn	-14%
One Parent Family Payment	€501m unchanged	0
Supplementary Welfare Allowance	€85m to €103m	+21%
Exceptional Needs	€31.5m to €36.4m	+15.5%
Rural Social Scheme	€47.6m to €51m	+7%
Tús	€124m to €100m	-19%
Jobs Initiative	€19.2m to €18.5m	-3.6%
Back to Education Allowance	€105m to €72.9m	-30.5%
Back to Work Family Dividend	€14.4m to €20.9m	+45%
Job Plus	€20.4m to €30m	+47%
Family Income Supplement	€422m to €431m	+2%
Back to school clothing footwear	€47.5m to €49.5m	+4%
School meals	€47.5m to €54m	+13.6%
Rent supplement	€252m to €179m	-29%
Fuel allowance	€146m to €136m	-0.7%

As may be seen, the principal increases are in the Back to Work Family Dividend and Job Plus (+47%, 45%). The increase in Supplementary Welfare Allowance (SWA) and Exceptional Needs Payments (ENPs), the state's principal safety net schemes, is an interesting and welcome development. In the period following the economic and social crisis in 2008, as poverty began to rise, one might have expected the state to provide more funding for safety net schemes. Instead, over 2009 to 2014, SWA spending fell from €233m to €81m; and ENP spending from €82m to €30m. At last, this trend appears to have now reversed, which is important for those in the most extreme situations of poverty.

The situation concerning dedicated funding for voluntary organizations is problematical. The *Estimates* give a figure of €130m, up from €123m, in the new Department of Rural and Community Development, but the footnote then describes the heading as 'illustrative' and intended to cover the transfer of the Community Services Programme from the Department of Social Protection, but that accounts for only €45m of this total. The more detailed *Expenditure allocations 2018-2020* give us the limited information that there will be an additional €5m for the LEADER rural development programme, €3.7m for rural walks, recreation and the CLAR rural development programme, €3m for town and village regeneration, €2.9m for the Peace programme and €1m more for the Social Inclusion Community Activation Programme (SICAP). We are left in the unsatisfactory situation of having to wait until the *Revised estimates* to get a better picture of state spending on voluntary organizations.

How does funding for voluntary and community organizations compare to the period before the economic and social crisis? We know that over 2008-2015 funding for voluntary and community organizations fell in a band of -35% to -45% and that 31% of its workforce was lost. Since 2015, there has been a recovery in funding lines for voluntary and community organizations but the question is whether they have yet returned to their pre-crisis levels. Because the level of detail in the *Estimates* is quite limited and we must await publication of the full *Revised estimates* in 2018, we must rely on 2017 figures until such time as the detailed 2018 figures are available next spring.

Table: main spending lines for voluntary and community organizations, 2008-2017

	2008	2017	Change
Voluntary social housing	192m	181m	-5.7%
Youth organizations	90.5m	60.4m	-33.3%
Arts Council	81.6m	65.2m	-20 %
Community development (SICAP	84.7m	0 42.3m)	-100%
Sports Council	57.6m	52.7m	-8.5%
Community Services Programme	55m	46.1m	-16%
FRCs and counselling*	36m	15.5m	-57%
Supports V&C organizations	18.6m	12.7m	-31.7%
Probation services	16.7m	16.7m -	0
OPMI (migrants)	6.7m	4.9m	-26.9%
Cosc (violence against women)	3.1m	2.6m	-16.1%
Victims of crime	1.1m	1.7m	+55%
Women's organizations	0.585m	0.48m	-18%
Environmental orgs.	8.2m (2011)	5.5m (2015)	-32%
Overall current spending	*€53.4bn*	*€53.9bn*	*+0.9%*

**2016 figure includes FRC counselling grants only*

State spending fell to a low point of €49.6bn in 2014 and had recovered to €51.9bn in 2016, but was still less than 2008. Spending in 2017 exceeded the pre-crisis level for the first time (€53.9bn). Here, for the period for which we have figures, state spending was up 0.9% on 2008. It is evident, though, that most voluntary and community sector funding is still far below the +0.9% mark, being exceeded only by victims of crime funding, with Probation Services funding even. Elsewhere, although funding for voluntary and community organizations began to recover in 2016, it is still running in a band of from -8.5% to -57% below pre-crisis levels. Although there may be some improvement, the current rate of recovery may not restore voluntary and community organizations to 2008 levels till the 2020s.

Future

Finally, the budget gives us some indications of future spending and in particular the shape and nature of any 'social' recovery. These are divided by ministerial group - broadly speaking by government department - but give an idea of the broad future priorities of government, as follows.

	2017	2018	2019	2020
Children and Youth	1.285bn	1.356bn	1.356bn	1.356bn
Education and Skills	8.84bn	9.3bn	9.4bn	9.4bn
Housing	1.1bn	1.3bn	1.3bn	1.3bn
+Rebuilding Ireland		325m	400m	527m
Health	14.1bn	14.9bn	14.9bn	15bn
Social Protection	19.8bn	20bn	20.2bn	20.4bn
Total	*53.9bn*	*55.5bn*	*57bn*	*59bn*

This shows static budgets for children and youth; housing; slightly rising budgets for education & skills, social protection, more so for health. Within the housing budget, it is anticipated that spending will increase in those areas related to the housing and homeless crisis. Although the direction of spending is more positive than in previous, it would fall short of the term 'social reconstruction'.

Summary

In summary, the principal features of this budget are:

- A 3% increase in spending, bringing us to 3.9% above the pre-crisis level and 11.9% above the 2014 low point;
- Spending is still inhibited by the cost of debt servicing and the non-collection of Apple debt;
- The principal welfare feature of the budget is a 5% cross-the-board weekly welfare increase, with a small number of other changes. The increases still leave most social welfare claimants, older people being the principal exception, 14-15% below the poverty line;
- In those spending areas which most affect voluntary and community organizations, health budgets are up 5%, as are those of the Department of Children and Youth Affairs. There is an increase of 18% on spending on homeless services.
- Spending in the area of housing and homelessness is highly problematical, granted the low level of local authority construction and the continued streaming of housing funding into the private sector;
- Although funding for voluntary and community organizations bottomed out in 2015, their funding is still in a band of between -8.5% and -57% lower than in 2008. Restoration to pre-crisis levels may have to await the next decade;
- A modest increase is expected in spending lines over 2017 to 2020, but it falls short of what might be described as social reconstruction.