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# Wheel analysis 2023 budget

by Brian Harvey

The purpose of The Wheel analysis of the 2023 budget, announced 27th September 2022, is to examine its impact on Non Governmental Organizations (NGOs), the voluntary and community sector and those whom they serve.<sup>1</sup> This examination first addresses the social impact of the budget and then, through analysis of the estimates, those spending lines that fund or most affect voluntary and community organizations. It is not an all-budget review and for example does not address the tax changes. Readers are recommended the comprehensive review published by Social Justice Ireland (SJI). Full details, the *Revised Estimates*, will not be published for some time yet. To complicate things further, some budget day announcements are not yet reflected or enumerated in the *Expenditure* or *Allocations* tables. The 2023 budget is set in the context of three great shocks in less than 15 years:

- The first, endogenous shock, 2008, austerity, with the sharp reduction in government spending that disproportionately affected the funding of voluntary and community organizations, -35% to -45%, with a 31% workforce reduction. The austerity crisis still leaves us with two legacies: a substantial level of national debt, €225bn in 2023, or €44,000 a head, a consequence of the bank bail-out; and salaries for many workers in the NGO sector still below 2008 levels;<sup>2</sup>
- The second, exogenous shock, the Covid pandemic, 2020-2, which greatly reduced the fund-raising ability of voluntary and community organizations, obliged them to reorganize and extend their services and means of work, with a compensatory fund provided by government small compared to the generality of spending to sustain the economy and labour market (€55m over 2020-1). Covid also leaves a further financial legacy, requiring an additional €757m in 2023;
- The third, also exogenous shock, 2022, the war against Russia, which led to the cutting off of energy supplies and subsequent cost-of-energy and inflationary cost-of-living crises, greatly affecting voluntary and community organizations and those they help. Looking at this tragedy financially, the first direct cost of the war to Ireland was that of humanitarian assistance to 50,000 Ukrainian refugees, so far costed at €400m, but with an end-of-year figure estimated at €1bn and a projected cost of €2bn in 2023.

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<sup>1</sup> The terms Non Governmental Organizations (NGOs) and the voluntary and community sector will be used interchangeably unless otherwise stated. My thanks for information provided in the housing and homeless fields go to Eoin O Broin TD and Eoin O Sullivan, Dublin University (Trinity College); in the case of Family Resource Centres (>below) to Dr Fergal Landy, Chief Executive Officer, National Forum of FRCs.

<sup>2</sup> Forsa: *A new systematic funding model - the voluntary and community sector in the 2020s*, Dublin, author, 2021. The figure is that of the National Debt in August 2022.

The indirect costs are more difficult to calculate. Inflation returned to the historic levels of the 1970s and 1980s, with its pernicious effect of eroding living standards in general and operating budgets of NGOs in particular.

This provides a challenging environment for NGOs in general and those members of The Wheel in particular. This analysis will continue to use 2008 as the anchor year and reference point. The benchmark for government funding is €53.4bn in 2008, which rose to €71.6bn in 2022 and is set at €74.3bn in 2023, up 6%.<sup>3</sup> The recovery since 2008 is 39.1%.

## Social impact of the budget

The initial concern of voluntary and community organizations will be the social impact of the budget on those they serve. The government's long-flagged intention was to provide (1) *general* support to counter inflation and (2) *specific* support to enable people to respond to fuel inflation. Some of the general increases might have taken place in any case, but they have a particular salience this year. The headline increase was €12 in social welfare payments, with an increase in the qualified child allowance of €2.

These are set against predicted end-of-year inflation of 8.5% this year and 7% in 2023. The Department of Public Expenditure has estimated that the impact of all the budget changes as 1.6% in the fourth quarter of 2022, against annual inflation of 8.5%, running from 0.6% for the most affluent decile to 5.1% for the least; and for 2023, 3.0% against inflation of 7%, ranging from 1.9% for the most affluent decile to 6% for the lowest-income decile. Social Justice Ireland considers that this response is both temporary and inadequate.

In numerical terms, the poverty line is €15,158 per annum or €290.49 per week, so this is a key reference point for welfare rates.<sup>4</sup> Put crudely, social welfare rates above this figure put people above the poverty line, while welfare rates below the line define people as being 'in poverty'. In 2021, 11.6% of people were below the poverty line, 581,000 people. Positively, there has been a downward trend, from the post-austerity high of 16.7% in 2014. The current impact, though, is uneven, most affecting people with disabilities or unable to work due to health problems (39.1% below the poverty line); people unemployed (23.2%); lone parents (22.8%) and renters (19.8%). Across the age cycle, poverty is marginally higher for children than adults (13.6%). While there are limits to the ability of the budget to target particular groups, some welfare payments specifically do so (e.g. disability payments, unemployment benefit or allowance, lone parent payments) and they are potential levers to lift such groups above the poverty line. Examples of such levers are the 1970s, when the government

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<sup>3</sup> 'Core current expenditure, p6 *Expenditure*, p9 *Estimates*.

<sup>4</sup> European Anti-Poverty Network (Ireland): *Briefing on 2021 income and poverty data*. Dublin, author, July 2022.

moved the pension level ahead, to take older people out of poverty; and the early 2000s, when it used child benefit to take children out of poverty. Traditionally, it was the practice of the budget to provide generic, across-the-board *percentage* increases, which leave the ‘balance of poverty’ among the different groups unaffected. *Numerical* increases, though, are progressive in that they confer a slightly higher proportionate advantage for those on lower incomes. If we look at some of the new 2023 weekly rates, these are, in descending order:

Contributory pension over 80	€275.30
Contributory pension under 80	€265.30
Non-contributory pension over 80	€264
Non-contributory pension under 80	€254
Disablement benefit	€251
Invalidity pension	€225.60
Jobseeker Benefit	€220
One Parent Family Payment	€220
Jobseeker Allowance	€220
Under 25	€129.50
Supplementary Welfare Allowance	€218

Nevertheless, with the poverty line at €290.49, these figures leave *all* welfare rates below the poverty line, from €15 below at the top of the table (5.2% below) to €72 (25% below).

Child benefit, once the state’s key instrument in tackling child poverty, is re-confirmed as permanently flatlined at €140, some 15% below its 2009 level of €166, indicating that the state long ago abandoned the use of child benefit as a significant tool to reduce child poverty. That having been said, the once-off cost-of-living double week for child benefit in November is equivalent to an additional 8.3% on child benefit (>below). There is a direct measure in the form of free school books at primary level from September 2023, costing €42m. Time will tell if that is the beginning of an attack on the multiple ‘hidden costs’ of children, to which Barnardos and other organizations have drawn repeated attention, such as clothes, ‘voluntary’ school contributions, outings, food etc. There are also indirect measures that will benefit children: 370 more primary teachers, 1,194 Special Needs Assistants and 686 additional needs teachers.

Next, the cost-of-living and energy crisis measures. Granted their close connections, they are examined together. These are:

- Double week welfare payment in October (in addition to Christmas payment)
- Double week child benefit (>above)
- Once-off payment of €500 to carers and some disability benefits
- Three electricity credits, €200 each (total €600)
- Increased means threshold for fuel allowance for over 70s up to €500 single and €1,000 couple, at the cost of €53.5m

- €400 fuel allowance lump sum in November
- For the living alone allowance, a €200 lump sum in November
- €500 lump sum working family payment
- Double week for SUSI grantees, €1,000 reduction in student fees and a third for apprentices, €1,000 toward postgrad tuition grant
- Continued 20% fare discount on public transport.
- €63 off childcare costs per child under the National Childcare Scheme, providing an effective saving of 25%.

Before the war and the current price shock, 29.4% of households were already in fuel poverty, a function of a variety of elements, such as incomes, temperature, insulation and heating systems, but a consequence of government failure to heed the advice of environmental NGOs dating to the 1970s to insulate, lift building standards and introduce alternative energy.<sup>5</sup> The working definition for energy poverty is 'a household needing to spend more than 10% of its income on fuel to maintain an adequate level of warmth'. The core problem here is that the government approach is short-term, with the fuel allowance generally applied to the most inefficient means of heating in the least insulated homes at a time when more efficient means of energy production and heat conservation have not, despite continued new investment, yet been deployed on a sufficient scale.<sup>6</sup> Moreover, it is an income, *household*-based system, rather than a thermal, *house*-based system.

## Spending

The other half of the budget is the estimates, outlining what the government will spend over the next year. They 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 late this year or early next. Here, we look at spending patterns to see their effect on the social sphere, specifically where voluntary and community organizations are most active. In many critical areas, the estimates do not give sufficient detail to enable us to make a meaningful assessment of the likely outcomes for voluntary and community organizations, but some broad figures may hint at the impact.

- Granted that the largest funder of voluntary organizations is in the health field, its allocation is the first point of interest. This is €22.97bn, marginally above €21.756bn in 2022, with the Health Service Executive (HSE) budget is up 6% from €13.97m to €14.78m. Traditionally NGOs have shared in across-the-board increases, even if small and there is no reason why they should not continue to do so. The HSE allocation for

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<sup>5</sup> Barrett, M., N. Farrell and B. Roantree: *Energy poverty and deprivation in Ireland*, Dublin, ESRI Research Series §144, 2022.

<sup>6</sup> Scott, Susan: *Social welfare fuel allowances ... to heat the sky?* Dublin, Economic and Social Research Institute, working paper §74, 1996.

voluntary organizations in 2021, the last year for which we have full annual report information available, was €6.143bn (counter-trend, almost twice the €3.9bn in 2008). Note that this figure includes *all* outside agencies including large hospitals and institutional services which in most other European countries are provided directly by the state, but it does suggest that voluntary organizations shared in the general increase in health funding. For the 2023 budget, the government indicated new funding of €18m for older people's services, €29m for new disability services and an increase of €14m for mental health, but the proportion going to voluntary organizations was not announced. There are no proposals to address the long-standing pay and conditions issues for those working in §39 voluntary organizations.

- The housing programme is €3.66bn, compared to €3.64bn in 2022, little changed. The critical question though is the level of investment in local authority housing, the mechanism most likely to substantially reduce homelessness and the shortage of low-income housing, the aspect that ultimately most impacts voluntary and community organizations. In 2021, local authority housing construction was 1,998 homes, down on 2,230 the previous year, in turn down 71% on 1980s levels (7,002 in 1984). It is only 9% of the year's total construction, 20,570. Voluntary organizations, or Approved Housing Bodies (AHBs), actually built more, 2,802, for which €150.5m was allocated in 2022, small compared to the overall resources. The address of the Minister for Finance focussed on help-to-buy, rental tax credits, and pre-letting expenses. Overall, there is no change in the direction of housing policy, investment being focussed on rental support, acquisitions, leasing, and assisted purchase, with 8,800 new Housing Assistance Payments and 800 Rental Accommodation Scheme payments. As a result, we may expect that pressure on voluntary organizations working in the housing and homelessness field to increase.
- Funding for homeless services is €215m, compared to €194m in 2022, up 10.8%. Although voluntary organizations are most associated with these services in the public mind, most goes to commercial providers, 65.8%.
- There is an allocation of €20m for Traveller accommodation in 2023, up 16% on €18m in 2022, but 50% below its €40m level in 2008. The past year saw continued reports of the squalid conditions of Traveller accommodation and an alarming level of Traveller homelessness.
- The budget for development assistance ('poverty and hunger reduction') is €703.9m, up substantially 16% on €603.9m in 2022, including €75m for Ukraine and €30m for Horn of Africa assistance. This covers both governmental and non-governmental assistance - but we are not given proportions.

- The budget for 'rural and community development' is €346.45m in 2023, up 7% on €325.29m in 2022. This a global figure of multiple elements. For 2023, the government will provide an additional €500,000 for the Clár programme of rural development, €3.5m for the Community Services Programme 'under a new funding model'; €2.2n more for SICAP and 'similar type supports'; €1m for volunteering; €1.4m for Public Participation Networks; and €11m for community supports for Ukrainian refugees in Ireland.
- On the budget day, there was a miscellany of other announcements: €8m for sports; and €9m more for services addressing Domestic, Sexual and Gender Based Violence, which may benefit voluntary organizations. The Minister for Public Expenditure and Reform announced that he would allocate €110m to a range of health-funded bodies including nursing homes, hospices and §39 organisations; and €60m to 'ease the pressure' of energy costs for arts, sports, Gaeltacht and voluntary and community organizations, but to be taken from the 2022 budget. The framework would be put in place over the next few weeks, so the criteria will be eagerly awaited. It is an opportunity for voluntary and community organizations generally to state their priorities.

In summary:

- The health services continue to be the largest funder of voluntary organizations. They were the least affected by the austerity period and continue their gradual upward growth in funding, around 6%;
- The continued policy of emphasis on market support and low, declining rate of local authority construction forecasts increased housing stress which will impact on voluntary and community organizations. This is confirmed by the need to increase support for emergency homeless services - although two-thirds of them are commercial - but not a long-term solution. The most egregious form of housing deprivation, funding for Traveller housing, is still only 50% of its 2008 level.
- There is a miscellany of additional funding, generally small, for voluntary and community organizations, of which an end-of-year distribution of €60m is the most notable.

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

**Table 1: Changes in social welfare-related budgets**

Heading	2022	2023	Change
Supplementary Welfare Allowance (SWA)	€123.7m	€112.42m	-9.1%
SWA Exceptional Needs Payments (ENPs)	€45.75m	€50.01m	+9.3%
Community Employment (CE)	€375.4m	€344.9m	-8.1%
Rural Social Scheme (RSS)	€51.9m	€51.282m	-1.2%
Tús	€112.56m	€94.33m	-16.2%
Jobs Initiative (JI)	€11.82m	€11.54m	-2.4%
Back To Education Allowance (BTEA)	€105.4m	€49.08m	-53.4%
Back to school clothing footwear	€58.2m	€57.9m	-0.5%
School meals	€68.1m	€91.6m	+34.5%

By way of year-to-year reminder, one must be careful in interpreting these figures and not over-read them, for changes from year to year may reflect the changing nature of demand rather than a change in policy or resources.

The most significant are the first two - and arguably one of the most overlooked aspects of our social welfare system - namely the 'safety net' system against deprivation. During the austerity period, as poverty rose, instead of spending *more* on poverty relief, the government adopted an anti-cyclical approach and spent *less*: Supplementary Welfare Allowance spending fell from €233m to €81m; while Exceptional Needs Payments (ENPs) spending fell from €82m to €30m (2009-14).

Now, at €112.42m, SWA spending is still less than half (52%) its 2009 level of €233m. Although ENPs are up, €50m, they are still only 61% of their pre-crisis level of €82m, which is surprising, granted the predicted surge in demand likely to arise from the cost-of-living and energy crises.

If we look at the other winners and losers in the table, the big winner is school meals, up 34.5%, likely a reflection of the growth of food poverty. The big loser is Back To School Education Allowance (-53.4). Employment schemes are down: Tús, 16.2%; Community Employment, important for voluntary and community organizations, -8.1%; Jobs Initiative, -2.4%.

Ireland has been vocal on human rights abroad, for example at the United Nations. At home, the Irish Human Rights and Equality Commission (IHREC) is the key body. Funding in 2023 will be €7.9m in 2023, finally after 14 years returning to its 2008 level (the combined Irish Human Rights Commission and Equality Authority). By comparison, the funding of its counterparts in Northern Ireland is less, £7.8m, or €9m, with less than half the population (Ireland, 5.1m; Northern Ireland, 1.9m).<sup>7</sup>

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<sup>7</sup> Funding for the Equality Commission of Northern Ireland is £6.165m, the Northern Ireland Human Rights Commission £1.635m, total £7.8m, converted at @1.1539 = €9m.

The key question of interest to voluntary and community organizations is the degree to which the economic recovery announced by the government is reflected in their funding. The figures at the top recalled the initial fall in funding of the austerity period. From 2015, there was a recovery in funding lines for voluntary and community organizations but previous post-budget analysis showed that many had still not returned to their 2008 levels. The following table tests the degree to which funding recovers.

**Table 2: main spending lines for voluntary and community organizations, 2008-2022 €**

	<u>2008</u>	<u>2022</u>	<u>Change</u>
Vol. social housing CAS, CLSS	61.9m	150.5m	+143%
Sports Council/Sports Ireland	57.6m	105.81m	+83.7%
Arts Council	81.6m	130.046m	+59.3%
Health	3.9bn	6.143bn*	+57.5%
Probation services	16.7m	17.532m	+5%
Family Resource Centres	18.8m	20.3m*	+8%
Women's organizations	0.585m	0.611m	+4.4%
OPMI now refugee migrant integration	6.7m	9.128m	+16%
Supports V&C organizations	18.6m	18.34m	-1.4%
Community Services Programme	55m	48.89m	-11.1%
Irish emigrant NGOs abroad	15m	12.595m	-16%
Youth organizations	90.5m	73.289m	-19%
Local, community development/SICAP	<u>81.1m</u>	<u>51.066m</u>	<u>-37%</u>
Overall current spending	€53.4bn	71.6bn	+34%

Notes: \*2021

Granted that overall government spending will in 2023 be €74.3m, 39.1% above the pre-crisis level, we should expect that funding for voluntary and community organizations to be about a third above 2008. We can identify three classes: winners; those who have recovered; and the losers.

Some gain: it is possible to see funding for voluntary social housing more than doubled (+143%), likely a reflection of the housing crisis; health funding increased by +57.5%, with the caution that includes large institutional providers which would be in the state sector in other European countries. Other winners are sports, +83.7% above their 2008 level and the arts, 59.3% above.

Those programmes which have recovered are:

- Probation Services, 5% above 2008;
- Family Resource Centres, 8% above;<sup>8</sup>
- Women's organizations, 4.4% above; and
- Migrant integration, +16% above.

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<sup>8</sup> Headline figure, which includes National Forum of FRCs, garda vetting and dormant accounts. Further information from: [www.familyresource.ie](http://www.familyresource.ie)



The losers, though, which have not recovered:

- Voluntary and community organizations, still -1.4% less, static;
- The community services programme for social economy development in disadvantaged communities, -11.1% less;
- Irish voluntary organizations abroad, -16% less;
- Youth organizations, -19% less;
- Finally, the flagship local development programme, vital for community development in disadvantaged areas, still -37% below its 2008 level. Its 2023 budget, up €2.2m to €53.266, will still place it -34% below 2008.

Such funding is, arguably, a proxy for the value placed on it by the authorities. Using this metric, it is evident that of the activities most valued by government are housing, arts, health and sports. Those which have been re-valued to their 2008 level are probation services, Family Resource Centres, women's organizations and migrant organizations. Those least valued by government are local development, support for voluntary organizations themselves, youth organizations and the social economy.

Two additional funds are often cited as potential funding lines for voluntary and community organizations: the National Lottery (€452.968m) and dormant accounts (€55.47m). There is a broad public perception, not least among voluntary and community organizations themselves, that both are allocated to 'good causes', charities and voluntary organizations. This is indeed the case in Northern Ireland where such funding is allocated to named voluntary and community organizations by an independent board. Here, they are considered as supplementary, additional resources for those headings not deemed suitable for funding in the main national budget. Table 3 details lottery allocations in 2022.

**Table 3: Lottery allocations, 2022**

Arts Council	€130m
Irish Language Support Schemes	€9.95m
Sports bodies	€34.535m
Sport Ireland	€104.81m
Communal facilities in housing	€0.5m
Private housing grants	€65m
Heritage Council	€12.1m
Health services	€4.513m
Youth organizations	€73.189m
Volunteering	€5.507m
Seniors alert	€2.3m
Voluntary and community organizations	€6.721m
Supporting local and regional development	€1.207m
Vincent de Paul, Protestant Aid	<u>€1.59m</u>
Total	€452.968m

In some cases, the lottery allocation covers the entire budget line (e.g. Arts Council, youth), in others only a part (e.g. support for voluntary and community organizations). According to the National Lottery, its 'primary aim is to raise funding for good causes, helping make a difference to communities, projects and individuals in the areas of youth, sports, recreation, amenities, health, welfare, arts, culture, national heritage and the Irish language'. The final beneficiaries are not identified in the estimates, although in some cases it may be possible to identify them through other sources. In some cases, though, we are given little clue (e.g. 'health services'. European Union accounting and auditing practice uses the term 'final beneficiary' to identify who benefits from any given funding, but the system used here can be, at its kindest, described as opaque and of little help in determining what funding finds its ways to voluntary and community organizations. Finally, it is difficult to see how 'private housing grants' fall within the term 'good causes' and there is no obvious way to identify these final beneficiaries. Although questions have been raised about lottery funding since its inception, lack of concern as to the identification of final beneficiaries is a striking feature of our political culture and media.

Turning next to dormant accounts, these are not likewise formally part of the budget, but like the lottery they supplement national government spending and are a potential source of NGO funding. Dormant accounts are intended for the personal and social development of people who are economically or socially disadvantaged; the educational development of people who are educationally disadvantaged; and people with a disability. The 2022 *Estimates* list Dormant Accounts as *contributing to* (in part or whole) 'rural and community development', €2.673m; civil defence (€0.2m); Traveller accommodation (€24.5m); homeless accommodation (€193.85m); and sport (€2m). Unlike the lottery, dormant accounts are allocated according to a published annual plan and also unlike the lottery, an annual report is issued on the allocations, published by the Department of Rural and Community Development (€51.82m in 2021, the last year for which outcomes are available), which raises the issue as to why such good practice cannot be done in the case of the lottery. The 2022 plan listed spending of €55.47m under 47 headings, allocated by ten government departments. The same problem of identifying the final beneficiary re-occurs. Some is 'government funding' e.g. civil defence, Oberstown, public libraries; some is for voluntary organizations (e.g. veteran associations, social cohesion measures, Foróige); and in others it is not at all clear (e.g. community safety). They retain the feature of being mainly top-down supplemental funds distributed within departmental priorities rather than being self-standing, independently applied for, allocated and accounted for funds.

## Summary

In summary, the principal features of this budget are:

- The budget is set in the context of the three great shocks to the country as a whole and the voluntary and community sector in particular: austerity, covid and the war against Russia, leading to the highest inflation since the 1980s, 8.5% this year and 7% predicted for next year, with dramatic increases in energy costs;
- Government spending considers its gradual upward path, now €74.3bn, 39.1% above the pre-financial crisis level;
- The dominating features of the budget are general measures to address the cost-of-living crisis (€12 across-the-board social welfare payment) and specific measures to address the energy crisis. Cost-of-living and energy-related payments will provide an average 1.6% protection against inflation this year and 3% next.
- Ireland has a poverty line of €290.49 weekly. There was a general increase in payments of €12, given a slight proportionate advantage to the lower payments, but not addressing the different groups in the most poverty. All welfare payments are below the poverty line, from 5.2% below to 25% below. Child benefit, the principal instrument to combat child poverty, remains flatlined at 15% below its 2009 level. The unchanged direction of travel in housing policy, with a reduced level of local authority construction, is a predictor of increasing housing stress which will in turn impact on voluntary and community organizations. Funding for Traveller accommodation is still 50% below 2008.
- The two safety net schemes for those most at risk of hardship, Supplementary Welfare Allowance and Exceptional Needs Payments, are still far below pre-crisis level.
- If we look at the main spending lines for voluntary and community organizations over from 2008 to 2022, there are winners, the recovered and losers:
  - Winners: health, social housing, health, sports, arts.
  - Recovered: probation services, FRCs, women, migrant integration.
  - Losers: local development, youth, emigrants, social economy, voluntary organization support.
  - Funding for the Irish Human Rights and Equality Commission has finally returned to its 2008 level of €79m, but still compares poorly to Northern Ireland, which is more for less than half the population.
- A miscellany of additional funds for voluntary and community organizations was announced in the €500,000 to €11m range, with the promise of a special 2022 end-of-year allocation of €60m to ease energy costs.
- Although there is a perception among many people, including even those in the non-governmental sector, that voluntary and community organizations benefit from 'good causes' €452m lottery funding, one of the biggest headings goes to private housing grants (€65m). €55.47m Dormant grants, directed to addressing disadvantage and disability are spread out over 47 headings over ten government departments, some

going on government spending, some to NGOs and others unclear. Their supplementary, top-up, 'left-over money' function confirms the relatively marginal role and priority of voluntary and community organizations social policy, contrasting with other countries which have developed systematic schemes for assisting them.