

Tithe an
Oireachtais
Houses of the
Oireachtas

An Oifig Buiséid Pharlaiminteach
Parliamentary Budget Office
Capital Carryover and
Surrendered Funds

Publication 21 of 2024

Séanadh

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Introduction

This short paper provides an overview of trends in capital carryover (deferred surrender) and surrendered funds for the period 2014 to 2024. In that timeframe:

- Capital carryover totalled almost €3,422 million, and
- Surrendered funds totalled €9,966 million.

In the annual budget process, Votes (Government Departments, and other significant Public Sector Bodies) are given a Voted allocation (effectively a permitted spending ceiling). This paper discusses what happens with the balance of the allocation that has not been used by the end of the year (the surplus).

From the surplus, where possible, Votes will typically seek to carryover unspent capital allocations; however, there is often a balance remaining either of current funds or capital funds which cannot be carried over. This surplus must be surrendered (returned) to the Exchequer (Central Fund).¹ This can be seen in Appendix 1.

Capital carryover (deferred surrender) is money allocated in one year which is carried over (deferred) to the subsequent year.² The annual Appropriation Act provides for carryover to the coming year i.e. the [Appropriation Act 2023](#) provides for money allocated originally in 2023, to be deferred/carried over, and spent in 2024.

Capital Carryover (Deferred Surrender)

Capital carryover refers to unspent capital allocations from one year (e.g., 2023) which may be permitted to be spent in the following year (e.g., 2024). In accordance with [Section 91 of the Finance Act 2004](#), the Minister for Public Expenditure and Reform may provide for up to 10% of a capital allocation to a Vote (if unspent) be carried over to the following financial year.

Such sums are set out in the Revised Estimates as the 'Application of Deferred Surrender'. These funds receive Dáil approval for allocation to the named subheads in this manner. Carryover is accounted for as a first charge³ which requires that the carried over funds are used first in the subhead to which they are allocated before any other funds can be spent in those areas. Importantly, the "deferred surrender does not have to be applied to the same capital subheads in which the under spends occurred."⁴

¹ PBO, [An Overview of the Central Fund: What it is & how it operates](#) (2023).

² PBO, [Capital Carryover \(Deferred Surrender\) 2022](#) (2022).

³ Department of Public Expenditure and Reform, ['Public Financial Procedures'](#) (Accessed December 2023).

⁴ Department of Finance, ['Circular 28/04: Implementation of Deferred Surrender of unspent capital under Multi-Annual Capital Envelopes'](#) (October 2004).

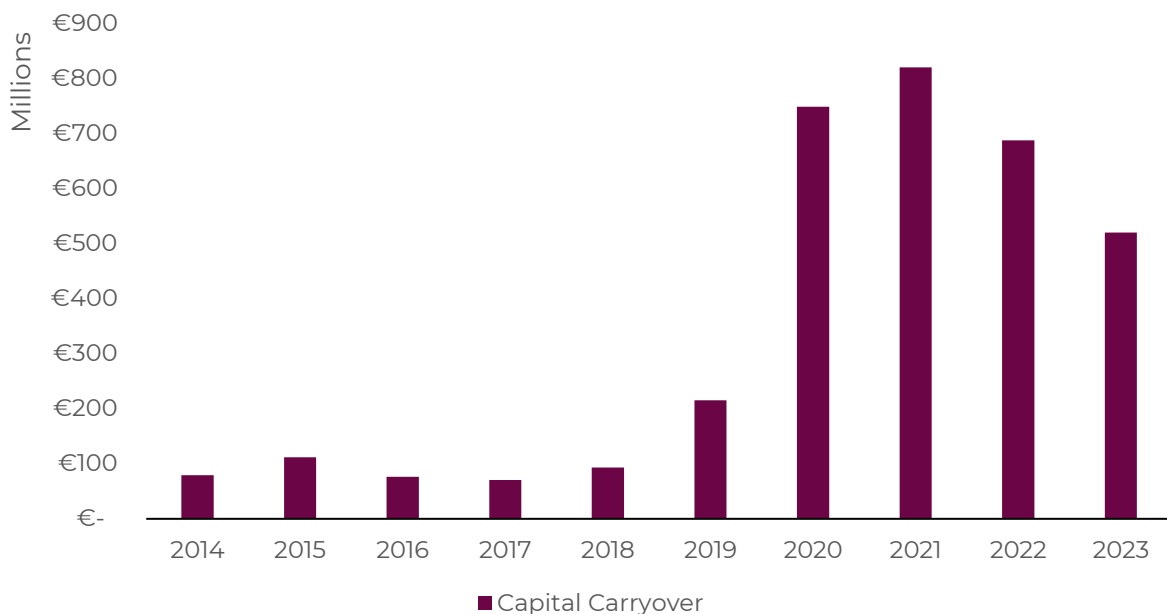
Capital Carryover in 2024

Capital carryover in 2024 amounts to over €519.7 million across 16 Votes.⁵ Along with the capital allocations assigned in the REV (€13,015 million),⁶ the capital carryover will take projected gross Vote capital spending in 2024 to €13,535.6 million.

[The Revised Estimates for Public Services 2024](#) initially reported €532 million of capital carryover; however, a revised document was subsequently published.⁷ The initial report aligned with the provision set out in the Appropriation Act 2023. Due to timing, the carryover provided for is an estimate, and can potentially be less than legislated for. The final carryover figure is set out in a Statutory Instrument.⁸

Figure 1 illustrates that while a carryover of some level has occurred in every year (2014 to 2023), constraints in delivery primarily as a result of COVID-19 restrictions which are evident in 2020 and 2021 have brought the level of funding carried over to historically high levels. Since 2021 capital carryover levels have decreased but remain substantial compared to pre-pandemic levels.

Figure 1: Capital Carryover 2014 to 2023



Source: PBO based on [various Statutory Instruments](#) (2014-2022),⁹ and the [Revised Estimates for Public Services 2024](#) (December 2023).

⁵ S.I. No. 100/2024 - Finance Act 2004 (Section 91) ([Deferred Surrender to Central Fund](#)) Order 2024.

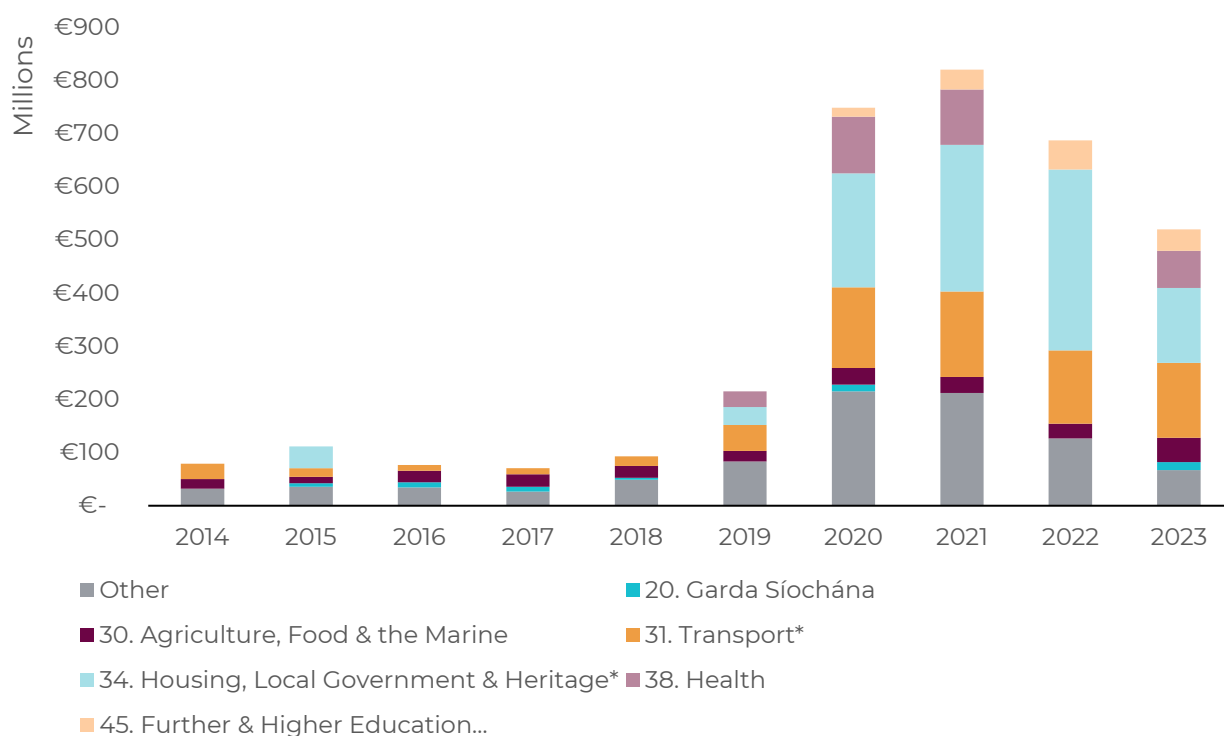
⁶ Department of Public Expenditure and Reform, [Revised Estimates for Public Services 2024](#) (28 December 2023).

⁷ For more information see Appendix 2 of PBO, [Overview of the Revised Estimates for Public Services 2024](#) (February 2024).

⁸ S.I. No. 100/2024 - Finance Act 2004 (Section 91) ([Deferred Surrender to Central Fund](#)) Order 2024.

⁹ These statutory instruments can be found with the search term “Deferred surrender”.

Figure 2: Capital Carryover (selected Votes)



Source: PBO based on the Houses of the Oireachtas, [Appropriation Bill 2023](#).

Note: Votes marked with an asterisk have undergone some degree of restructuring.

Figure 2 illustrates that capital carryover is highly concentrated in a small number of Votes. 19 Votes have capital carryover in 2023 to 2024, of these 9 have capital carryover exceeding €10 million; however, just 3 Votes represent €351.9 million (67.7%) of the total. These Votes are:

- **Vote 31: Transport:** €140.9 million (27.1% of total capital carryover),
- **Vote 34: Housing, Local Government and Heritage:** €141 million (27.1% of total capital carryover), and
- **Vote 38: Health:** €70 million (13.5% of total capital carryover).

Table 1 gives a comprehensive overview of projected capital spending for 2024, including monies originally allocated in 2023, reaching some €13.54 billion total.

Table 1: Summary of Capital Monies Available in 2024 (€000)

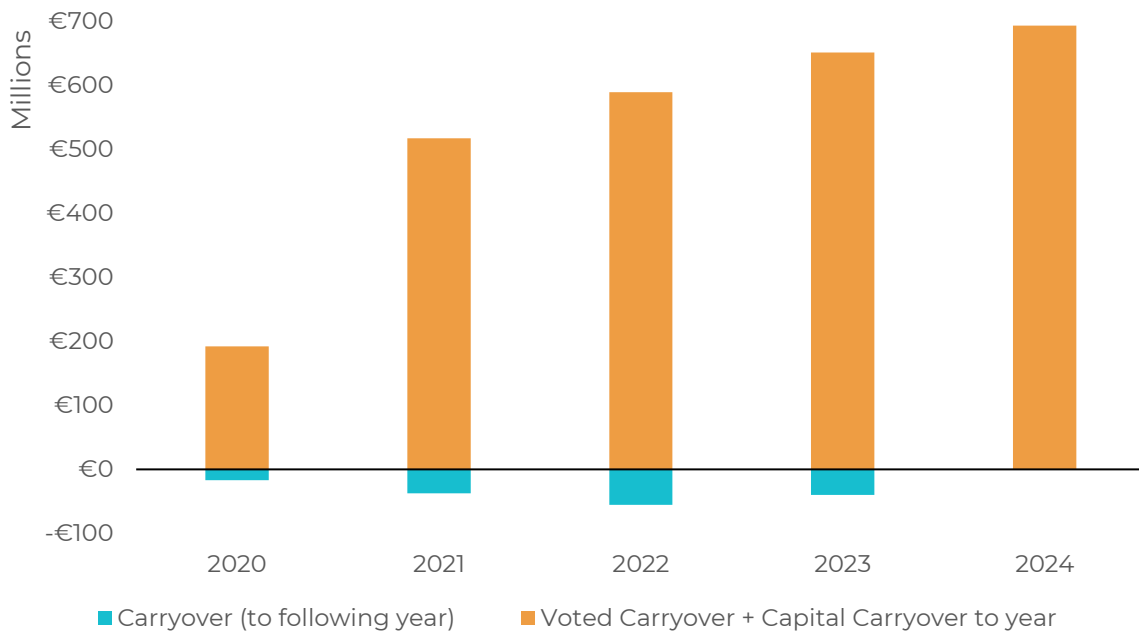
Vote	Service	Capital Allocation 2024	Capital Carryover from 2023
7	Office of the Minister for Finance	€1,100	€110
9	Office of the Revenue Commissioners	€33,900	
11	Public Expenditure, National Development Plan Delivery and Reform	€695	
13	Office of Public Works	€288,000	
16	Tailte Éireann	€4,795	
17	Public Appointments Service	€2,000	
18	National Shared Services Office	€10,000	€1,200
20	Garda Síochána	€165,857	€15,000
21	Prisons	€30,500	
22	Courts Service	€67,514	€1,000
24	Justice	€10,129	€1,400
25	Irish Human Rights and Equality Commission	€100	
26	Education	€940,400	
27	International Co-Operation	€750	
28	Foreign Affairs	€24,250	
29	Environment, Climate and Communications	€987,750	€1,800
30	Agriculture, Food and the Marine	€318,300	€45,600
31	Transport	€2,679,450	€140,920
32	Enterprise, Trade and Employment	€866,040	€20,000
33	Tourism, Culture, Arts, Gaeltacht, Sport and Media	€249,384	€21,480
34	Housing, Local Government and Heritage	€3,888,300	€141,000
36	Defence	€176,000	
37	Social Protection	€16,000	
38	Health	€1,234,030	€70,000
39	Office of Government Procurement	€581	€115
40	Children, Equality, Disability, Integration and Youth	€134,720	
42	Rural and Community Development	€210,001	€20,000
43	Office of the Government Chief Information Officer	€22,472	
45	Further and Higher Education, Research, Innovation and Science	€652,848	€40,091
Total (€)		€13,015,866	€519,716
Total (%)		96.2%	3.8%

Source: PBO based on the Department of Public Expenditure, NDP Delivery and Reform, [Revised Estimates for Public Services 2024](#) (December 2023) and; S.I. No. 100/2024 - Finance Act 2004 (Section 91) ([Deferred Surrender to Central Fund](#)) Order 2024

Capital Carryover in Focus: Further and Higher Education, Research, Innovation and Science

Vote 45 Further and Higher Education, Research, Innovation and Science was established in 2020. Since 2020, capital carryover has averaged 8.2% of the Voted capital allocation as the Vote failed to spend its entire allocation which can be seen in Figure 3.

Figure 3: Capital Spending Ceilings and Capital Carryover in Further and Higher Education, Research, Innovation and Science (2020-2024)



Source: PBO based on the Department of Public Expenditure, NDP Delivery and Reform, Revised Estimates for Public Services 2021 to 2024 ([here](#)).

Accounting for Capital Carryover

Capital carryover presents a challenge in terms of consistent and clear reporting of spending. Capital carryover is brought forward into the new year as a first charge ([Section 91\(5\) of the Finance Act 2004](#)).

The treatment of capital carryover, as distinct from the in-year allocation, can cause some issues in terms of tracking spending, calculating variance, and understanding performance. These issues are:

Tracking Spending

In the *Revised Estimates for Public Services* (REV) capital carryover is treated as part of the outturn in the year of initial allocation.

For example, in REV 2023, a total of ~€12,070 million was allocated for capital spending in 2023. However, a further €687 million was deferred from 2022 to 2023, meaning total capital spending provided for in 2023 was ~€12.76 billion.

The Fiscal Monitor series of publications are used to report spending each month (outturn), against anticipated levels (profile), with the difference being reported as variance. In the Fiscal Monitor 2023 series, it is clear that the profile is based on the Gross Voted Capital allocation for 2023 (rounded up to €12.1 billion).

This means that the capital profile (monthly estimates of spending) excludes the capital carryover into that year. This has potentially significant implications, particularly as the levels of capital carryover in recent years have grown considerably (see Figure 1).

Understanding Performance

The presentation of capital carryover in the REV in isolation from the Voted allocation for a specific Vote, programme and subhead (often on different pages) makes it more difficult for readers to understand the capital resources available for subheads in a specific year. This means that the efficiency of output delivery can easily be misunderstood – as targets and delivery are more directly and easily linked to the in-year allocation alone.

In simple terms, **the current format of presentation means that the amount of public services produced (output) can be easily linked (incorrectly) to just the Voted capital allocation for the current year and not the total amount of capital funding available**. Historically, this would likely have had minimal impact, but as illustrated in Figure 1 (p.3), elevated levels of capital carryover in recent years means that calculations of efficiency (the average cost per unit of public service delivered) can be significantly affected.

The manner in which information is displayed in different tables is illustrated in Figure 4, Figure 5, and Figure 6. **A revised approach may be required to more clearly reflect capital carryover within Budgetary documents. Moreover, it is important that capital carryover be reflected in capital spending profiles in the Fiscal Monitor.**

The **limitations of the current approach** (see Efficiency in Focus: Transport and Efficiency in Focus: Housing, Local Government and Heritage below) have been highlighted by the significant growth in capital carryover, particularly arising

following the pandemic. Modified presentation of data to reflect capital carryover may be required to enable:

- Observers to better understand **when capital spending is occurring** (modified presentation of the Fiscal Monitor), and
- Parliamentarians and others to more easily align resourcing (funding) with performance targets and delivery.

Efficiency in Focus: Transport

Figure 2 (p.4) shows that Transport (Vote 31) has had significant carryover in recent years. Looking specifically at subhead A.4 (Greenways) of Programme A (Sustainable Mobility – Active Travel and Greenways) in 2024 is illustrative of the impact that elevated capital carryover can have on our understanding of efficiency.

In 2024 there is a target for delivery of 40km of regional and national greenways (Figure 6) with the 2024 Voted capital allocation of €60 million (Figure 5); however, this would not include the €30 million of capital carryover from 2023 (Figure 4) which appears on a different page in the *Revised Estimates for Public Services*.

The cost per km of Greenways could easily be misunderstood as averaging €1.5 million, when the actual cost appears to be closer to €2.25 million per km.

Figure 4: Capital Carryover in Transport (Vote 31) Programme A

Subheads under which it is intended to apply the amount of €140,920.00 million in unspent 2023 appropriations to capital supply services.

	2023	2024	Change 2024 over 2023
	<i>Application of Deferred Surrender</i>		
	€000	€000	
A.3 ACTIVE TRAVEL INFRASTRUCTURE ...	2,000	-	-
A.4 GREENWAYS ...	17,000	30,000	76%

Source: *Revised Estimates for Public Services 2024* (December 2023).

Figure 5: 2024 Voted Allocation in Transport (Vote 31) Programme A

	2023 Estimate			2024 Estimate		
	Current	Capital	Total	Current	Capital	Total
	€000	€000	€000	€000	€000	€000
A.1 ADMINISTRATION - PAY ...	868	-	868	781	-	781
A.2 ADMINISTRATION - NON PAY ...	123	24	147	110	127	237
A.3 ACTIVE TRAVEL INFRASTRUCTURE ...	1,650	346,000	347,650	1,650	296,000	297,650
A.4 GREENWAYS ...	-	60,000	60,000	-	60,000	60,000
Programme Total:-	2,641	406,024	408,665	2,541	356,127	358,668
<i>of which pay:-</i>	<i>868</i>		<i>868</i>	<i>781</i>		<i>781</i>

Source: *Revised Estimates for Public Services 2024* (December 2023).

Figure 6: Performance Targets for Transport (Vote 31)**Public Service Activities (Outputs)**

		2022 Outturn (2022 Target)	2023 Output Target	2024 Output Target
A.3	Segregated cycling infrastructure added (kms)	71 1(80)	125	60
A.3	Length of new footpaths (kms)	188 (100)	150	60
A.3	No. of cycle parking stands provided in urban centres.	8,137 2(5,000)	5,000	5,000
A.4	Length of regional and national greenways constructed (kms)	33 (0)	70	40
A.3	No. of schools funded for cycle and scooter parking under Safe Routes to School	N/A	183	TBC

1) Reported incorrectly as 72 in PSPR 2022

2) Reported as 2,886 in PSPR 2022, but this was only for school parking. Updated figure includes all stands delivered

Source: [Revised Estimates for Public Services 2024](#) (December 2023).

Efficiency in Focus: Housing, Local Government and Heritage

Figure 2 (p.4) shows that carryover has been highest in Vote 34 Housing, Local Government and Heritage for the period 2014-2023, totalling more than €1,045 million. In particular the pandemic had a clear impact on carryover in this Vote.

REV 2024 provides a capital allocation to subhead A.3 Local Authority Housing of €1.331 billion. This is associated with a target to deliver 5,745 units (build or acquisition) in 2024. These units have an average cost of ~€231,680.

However, the actual capital allocation available includes €95 million deferred surrender, for a total of €1.426 billion. Accounting for this provides an average unit cost of ~€248,216.

Efficiency calculations can therefore be considerably impacted if capital carryover is not accounted for. The presentation of capital carryover in the REV can distort the aligning of performance targets and performance achieved with capital spending. **This issue is not unique to the Housing, Local Government and Heritage Vote.**

Surrendered Funds

Each year Votes are allocated specific sums of money which they are permitted to spend. Votes cannot spend more than they have been allocated. The amount spent is often referred to as 'Outturn' but for simplicity we use the term 'Spend'.

Ordinarily, Votes will have some amount of funds remaining at year end, these funds must be surrendered to the Exchequer (Central Fund) unless they are eligible for capital carryover (discussed above). Any unspent current allocation must be returned to the Exchequer.

While this can seem complicated, it can be explained quite simply, the surplus is simply the unused/unspent resources at the end of the year, i.e.:

$$\text{Surplus} = \text{Voted Allocation} - \text{Spend}$$

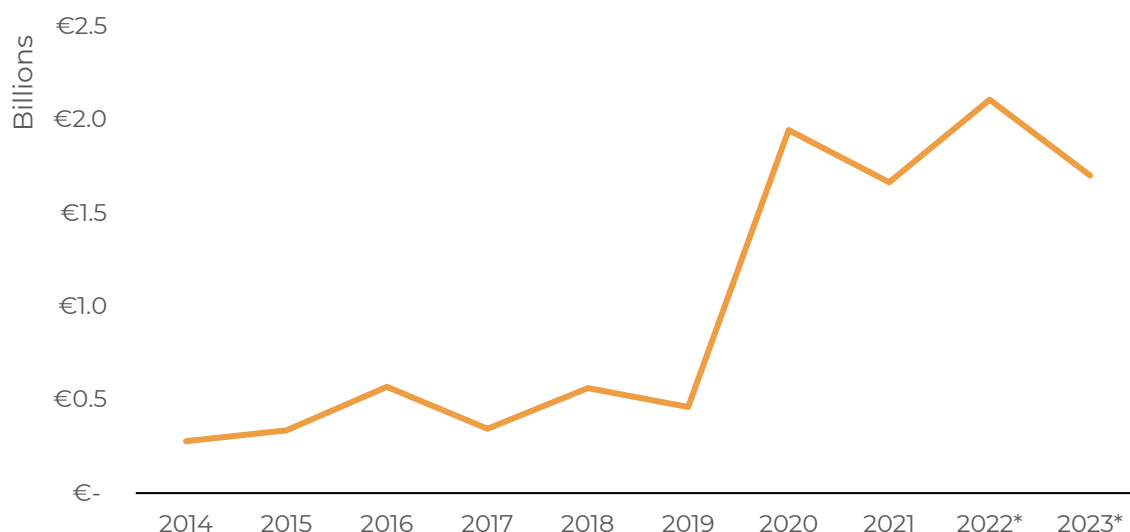
From the surplus, a Vote may be able to defer some, or all, of its unspent capital allocation into the following year (capital carryover/deferred surrender). Any money left over after this process must be returned to the Exchequer (surrendered), i.e.:

$$\text{Surplus to be Surrendered} = \text{Surplus} - \text{Capital Carryover}$$

In the absence of audited figures, we can still estimate how much is to be surrendered in a year by deducting provisional spending and capital carryover from the Voted Allocation for that year, i.e.:

$$\begin{aligned} \text{Surrendered Funds (Estimate)} \\ = \text{Voted Allocation} - (\text{Provisional Outturn} + \text{Capital Carryover}) \end{aligned}$$

Figure 7: Surrendered Funds 2014-2023



Source: PBO based on the Department of Public Expenditure, NDP Delivery and Reform, *Correspondence* (13th February 2024).

Note: Surrendered Funds figure for 2023 is an estimate based on correspondence (13th February 2024) from the Department of Public Expenditure, NDP Delivery and Reform.

Figure 7 shows the amount of money surrendered by Votes for the period 2014 to 2023. The Surrendered Fund figures for the years 2022 and 2023 are estimated. In 2014 the total surrendered amount was roughly €0.28 billion whereas in 2023 the

figures show a surrender of roughly €1.7 billion, which is over a sixfold increase in the ten years. During the period 2014-2023 a total of ~€9.97 billion has been surrendered across all Votes. With €7.8 billion (77.9%) of the total surrendered funds resulting from 9 Votes, details of these Votes can be seen in Figure 8 and Figure 9.

Figure 8: Surrendered Funds (selected Votes) 2014-2023 (%)

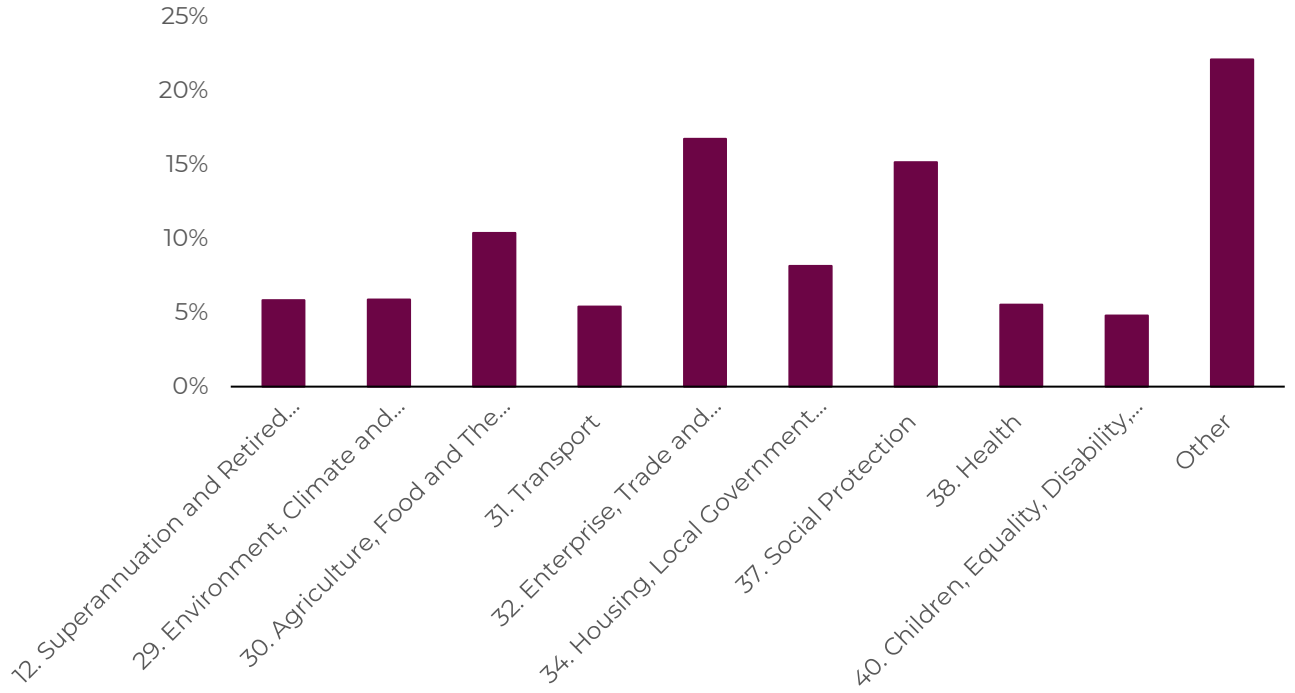
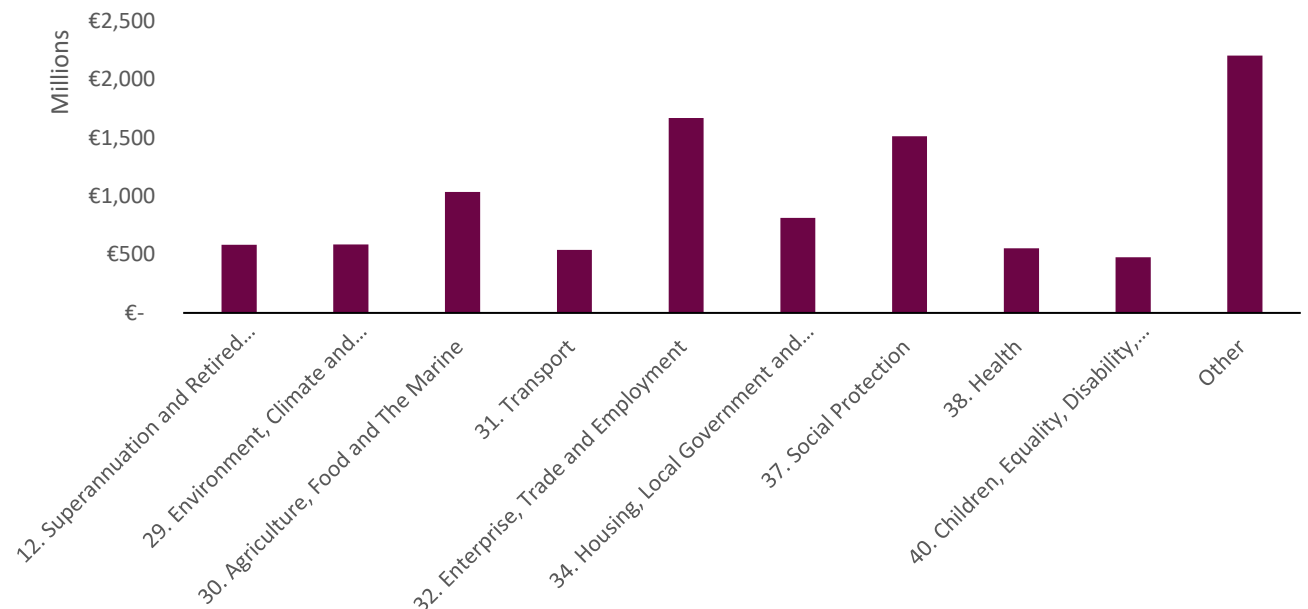


Figure 9: Surrendered Funds (selected Votes) 2014-2023 (€)



Source: PBO based on the Comptroller and Auditor General, [Appropriation Accounts](#). Note: Other refers to the remain Votes during the period 2014-2023. Only Votes with a surrender of over €475 million were selected.

Surrendered Funds in Focus: Enterprise, Trade and Employment

Figure 10 and Figure 11 focus on Vote 32 – Enterprise, Trade and Employment for the period 2014 to 2023. During this period this was the Vote with the highest surrendered, with an estimated surrender of roughly €1,669 million or 16.7% of the total surrendered by all Votes. In 2023 the Vote surrendered just over €644 million, which is a considerable surrendered amounting to 40% of its initial allocation of €1,621 million.

Figure 10: Enterprise, Trade and Employment: Spend and Surrender (€)

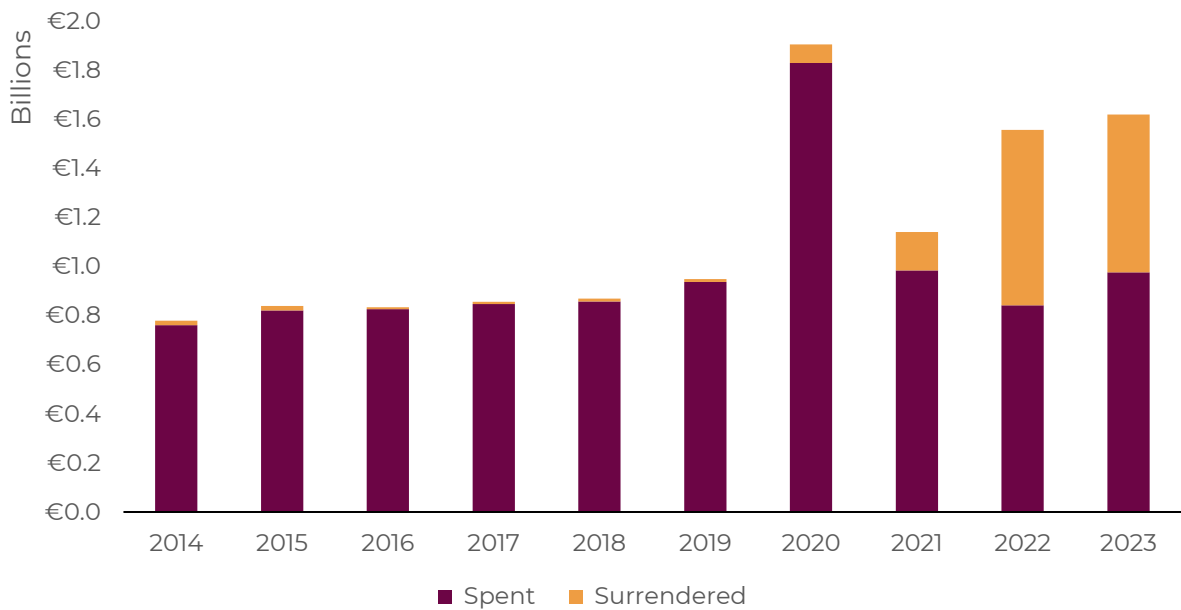
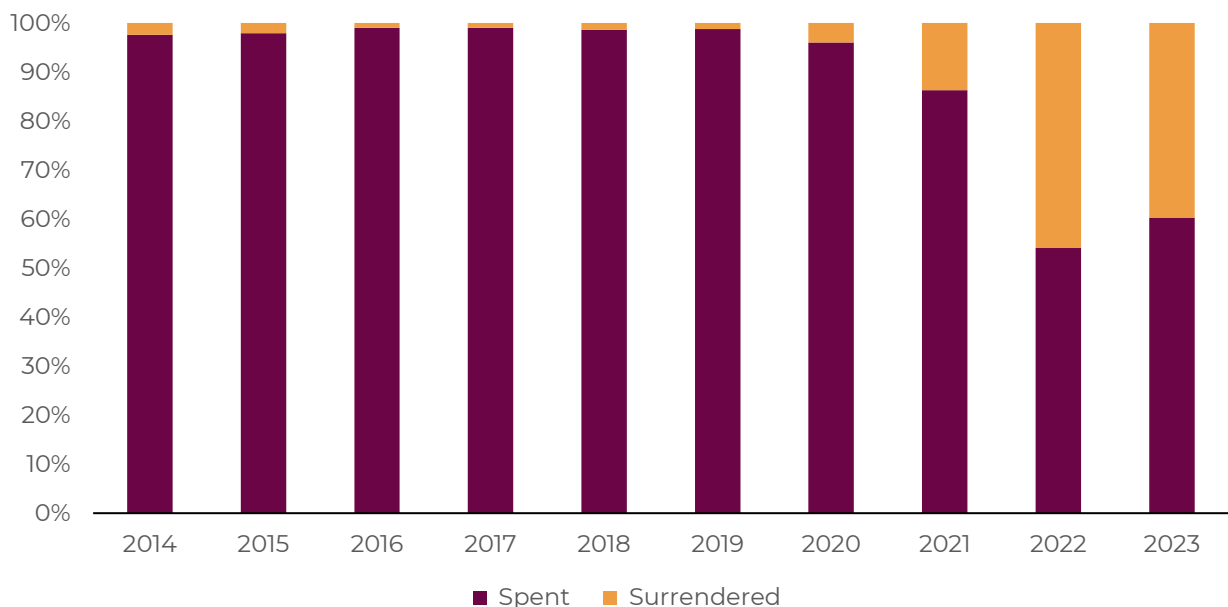


Figure 11: Enterprise, Trade and Employment: Spend and Surrender (%)



Source: PBO based on the Comptroller and Auditor General, [Appropriation Accounts](#).
 Note: Surrendered Funds figure for 2023 is an estimate based on correspondence (13th February 2024) from the Department of Public Expenditure, NDP Delivery and Reform.

Conclusion

Capital carryover and surrender can be considered as underspending as they relate to funds which had been allocated for use in a specific year which either:

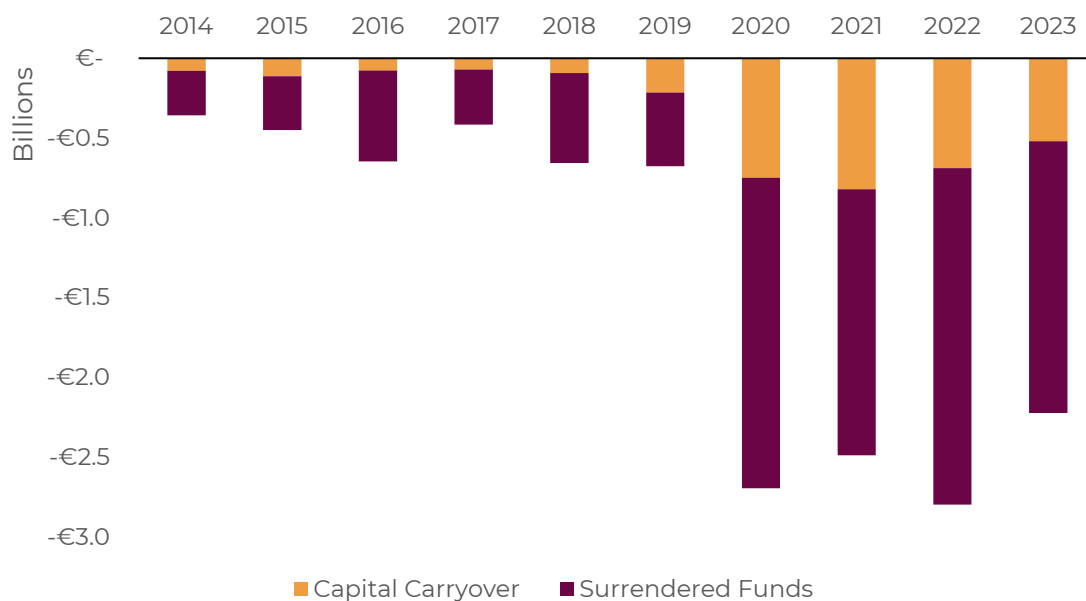
- Were not utilised and were returned (surrendered) to the Exchequer, or
- Are not being used in the specific time period in which they were originally allocated.

Spending below the levels allocated can arise for a number of reasons, funding may have been allocated for demand led schemes which were not widely availed of, or where capital projects are progressed more slowly than originally intended, or potentially where services are delivered more efficiently than anticipated.

Elevated levels of capital carryover and/or surrender may indicate issues within the Vote which merit closer examination.

Figure 12 shows the combined scale of underspending for the period 2014 to 2023.

Figure 12: Timeline of Capital Carryover and Surrendered Funds

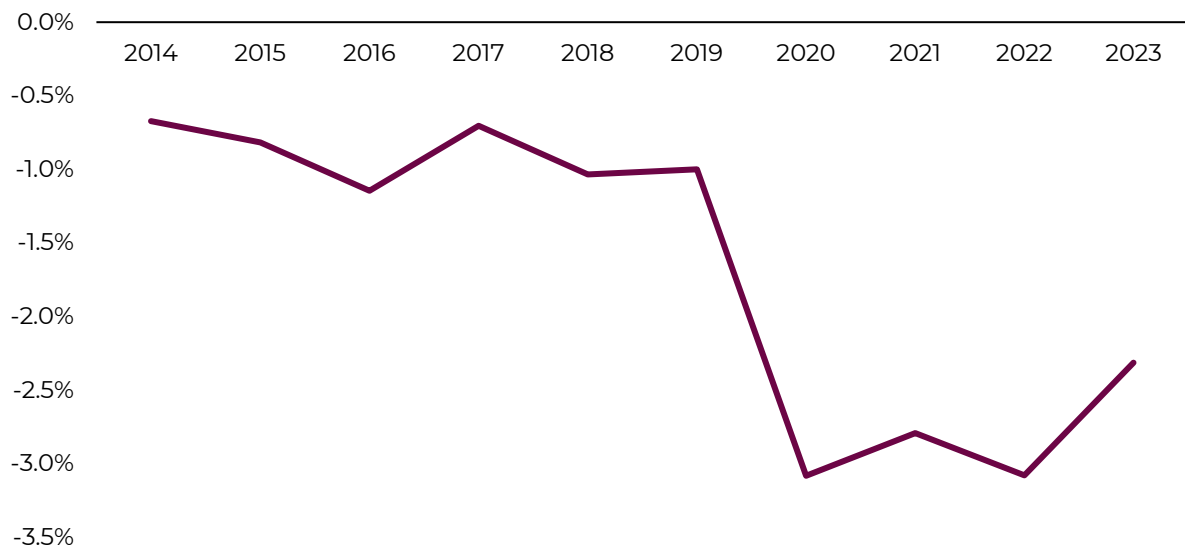


Source: PBO based on the Comptroller and Auditor General, [Appropriation Accounts](#), the Department of Public Expenditure, NDP Delivery and Reform, [The Revised Estimates for the Public Services](#) and; the Department of Public Expenditure, NDP Delivery and Reform – [Databank](#).

It is important to view capital carryover and surrendered funds in context. While in isolation, the scale of capital carryover and/or surrender can seem vast, in the broader budgetary context they tend to be reasonably insignificant.

Figure 13 shows capital carryover and surrendered funds each year as a % of the gross allocation in that year. In 2020 and 2022 spending was 3.1% lower than the total allocated for the year.

Figure 13: Underspend Relative to Total Gross Allocation



Source: PBO based on the Comptroller and Auditor General, [Appropriation Accounts](#), the Department of Public Expenditure, NDP Delivery and Reform, [The Revised Estimates for the Public Services](#) and; the Department of Public Expenditure, NDP Delivery and Reform – [Databank](#).

Figure 13 highlights the significant impact of the COVID-19 pandemic on 'underspending'. This arose from the combined impacts of increased capital carryover (due partly to restrictions on economic activity which would have delayed capital projects) and elevated surrender arising due to elevated allocations which were not ultimately required.

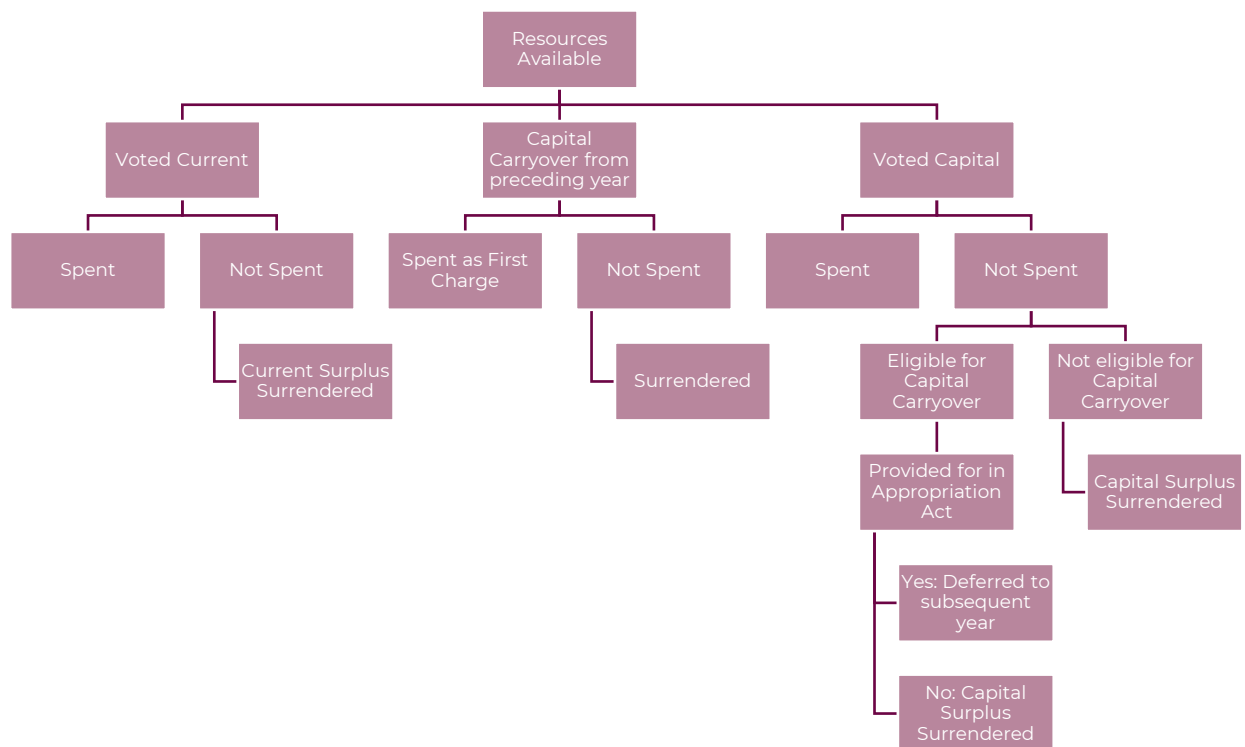
Appendices

Appendix 1: Path of unspent allocation

Figure 14 shows how the resources available in a year (the Voted allocation and any capital carryover from the preceding year) are either:

- Spent,
- Not spent and surrendered, or
- Not spent and deferred to the subsequent year.

Figure 14: Spent, Deferred, or Surrendered



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Publication Date: 28 March 2024