An Roinn Caiteachais Phoiblí agus Athchóirithe
Department of Public Expenditure and Reform

17th October 2018

Ms Margaret Falsey

Secretariat

Committee of Public Accounts

Leinster House

Dublin 2

Dear Ms Falsey

Please find the Opening Statement attached for Mr Robert Watt, Secretary General, Department of Public Expenditure and Reform for his meeting with the Committee on 18th October.

The following officials will accompany Mr Watt: David Feeney, John Pender and Helen Codd.

Kind regards

Patricia Scanlon

Patricia Scanlon

PA to Secretary General Watt

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Public Accounts Committee
Thursday, 18 October, 2018

Opening Statement by Mr Robert Watt
Secretary General, Department of Public Expenditure and Reform

Introduction

Thank you Mr Chairman and the members of the Committee for affording me the opportunity to make a statement to you today.

This morning's agenda covers a number of chapters from the C&AG's Reports for 2016 and 2017; the Appropriation Accounts 2016 and 2017 for Votes 11 and 12; and Special Reports 95, 99 and 100. I will give a brief outline of these matters in my statement, but first I would like to update the Committee on some of my Department's key priorities over the years in question.

The mission of the Department

The twin strategic goals of the Department – as set out in our Statement of Strategy – are:

(i) To manage public expenditure at sustainable levels in a planned, rational and balanced manner in support of Ireland's economic development and social progress; and

(ii) To have public management and governance structures that are effective and responsive to the citizen, transparent and accountable, and which thereby improve the effectiveness of public expenditure.

Managing public expenditure better

Turning to the first of these strategic goals – managing public expenditure better – the significant reforms to the budgetary cycle that we have implemented since 2011 are now well-embedded and have played a key part in making the Government more effective in managing expenditure and better informed when deciding how public money is spent.

We continue to refine our approach to managing expenditure. In 2017, we initiated the three-year, rolling Spending Review process, intended to cover the totality of spending between 2017 and 2019. The aims of this process are to provide Government with a robust evidence base to inform expenditure policy over the short to medium-term, and to identify and provide recommendations for areas where expenditure efficiency and effectiveness concerns are emerging. The first two cycles of this process are complete as of Budget 2019 last week, with a total of fifty-three papers published as part of the process. Several positive outcomes have been delivered on foot of analysis undertaken in the Spending Review, particularly in the areas of Education, Justice and Social Protection. These outcomes were discussed in the Expenditure Report 2019.

We are also strengthening the focus on what is being delivered with public funds through performance budgeting. The Public Service Performance Report 2017 was published in April. This report, now in its second year, demonstrates the key outputs delivered in 2017 across the public service. The publication of data on these indicators for a two-year period allows us to assess progress in achieving our targets. A new chapter on Equality Budgeting in the Performance Report shows the progress that has been made in respect of equality objectives across six expenditure programmes.

On the capital spending side, the National Development Plan 2018-2027, published in February, involves investment of almost €116 billion in the ten years to 2027. Capital investment will accelerate from the relatively low levels of recent years to being amongst the highest in the EU. This will be done in a prudent and measured way, taking account of the external uncertainties facing the Irish economy and mindful of the risks of overheating.

Stable and sustainable pay and pensions

Tight control of public service pay and pensions has played a crucial role in the stabilisation of the public finances. As the economy has improved, a key priority has been to achieve an affordable and sustainable unwinding of the emergency measures imposed on public servants and public service pensioners. The Public Service Stability Agreement 2018-2020 (PSSA), agreed in mid-2017, will unwind pay reductions for almost 90% of public servants by providing sustainable increases over the period to end-2020.

Last month, agreement was also reached on a pathway to address the concerns of those recruited to our Public Service since 2011. The cost of this measure during the remaining term of the PSSA is €75 million (€27m in 2019 and €48m in 2020). The full cost, based on current data and public service numbers (2017), will be €190 million out to 2026. It is estimated some 58% (35,750) of 'new entrants' will benefit from this measure in year one rising to 78% (47,750) by year two.

In December last, the Government decided to raise the compulsory retirement age for all public servants to 70. A Bill entitled the Public Service Superannuation (Age of Retirement) Bill 2018 was published and passed all stages in the Seanad in July. The Bill is being treated as a priority and the Minister intends to have the legislation enacted as early as possible in the current term.

Reforming the Public Service

The change to the retirement age is just one example of the reforms that are ongoing across the Public Service, and this brings me on to the second of our strategic goals – achieving real and meaningful reform of the Public Service.

Significant progress has been made in this regard since the Department was established in 2011. This has been recognised by the OECD in their Assessment of the Public Service Reform Plan 2014-2016, published in July 2017, which found that the Plan was by and large successful in terms of completing the majority of the actions it set out.

It is also reflected in the positive findings of the IPA's Public Sector Trends Report, which in 2017 ranked Ireland:

- 1st in the EU for the most professional and least politicised public administration;
- 6th in the EU for the quality of its public administration; and
- 5th in the EU in the rating of perceptions that Government decisions are effectively implemented.

While a lot has been achieved, I recognise that the there is still room for improvement. Accordingly, a refreshed and overhauled programme of reform for the Public Service has been set out in *Our Public Service 2020*, which we published last December. This new framework for reform places great emphasis on innovation and on working collaboratively and better across the whole of government. It also contains a much stronger emphasis on measuring the outcomes of reform. To support this, a Reform Evaluation Unit has been established in my Department to measure the implementation of the actions in the reform plan.

Renewing the Civil Service

The Department also continues to coordinate and drive a significant programme of renewal for the Civil Service. Recent advances in this respect include:

- The development of the People Strategy for the Civil Service, which aims to strengthen strategic HR capability and capacity;
- The commencement of the Civil Service Mobility Scheme; and
- The establishment of *One Learning*, the new learning and development centre for the Civil Service.

The report of the 2017 Civil Service Employee Engagement Survey, which we published earlier this year, shows that this Renewal Programme is having a real impact on the daily working lives of civil servants, with improvement in 22 of the 24 areas measured when compared with the results of the 2015 survey.

We can also see the impact in the results of the most recent Civil Service Customer Satisfaction Survey, which showed 83% of the general public were happy with their interaction with the Civil Service in 2017. The overall results are the best since these surveys commenced in 1997.

Work is advancing on an overhaul of the Civil Service Renewal Plan, which will build on the progress to-date and align with the reform agenda set out for the Public Service in *Our Public Service 2020.*

Digital services and eGovernment - key to improving service delivery

Greater use of data to design, deliver and optimise digital services – enabled by more effective data sharing between public bodies – is key to improving service delivery. The Office of the Government Chief Information Officer in my Department is leading on the implementation of the Public Service ICT Strategy and the eGovernment Strategy 2017-2020. The Government Online Services Gateway, a central portal for online government services launched December 2017, is the Strategy's focal point.

In the EU Digital Economy and Society Index for 2018, Ireland ranks in 6th place of the 28 EU Member States. In the area of Open Data, Ireland achieved first place in the European Commission's Open Data Maturity assessment in 2017.

Items on the Agenda

I would now like to give a brief overview of some of the items on the agenda today. As the agenda refers to the C&AG's reports for both 2016 and 2017, I will address chapters covering the same matters in respect of 2016 and 2017 together. I propose the same approach for the Appropriations Accounts for both years.

Chapter 6 of the C&AG 2016 Report and Chapter 5 of the 2017 Report – Vote Accounting and Budget Management

The first item on the agenda is Chapter 6 of the Comptroller and Auditor General's 2016 report concerning Vote Accounting and Budget Management. I will also address Chapter 5 of the 2017 Report.

In respect of 2016, gross voted current expenditure amounted to €51.8 billion. This was €0.1 billion, or 0.2%, under profile and €0.9 billion, or 1.8%, up on the 2015 figure. Gross voted capital expenditure was €4.2 billion. This was €0.2 billion, or 6.2%, ahead of profile and €0.5 billion, or 12.9%, up on the 2015 figure. The higher level of capital expenditure was signalled in the Mid-Year Expenditure Report and related mainly to road repairs in response to the 2016 floods and faster than expected progress on the schools building programme.

In respect of 2017, gross voted expenditure was €58.5 billion. This was €480 million, or 0.8%, higher than the gross expenditure allocation set out in the 2017 Revised Estimates Volume. This increase was expected as it was accommodated within the Further Revised Estimates and Supplementary Estimates agreed by the Oireachtas in December. The additional expenditure arose mainly from policy decisions relating to the provision of domestic water services.

The Revised Estimates for 2018 provided for total gross voted expenditure of €61.8 billion, an increase of 5.5% on the 2017 outturn figure. On Budget Day last week, Minister Donohoe announced additional allocations for 2018 mainly relating to Health, Housing, Education and Justice. Taking these adjustments into account, along with the provision of a 100% Christmas Bonus for Social Welfare recipients, the revised allocation for 2018 amounts to €62.8 billion. Of this, €56.9 billion relates to current expenditure, while €5.9 billion relates to capital expenditure.

In terms of how we are doing so far this year, total gross voted expenditure as of end-September is €44.9 billion. Of this, €41.6 billion is current expenditure, which is ahead of profile by €265 million, or 0.6%, and up €2.5 billion, or 6.3% on the same period in 2017. Capital expenditure amounts to €3.3 billion, which is €253 million, or 7.2%, below profile and €756 million, or 30%, above the same period in 2017.

Vote 11 – Office of the Minister for Public Expenditure & Reform

The second item on the agenda concerns the Vote for my Department in 2016. I will also address the Department's 2017 Vote at this point.

The Estimate for 2016 was €43.7 million, a 7.7% increase on 2015. This was driven mainly by the need for additional resources for the Office of the

Government Chief Information Officer, structural funds technical support and assistance for regional assemblies and the Special EU Programmes Body. The increase was also due to the creation of new subheads for the funding of pensions of bodies under the Department's aegis, Civil Service Learning and Development and support for the implementation of the Protected Disclosures Act.

The audited surplus to surrender was €2.5 million and arose for a number of reasons, as set out in the briefing supplied.

The Estimate for 2017 was €53.1 million, a 21% increase on 2016. This was driven mainly by the need for additional resources for the Office of the Government Chief Information Officer and administrative pay. The increase was also due to the creation of new subheads for the Public Service Pay Commission, the Irish Government Economic and Evaluation Service and the Single Public Service Pension Administration Project.

The audited surplus to surrender in respect of 2017 was €1.3 million and arose for a number of reasons, as set out in the briefing supplied.

Vote 12 – Superannuation and Retired Allowances

In respect of Vote 12, Superannuation and Retired Allowances, the net outturn for 2016 was €341.1 million, compared to an estimate of €391.9 million, giving a surplus to surrender of €50.8 million. This surplus arose mainly because of underspending on established lump sums and greater than expected receipts from the Single Public Service Pension Scheme.

In 2017, the net outturn was €332.9 million, compared to an estimate of €366.4 million, giving a surplus to surrender of €33.5 million, which arose for similar reasons to those I outlined for 2016.

C&AG's 2017 Report – Chapter 2 – Collection of pension contributions due to the Exchequer

Let me turn now to Chapter 2 of the C&AG's 2017 report, which deals with the collection of pension contributions due to the Exchequer.

The 2012 legislation underpinning the new Single Public Service Pension Scheme provides that certain self-financing public bodies may be required to make an employer contribution for their staff members who are in the Single Scheme. A review and engagement with the bodies to which this is likely to apply is ongoing in my Department, and will be completed by the end of 2018.

On foot of the review, I expect that 25 to 30 mainly self-financing bodies will be deemed liable for employer contributions. Since the C&AG completed the analysis set out in this chapter, two additional bodies have remitted employer contributions (the Commission for Aviation Regulation and the Commission for Communications Regulation). The current position is therefore that 16 bodies are submitting employer contributions, with €5.7 million remitted to-date.

C&AG's 2017 Report – Chapter 3 – Control of funding for voted public services.

Chapter 3 of the 2017 report deals with the control of funding for Voted public services.

Given that the legal appropriation of funds for supply services generally occurs very late in the year, the chapter highlights the potential risks to the approval of the estimates arising from a failure to enact the appropriations legislation by year's end.

In considering this matter, it is important to note the Constitutional requirement that legislation to give effect to the financial resolutions of Dáil Éireann must be enacted within the same year. The Constitution also requires that the Appropriation Bill schedule is based on the timing of approval by the Dáil of Supplementary Estimates for the year, thus ensuring that all Estimates voted by Dáil Éireann are reflected in the Appropriation Bill.

Mindful of the risk in relation to the enactment of Appropriation Bill at the end of the year, officials in my Department ensure that there is clear and constant communication with the Whip's Office on the timeline for publication of the Bill, providing all relevant briefing in a timely manner, including for the Business Committee of Dáil Éireann.

Special Reports 95, 99 & 100 – Financial Reporting in the Public Sector

Finally, let me refer to the C&AG's Special Reports 95, 99 and 100 on financial statements for the financial reporting periods for years ending 2014, 2015 and 2016 respectively. These reports reviewed the timeliness of public sector financial reporting for these years and identified bodies where delays had occurred and summarised the issues brought to attention in the audit reports.

The general trend in the timeliness of the financial reports for audit has been positive. For 2016, all appropriation accounts were produced by the required deadline (3 months). For other accounts, 50% of bodies submitted their 2016 financial statements for audit within three months of the end of their accounting period. This compares with 40% of bodies in 2015 and only one third of public sector bodies in 2014. There has been a significant improvement in the timeliness of presentation of audited financial statements to the Oireachtas. Over 80% of 2016 financial statements were presented on time compared to 70% for 2015 and less than 60% for 2014. Furthermore, the number of accounts in arrears, which are accounts not certified by the end of the year following the year of account, at the end of 2017 was almost halved compared to the end of 2015.

Special Report 95 recommended that my Department consider requiring Departments to include an annexe in their appropriation accounts reporting on the presentation of audited financial statements to the Oireachtas by bodies under their aegis. I informed this Committee last year that I accepted this recommendation, and it was included as a requirement for the 2017 Appropriation Accounts.

Conclusion

In concluding, I would like to briefly highlight some key recent outputs that testify to the impact and breadth of the Department's activities:

- Since we established the Irish Government Economic and Evaluation Service in 2012, it has published over 200 papers in order to better inform Government decision making on how public money is spent;
- Since its launch in September 2017, the new learning and Development Centre, *OneLearning*, has had over 10,500 attendances at training courses, across 44 Civil Service organisations and 23 counties;
- Over 500 candidates have completed the Graduate Development Programme since 2015. An additional 200 candidates have recently commenced the current (2018/19) programme;
- Since March 2017, almost 13,000 Civil Service managers have attended the Managing People and Performance Training Programme;
- Over 2.75 million elements of data were collected from 21,000 civil servants during the course of the 2017 Employee Engagement Survey, the results of which were published by the Department last March;

- The high speed Government Cloud Network has been rolled-out to almost 500 locations nationwide. 17 Departments and 7 Agencies are now connected to OGCIO's Build to Share Applications platform, and 35,000 staff have access to the platform; and
- Over 8,200 high-quality data sets are now available via Ireland's Open Data portal.

I would like to pay tribute to the staff of the Department for their hard work and the contribution they have made to what we have achieved. Delivering successfully on the wide remit of our mission requires our employees to have a broad range of skills and competencies.

I am personally invested in ensuring that our people are equipped with the necessary aptitude and expertise to meet the Department's objectives and to fulfil their own potential in their careers. In this regard, I am pleased to say that, earlier this year, the Department won Best Learning and Development Organisation in the medium category at the Irish Institute of Training and Development's 2018 Awards.

Thank you Chairman and members of the Committee for your attention.

ENDS