

Opening Statement to the Public Accounts Committee

Robert Watt, Secretary General of the Department of Public Expenditure and Reform

22nd October 2020

Introduction

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

As you will be aware, today's agenda covers:

- Appropriation Accounts 2019 for Vote 11 (Department of Public Expenditure and Reform) and Vote 12 (Superannuation);
- Chapter 3 of the Report on the Accounts of the Public Services 2019 on Vote Accounting and Budget Management; and
- Chapters 4 and 5 of the Report on the Accounts of the Public Services 2018 on Accounting for Capital Assets and Accounting for Allied Services.

The strategic goals of the Department

In 2019, the two strategic goals of the Department were to manage public expenditure at sustainable levels and ensure effective and responsive public management and governance structures. These goals are fully aligned with the two programmes set out in my Department's Appropriation Account for 2019. I will briefly address each of the agenda items now and will return to reference some of the Department's key priorities in respect of expenditure management and reform before I conclude.

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

In relation to my Department's financial performance in 2019, its Appropriation Account shows a gross outturn of 97% of the budgeted allocation when capital carryover is included. The Department surrendered just under €2m of its €59m allocation to the Exchequer at the year-end.

The increase in the 2019 allocation over 2018 was due to recruitment costs that have since levelled off as headcount has remained largely static from the end of 2018 to the present. While programme expenditure remained flat overall in 2019 when compared to 2018, financial resources moved between some programme subheads – for example, from Civil Service Learning and Development (One Learning) on the completion of its Civil Service-wide IT training and development system to other areas in the Department to progress cross-government reforms such as the Office of the Government Chief Information Officer (OGCIO) Build to Share programme.

In regard to the OGCIO, 2020 is a particularly significant year for the OGCIO and the Department with the establishment of the new OGCIO Vote, which has an Estimate of €21.7 million (net) in 2020. The creation of this Vote, for which I am also the Accounting Officer, will help support the digital transformation agenda across Government while providing and developing pan-public service ICT infrastructure, service delivery models and cross-government applications. The new OGCIO Vote is being financed solely by exchequer neutral transfers from client Departments and Offices of Government, including my own. The Department provides the OGCIO, which remains part of the Department, with corporate services, HR and Finance support at no extra cost to the Exchequer or client organisations, ensuring value for money through enhanced labour productivity.

Vote 12 – Superannuation and Retired Allowances

In respect of Vote 12, Superannuation and Retired Allowances, the net outturn for 2019 was €261 million, compared to an estimate of €371.3 million, giving a surplus to surrender of €110.3 million. This surplus arose mainly on account of underspending on established lump sums and greater than expected receipts from the Single Public Service Pension Scheme.

Chapter 3 of the Report on the Accounts of the Public Services 2019 (Vote Accounting and Budget Management)

I am turning now to Chapter 3 of the Report on the Accounts of the Public Services 2019 which addresses Vote Accounting and Budget Management. Looking at overall expenditure in 2019, in gross terms, voted spending for the year amounted to €67.3 billion. This is €649 million, or 1%, above the amount that was set out in the Revised Estimates Volume 2019 and reflects a number of Supplementary Estimates including in the areas of Health, Justice and Education.

It is the role of my Department to implement a strong and sustainable public expenditure framework, as well as to drive the reform programme across the Civil and Public Service in order to support the delivery of services in the most efficient and effective manner. To achieve this goal, my Department sets out clear and accessible structures and guidelines for Departments to follow. In order for effective management of public expenditure to succeed, it is important that our colleagues across the Public Service apply these policies and guidelines in their own organisations.

Chapters 4 and 5 of the Report on the Accounts of the Public Services 2018 (Accounting for Capital Assets and Accounting for Allied Services)

In terms of the C&AG Report for 2018, I fully agree with the recommendations made by the C&AG in both his chapters on Capital Assets and Allied Services. All recommendations have been accepted and significant progress made to implement these recommendations.

In relation to capital assets, as a first step, additional guidance on the accounting treatment for capital assets was provided for in the Appropriation Accounts Circular for 2019 and the Guidance Manual for the Preparation of the Appropriation Accounts relating to clarifications on the treatment of depreciation of capital assets.

More generally, in September 2019, prior to the publication of the C&AG's chapter, the Department established a working group with Finance Officers of Government Departments to review the accounting policies in relation to capital assets and to develop a new policy. Work has been ongoing with the Working Group in reviewing the accounting treatment of fixed assets and working through the various complex historical issues such as depreciation rates and valuation methods, as well as the different classes of capital assets involved.

We are currently finalising a draft new policy document on capital assets. This is being developed as part of the phased implementation of the financial reporting reforms recommended by the OECD and will address the C&AG's recommendations.

The accounting treatment for allied services has also been addressed by my Department. Substantial clarification was produced in the Appropriation Accounts Circular for 2019 and the Guidance Manual for the Preparation of the Appropriation Accounts, which we understand has assisted in improving the presentation of allied services in the accounts. The Department will keep this area under review.

Finally on these chapters, I should note that the work in both these areas is underpinned by the wider strategy for the reform of Government financial reporting. This is on foot of a major OECD review of financial reporting in 2019, which recommended that Ireland move to an international standards based accruals system of financial reporting. The broad approach proposed by OECD has been accepted by Government and work is underway to examine the relevant international standards, to be used as the basis for future Government accounting policy.

Public Expenditure and Reform

Before concluding, I would like to briefly update the Committee on some of my Department's priorities in terms of our twin goals of the sustainable management of public expenditure and driving and supporting the reform programme. The progress that we made in these areas in 2019 is set out in considerable detail in my Department's Annual Report 2019.

Due to the Covid-19 public health emergency, the strategic context for the Department's work changed enormously between the end of 2019 and today. This has led to significant changes in the Department's work and how it does that work. The landscape for managing public expenditure and leading Public Service Reform is now very different.

I would like to take this opportunity to highlight that we have seen incredible commitment, flexibility and responsiveness from civil servants and public servants in dealing with the Covid-19 crisis. The Public Service has shown a sense of common purpose and an ability to deliver at a pace not seen before.

Looking ahead, our priorities will continue to be focused on implementing a strong and sustainable public expenditure framework and driving and supporting the reform programme.

In terms of Public Expenditure, a key focus will be to continue to manage public expenditure effectively while addressing challenges such as the Covid-19 pandemic, Brexit and Climate Change. In addition:

- The Department will continue to mainstream budgetary reforms, such as the Spending Reviews, enhancement of performance information and ongoing development of the evidence-based approach to expenditure policy formulation through the role of the Irish Government Economic and Evaluation Service;
- We will oversee the review of the National Development Plan and alignment with the National Planning Framework as part of Project Ireland 2040;
- Another key priority will be to manage public service pay and pension costs on a fiscally sustainable basis using agreed industrial relations frameworks; and
- We will also work to address the challenges posed by Brexit, while maximising the opportunities presented by EU membership in a range of EU policy areas. We will make the best use of EU funding, including the existing European Structural and Investment Funds and the new Recovery and Resilience Facility and Brexit Adjustment Reserve, and promote North-South cooperation, including through PEACE PLUS.

With regard to Public Service Reform, we will continue to progress an ambitious reform programme building on our work in this area since 2011. Specifically:

- We will lead the implementation of Our Public Service 2020 to deliver better outcomes for the public, build effective public service organisations, and develop a culture of innovation as part of the reform programme. Building on our progress in this area, we will develop and lead Our Public Service 2030;
- The Department is also leading the development and implementation of a ten year Civil Service Renewal Vision;

- Aligned with this, we will lead and support the development and implementation of a new Civil Service People Strategy, which reflects the workplace transformation that has taken place as a result of Covid-19; and
- The Department will continue in its leadership role to drive digital transformation across the Public Service with particular focus on those initiatives that will improve delivery of services to citizens and business. We will encourage take-up of digital services and promote the use of data as a key enabler of better services.

Conclusion

In concluding, I would like to take this opportunity to pay tribute to my colleagues in the Department for their hard work and the contribution they have made to delivering on our objectives during 2019, and their role in the response to Covid-19 pandemic.

Like any organisation, we are always looking ahead and I would like to advise the Committee that my Department is currently preparing a new Statement of Strategy to cover the next three years, following the appointment of the new Minister in June. I would be happy to receive the views of the Committee, today or over the coming weeks, in terms of strategic priorities that should be reflected in that strategy.

Thank you Chairman and Committee members for your attention. I look forward to our discussion on the agenda items.

ENDS