

## **Opening Statement to the Public Accounts Committee**

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Department of Public Expenditure,  
National Development Plan Delivery and Reform  
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### **Introduction**

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

As you will be aware, today's agenda covers the Appropriation Accounts 2022 for four Votes within my Department:

- Vote 11 - Office of the Minister for Public Expenditure, National Development Plan Delivery and Reform;
- Vote 12 - Superannuation and Retired Allowances;
- Vote 39 - Office of Government Procurement; and
- Vote 43 - Office of the Government Chief Information Officer.

The agenda also includes Chapter 5 of the Report on the Accounts of the Public Services 2022 regarding Vote Accounting and Budget Management.

Additionally, I note that the Committee has expressed an interest in examining three further items:

- the Format and Content of the Appropriation Accounts;
- the Delivery of the National Development Plan; and
- the Public Spending Code.

I will briefly address each of the agenda items now.

**Vote 11: Office of the Minister for Public Expenditure, National Development Plan Delivery and Reform**

The mission of my Department is to drive the delivery of better public services, living standards and infrastructure for the people of Ireland. To support this, we undertake a range of actions under our strategic goals of Enhancing Governance, Building Capacity and Delivering Effectively.

In relation to my Department's financial performance in 2022, the Appropriation Account for Vote 11 shows the net outturn was €41 million, compared to an estimate of €46.5 million, giving a surplus to surrender of €5.5 million. The surrender was partly due to higher receipts than expected of €947,000, savings on payroll of €1.6 million and a saving of €1.7 million related to the management of EU programmes.

During 2022, the Department completed a strategic review of its Operating Model and implemented a divisional reorganisation on foot of this. The new Operating Model results in the Department working in a more integrated way and ensures a more joined up approach to policy and service provision. This new Operating Model is reflected in the Estimates for 2023. Previously, the Department's activities were split across two programmes. However, following the review, there is now a single programme for the whole Department reflecting this integrated approach.

**Vote 12: Superannuation and Retired Allowances**

In respect of Vote 12, Superannuation and Retired Allowances, the net outturn for 2022 was €253.3 million, compared to an estimate of €353.4 million, giving a surplus to surrender of €100.1 million. The surplus of €100.1 million arose primarily due to an underspend on established civil servant pensioner lump sums and greater than anticipated contributions received from the Single Public Service Pension Scheme.

**Vote 39: Office of Government Procurement (OGP)**

Over the last 10 years, public procurement has become a significantly larger proportion of government spending, now totalling approx. €20 billion annually. It has also become more strategically important in delivering economic and horizontal policy objectives where they impact government operations, such as tackling inflation costs, supporting SMEs, enabling green and social objectives, supporting innovation and new technologies, and as an EU-wide instrument in addressing trade issues outside of the bloc.

In relation to OGP's financial performance in 2022, the Appropriation Account shows the net outturn was €17.8 million, compared to an estimate of €19.5 million, giving a surplus to surrender of €1.6 million. The surrender was mainly due to lower than expected expenditure on staff due to recruitment challenges.

**Vote 43: Office of the Government Chief Information Officer (OGCIO)**

The Office of the Government Chief Information Officer (OGCIO) Vote provides an appropriate funding model to deliver the Department's vision of a single common ICT services platform across government organisations, as well as supporting the digital government agenda. The OGCIO plays a leadership role in digital service delivery and innovation initiatives; has oversight of digital and ICT-related initiatives proposed by Departments and agencies; and represents Ireland at EU level in relation to public service ICT, digital and eGovernment.

The net outturn for the OGCIO Vote in 2022 was €42.9 million, compared to an estimate of €43.3 million, giving a surplus to surrender of €368,000. It is important to note that €18.5m of the 2022 Estimate related to the National Recovery and Resilience Plan. The small surrender was attributable to the challenges in recruitment stemming from an extremely competitive market for skilled IT resources.

## **Chapter 5 of the Report on the Accounts of the Public Services 2022: Vote Accounting and Budget Management**

Turning to Chapter 5 of the Report on the Accounts of the Public Services 2022, the Appropriation Act 2022 provided for spending on voted services totalling €78.1 billion. There was also unused capital funding of €819.3 million carried over from 2021, bringing the total available vote funding to €78.9 billion. This level of funding supports the provision of a wide range of public services, infrastructure investment and income supports.

There were a number of expenditure developments in 2022 resulting in a significant number and scale of Supplementary Estimates. This should be considered in the context of recent expenditure policy. The Revised Estimates 2022 set out a gross Government Expenditure Ceiling of €87.6 billion. This included funding of €83 billion in gross terms and €4.6 billion unallocated. This unallocated amount was held in reserve to be provided to Departments as required during the course of 2022. The use of contingency type funding has become more common since 2020 given the introduction of non-core expenditure. This category of expenditure enables Government to respond to external shocks without impacting on planned day-to-day current expenditure and capital investment.

A total of €7 billion in Supplementary Estimates was approved by the Dáil in 2022. This figure was driven by a number of factors including:

- Allocation of funding for the State's domestic humanitarian response following outbreak of war in Ukraine in early 2022 and continued pandemic response;
- Allocation of funding for a new Public Service pay deal to individual Departments;
- Provision of funding for the Cost of Living package announced as part of Budget 2023 with costs falling in Q4 2022;
- Additional funding requirements of specific Departments, e.g. pensions, increased service demand.

The €7 billion in Supplementary Estimates required the allocation of €4.6 billion in contingency funding under the Government Expenditure Ceiling and a further €2.3 billion beyond this, requiring an increase in the ceiling. At year end, a surplus of €2.8 billion was recorded of which €687 million was approved for carryover into 2023. The remaining €2.1 billion was surrendered back to the Exchequer at end 2022. There are a variety of reasons for this level of surrendered surplus. The largest element, for example, €715 million by Enterprise, Trade and Employment, relates largely to underspend on the Temporary Business Energy Support Scheme (TBESS). This scheme was announced, in September 2022, as part of Cost of Living Package in Budget 2023. €650 million was provided for the scheme in 2022 based on high-level cost assumptions. However, the scheme was only opened to applications late in 2022 and take-up has been low. Many of the other surrendered surpluses relate to timing issues or capital underspends. The details of each Vote are set out in the relevant Appropriation Account.

Overall, surplus appropriations have been higher since 2020. This coincides with the outbreak of the Covid-19 pandemic and the introduction of non-core expenditure. External shocks, including Covid, war in Ukraine and elevated inflation levels, have required a responsive approach to fiscal policy by Government. These ongoing developments, such as providing accommodation for Ukrainian arrivals and various Cost of Living packages, have necessitated in-year changes to Departmental allocations. My Department continues to review our expenditure monitoring and management processes to ensure allocations are informed by the best available information.

### **Format and Content of Appropriation Accounts**

With regard to the Format and Content of the Appropriation Accounts, Central Government in Ireland has a distinctive approach to financial management and reporting. It is grounded in legislation dating back to 1866 and a system of administrative financial principles and procedures maintained by my Department.

Government Departments and Offices use a cash-based accounting system supplemented with information of an accruals nature in the notes to the Appropriation Accounts. This is in contrast to local authorities and agencies which use standard professional accrual accounting rules.

This cash based system in use in Central Government has the benefits of simplicity, ease of comprehension and familiarity for stakeholders. Consequently, cash based Appropriation Accounts will continue and, as the financial reporting reforms continue to be implemented, these cash based accounts will be reported alongside financial statements that are produced in line with international standards. This approach seeks to maintain the benefits of the cash based system while providing more comprehensive reporting in relation to assets and liabilities, aligning financial reporting with international standards, and positioning Ireland to respond to developments at EU level in relation to accrual accounting.

My Department is executing the 2019 Government Decision on the introduction of accrual based Central Government Accounting Standards (CGAS), based on International Public Sector Accounting Standards (IPSAS), for Government Departments and Offices by 2025.

I am pleased to inform the Committee that the first nine CGAS being introduced in 2024 are accounting standards dealing with the accounting treatment of assets and liabilities. In Ireland at present, there are a number of gaps in the recognition and valuation of assets and liabilities on Departments' and Offices' balance sheets. For example, there are no accounting rules regarding the recognition of provisions or asset impairments, or the frequency of revaluations of assets. The nine Balance Sheet standards to be used when producing the 2024 Appropriation Account in early 2025 seek to address these gaps. The timeline for the remaining standards will be made public after the Government has been updated.

Some of the small number of changes that the Department is planning on making to the Appropriation Account circular will facilitate the Department's aim of bringing the current accrual based financial reports in the Accounts into line with the IPSAS. An example is the introduction of separate Property, Plant and Equipment and Intangible Assets disclosure notes for the 2023 Accounts.

The Committee may wish to note that the Department is developing a central register of the latest financial statements of bodies under the aegis of Government Departments. This register will contain the same information as the Appendix A of the current Appropriation Accounts but it is planned to also include a hyperlink to the financial statements on each Bodies' website. This will remove the need for Appendix A of the Appropriation Account and provide a real time hub showing the latest audited financial statements of every public body.

### **Delivery of the National Development Plan**

The renaming of the Department to include National Development Plan Delivery in late 2022 has brought about a greater emphasis and mandate for the delivery of the NDP. In light of this role, a review of the support structures and levers available across Government to maximise delivery of projects was undertaken earlier this year. A series of actions and reforms were identified as priorities to improve delivery of NDP projects and programmes and the Minister secured Government approval for that package of measures in March 2023.

It is important to emphasise that my Department is responsible for setting the overall multi-annual capital expenditure ceilings for each Ministerial Vote Group as set out in the NDP and Project Ireland 2040. My Department is also responsible for maintaining the national frameworks within which Departments operate to ensure appropriate accounting for and value for money in public expenditure, such as the Public Spending Code and Public Procurement Policy. The Public Spending Code sets the value for money requirements and guidance for evaluating, planning and managing capital projects.

The actual delivery of NDP projects and priorities continues to be the responsibility of the relevant Department and Minister with sectoral responsibility. They are also responsible for complying with the frameworks set out by my Department in terms of assuring appropriate value for money and the appropriate use of public funds.

### **Public Spending Code**

The Public Spending Code / Infrastructure Guidelines set out the value for money requirements and guidance for evaluating, planning and managing Exchequer-funded capital projects. The Code is underpinned by the following principles:

- Given that many large infrastructure projects can have a high degree of complexity, improved decision making throughout the lifecycle of a capital project is required;
- Proportionality is core to the Public Spending Code with additional rigour applied to projects as they increase in cost and complexity;
- It provides a focus on cost competitiveness;
- It provides for accountability and transparency; and
- It provides for enhanced project governance and management.

The Public Spending Code as a tool can help ensure that projects can be set up for successful delivery. Effectively using the Code provides for a sound approach to addressing issues that arise in project development in the right way and in a timely way. It provides, through the lifecycle stages, for opportunities to re-evaluate and update projects. Therefore, project agility can be provided so adjustments can be made to current conditions.

### **Conclusion**

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

**ENDS**