

An Roinn Caiteachais Phoiblí
Sheachadadh PFN agus Athchóirithe
Department of Public Expenditure
NDP Delivery and Reform



10 November, 2023

Ms. Sarah O'Farrell
Clerk to the Committee
Committee of Public Accounts
Leinster House
Dublin 2

Re: Briefing material for PAC meeting on 16 November, 2023

Dear Ms. O'Farrell,

I refer to my meeting with the Public Accounts Committee of the above date and your updated letter of invitation of 6 November, 2023.

I am pleased to enclose briefing material for the Committee in relation to the following agenda items:

- Appropriation Account 2022 for Vote 11 - Office of the Minister for Public Expenditure and Reform;
- Appropriation Account 2022 for Vote 12 - Superannuation and Retired Allowances;
- Appropriation Account 2022 for Vote 39 - Office of Government Procurement;
- Appropriation Account 2022 for Vote 43 - Office of the Government Chief Information Officer; and
- Report on the Accounts of the Public Services 2022 - Chapter 5 on Vote Accounting and Budget Management.

I also include briefing material on the additional items which the Committee has expressed an interest in examining:

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

The officials of the Department attending with me on the day will be as follows:

- Mr. John Pender, Principal Officer, Work and Pensions Division;
- Ms. Niamh Callaghan, Principal Officer, Expenditure Policy Division
- Mr. Kevin Meaney, Principal Officer, National Investment Office; and
- Mr. David Feeney, Principal Officer, Corporate Office.



My opening address will follow in advance of the meeting as requested.

Yours sincerely

A handwritten signature in black ink. The signature is fluid and cursive, starting with a small loop and ending with a long, sweeping horizontal stroke that curves slightly upwards at the end.

David Moloney
Secretary General

**Briefing Material for the Committee of Public Accounts
for the Committee's meeting with the Secretary General
of the Department of Public Expenditure, National
Development Plan Delivery and Reform
on 16 November, 2023**

Appropriation Account 2022
Vote 11 - Office of the Minister for Public Expenditure,
National Development Plan Delivery and Reform

Recent Financial History for the Vote					
Estimate Summary	*2021 Estimate €m	2021 Outturn €m	2022 Estimate €m	2022 Outturn €m	**2023 Estimate €m
A. Programme Expenditure and Sectoral Policy	21.3	21.1	25.9	23.3	54.3
B. Public Service Management and Reform	23.7	21.4	23.5	21.6	
Gross Total:	44.9	42.5	49.4	44.9	54.3
C. Appropriations in Aid	2.3	3.0	2.9	3.9	3.0
Net Total:	*42.7	39.5	46.5	41.0	51.3

*Columns may not tally due to rounding and excludes capital carryover.

** The Department moved to a single programme in 2023 which reflects its new operating model.

2022 HEADLINE

The gross outturn of €44.902 million for 2022 was €4.528 million or 9% under budget.

There were Appropriation in Aid receipts of €3.9 million, which brought the net expenditure for the year to €41.050 million.

The Net Estimate for 2022 was €49.4 million, an increase of €4.5 million against the 2021 Estimate. Administration costs for the Department remained largely flat and were 95% of the estimate. Administration pay increased by €1.4 million or 5.5% to cover the Building Momentum pay increases awarded in 2022.

During 2022, the Department completed a strategic review of its Operating Model and implemented a divisional reorganisation. 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. The new model is reflected in the Estimates for 2023. Previously, the Department's activities were split across two programmes – (A) Public Expenditure and Sectoral Policy and (B) Public Service Management and Reform. However, following the review, there is now a single programme for the whole Department reflecting this integrated approach.

2022 REVISED ESTIMATES CHANGES

There were changes to the administration subheads in the 2022 Estimates and 2022 outturn, in order to move towards a standardised chart of accounts across Government, these included:

- New subheads being created - for example, Professional, consultancy and other services (admin subhead IV) and marketing expenses (admin subhead VII);
- Subheads being renamed - for example, the former office premises expenses subhead becoming 'premises and accommodation expenses' (admin subhead VI); and
- Subheads being retired - for example, the postal and telecommunications services subhead.

There were no changes to the programme subheads in the 2022 Estimates.

The new Financial Management Shared Service (FMSS) managed by the National Shared Services Office (NSSO) went live in April 2022.

2022 SURPLUS TO SURRENDER

The audited surplus surrendered in 2022 was €5.47 million, which arose mainly from the following subheads with a variation greater than €0.2 million:

- Salaries, wages and allowances (A.1) (€1.63 million) – savings in expenditure relative to the estimate provision was due to lower than anticipated levels of recruitment and delays with new starters;
- Structural Funds Technical Assistance and other costs (A.4) (€485,000) – Savings in pay in the Internal and EU Audit Unit due to staff vacancies. In addition, expenditure profiled against EU Coordination and Structural Funds for the ERDF Enterprise Portfolio Project Management system was capitalised and posted against A2(vi) Asset & Equipment Expenses;
- Special EU Programmes Body & North/South programmes (A.6) (€1.7 million) – savings due to the delayed launch of the PEACEPLUS project;
- Reform Agenda (B.7) (€257,000) – This saving was due to a combination of smaller savings over a number of policy and programme areas, particularly in Civil Service HR resourcing, policy and capacity and due to a number of in-person events being postponed; and
- Civil Service Learning and Development Programme (B.10) (€239,000) – This saving was due, in the main, to a capital investment to fit out new classrooms not taking place as new premises were not obtained. There was also less course development than planned in 2022.

Other subheads exceeded their allocation in 2022:

- Administration – non-pay (A.2) €286,000 – overspend primarily due to an increase in premises costs and training and development costs. There was also expenditure on two EU IT systems. The eCohesion system was enhanced and a new European Regional Development Fund (ERDF) portfolio management system developed; both systems will support the timely drawdown of EU funds.
- Funding of Pensions for Bodies under the Aegis of the Depart. (A.9) €355,000 – this overspend was primarily due to a number of lump sum payments associated with retirements in these bodies that were not forecast by the bodies at the time of the Revised Estimates in late 2021.

2023 HEADLINE

The Department's new Operating Model is reflected in the Estimates for 2023, which is for €54.3 million gross or €51.3 million net. Previously, the Department's activities were split across two programmes – (A) Public Expenditure and Sectoral Policy and (B) Public Service Management and Reform. However, following the review, there is now a single programme for the whole Department reflecting this integrated approach.

Four subheads from 2022 have changed as part of the new Operating Model and now exist as part of wider subheads. There is no direct comparison between their 2022 and 2023 estimates. These are the Public Pay Determination Support, Non-Profit Sector Data Project, Civil Service Arbitration and Appeals, and Consultancy and Other Services. All consultancy is now included in a single administration subhead.

There were no changes to the admin subheads in the 2023 Estimate.

Appropriation Account 2022
Vote 12 - Superannuation and Retired Allowances

Recent Financial History for the Vote							
Estimate Summary	*2021 Estimate €m	2021s Estimate €m +	2021 Outturn €m	*2022 Estimate €m	2022s Estimate €m +	2022 Outturn €m	**2023 Estimate €m
A. Programme Expenditure	666.3	700.3	698.5	707.6	786.6	762.5	807.6
Gross Total:	666.3	700.3	698.5	707.6	786.6	762.5	807.6
B. Appropriations in Aid	326.4	360.4	433.8	433.2	433.2	509.2	500.9
Net Total:	339.9	339.9	264.7	274.4	353.4	253.3	306.7

*Original Estimate

+Supplementary Estimate

2022 HEADLINE

The 2022 Appropriation Accounts for the Vote show:

- A gross outturn of €762.5 million compared to an estimate of €786.6 million;
- A net outturn of €253.3 million compared to an estimate of €353.4 million, giving a surplus of €100.1 million for surrender to the Exchequer; and
- The surplus of €100.1 million arose primarily due to an underspend on subhead A.4 (established lump sums) and greater than anticipated contributions received from the Single Public Service Pension Scheme. It is important to note that Vote 12 is demand led and it is difficult to predict the number of individuals who will opt to retire in any given year. This gives rise to significant variability on subhead A.4, which is where the lump sums for the established scheme are recorded.

The 2022 gross estimate amounted to €707.6 million. This was based on:

- existing pensions in payment on 31 December, 2021;
- an estimated 1,550 retirements and 420 deaths for the established scheme;
- an estimate of €105.4 million in respect of lump sum payments to established civil servants; and
- negligible change in expenditure levels on other expenditure items (unestablished pensions, spouses and children's etc.).

The actual experience was 1,960 retirees joining the established scheme, offset by 400 leavers*.

*Leavers = Deaths & children over 16 years of age (if not in full time education) or 22 years of age (if in full time education).

There were:

- 25,190 pensions in payment at the end of December 2018;
- 26,364 pensions in payment at the end of December 2019;
- 27,403 pensions in payment at the end of December 2020;
- 28,903 pensions in payment at the end of December 2021; and
- 30,399 pensions in payment at the end of December 2022.

Given the higher number of retirements experienced over 2022, a supplementary estimate of €79.0 million was sought and approved.

2023 HEADLINE

The 2023 Gross Estimate for the Vote is €807.6 million and the Net Estimate is €306.7 million.

Subheads A.1 and A.4 (Pensions and Lump Sums for the established scheme) are the key cost drivers for Vote 12 and account for over 90% of gross spend.

Appropriation Account 2022
Vote 39 - Office of Government Procurement

Recent Financial History for the Vote					
Estimate Summary	2021 Estimate €m	2021 Outturn €m	2022 Estimate €m	2022 Outturn €m	2023 Estimate €m
A. Delivery of Central Procurement Service	18.90	17.25	19.83	18.29	22.243
Gross Total:	18.90	17.25	19.83	18.29	22.243
B. Appropriations in Aid	0.40	0.49	0.40	0.47	0.525
Net Total:	18.50	16.76	19.43	17.82	21.718

2022 HEADLINE

The Gross Estimate for 2022 was set at €19.83 million. This is largely driven by the requirement to provide for annualised salaries of staff. The gross outturn for 2022 was €18.29 million and so the OGP consumed €1.54 million less financial resources than planned in the Revised Estimates.

2022 REVISED ESTIMATES CHANGES

There were changes to the administration subheads in the 2022 Estimates and 2022 outturn, in order to move towards a standardised chart of accounts across Government.

2022 SURPLUS TO SURRENDER

The audited surplus surrendered in 2022 adjusted for capital carryover was €1.54 million, which arose due to the following:

- **Administrative Budget** (€0.92 million) – Delays in the on-boarding of staff impacted on spend within this subhead, resulting in an underspend of €0.92 million. Some progress has been made in the intervening time with underspend in pay reducing year on year.
 - Other areas of underspend were:
 - Travel and subsistence – the outturn for 2022 was €91k compared to a budget of €187k. This is mainly due to restrictions on travel in the early part of 2022;
 - Operating expenses (office service and supplies etc.) – the outturn for 2022 was €90k compared to a budget of €158k;
 - Use of professional, consultancy and other services – the outturn for 2022 was €86k compared to a budget of €100k; and
 - Communications expenses were €146k compared to a budget of €150k.
 - There was a minor overspend in asset and equipment expenses. Outturn for 2022 was €211k compared to a budget of €150k. The majority of this spend for 2022 related to software licences and furniture. Current spend was €137k, the majority of which was of €129k software licences. The majority of the capital spend was

furniture (€48k). The capital was overspent by €29k which was covered by the capital carryover of €35k into 2022.

- **Procurement Consultancy and Other Costs** (€0.62 million) – The allocation to this subhead is provided to cover expenditure arising from procurement capacity support, procurement category specific advisory services, IT systems support, IT systems advisors and strategic consultants.
- This underspend is primarily due to longer than expected start up times on a number of key projects. These delays have, for the most part, stemmed from the ongoing pandemic as a result of issues such as availability, connectivity and diversion of resources to address the impact of Covid-19.
- A capital carryover to 2023 of €35k was requested and sanctioned.

2023 HEADLINE

The Estimate for 2023 is €22.24 million which represents a 12% increase on the 2022 Estimate of €19.83 million.

Appropriation Account 2022
Vote 43 - Office of the Government Chief Information Officer

Recent Financial History for the Vote					
Estimate Summary	2021 Estimate €m	2021 Outturn €m	2022 Estimate €m	2022 Outturn €m*	2023 Estimate €m
A. Government ICT services	22.9	22.7	43.5	43.2	40.4
Gross Total:	22.9	22.7	43.5	43.2	40.4
B. Appropriations in Aid	.1	.2	0.2	0.2	0.2
Net Total:	22.8	22.5	43.3	42.9	40.2

**Columns may not tally due to rounding and excludes capital carryover.*

2022 HEADLINE

The gross outturn for 2022 was €43.2 million, which was 1% under budget.

The OGCIO serves to drive the digital transformation agenda across Government while providing and developing pan-public service ICT infrastructure, service delivery models and cross government applications. The OGCIO Vote funds pay, admin and programme costs which were transferred on an Exchequer neutral basis from the Department's own Vote and from other Departments and Offices using the OGCIO's services.

Like many other areas, the OGCIO has had challenges in recruiting suitably qualified staff via Public Appointments Service competitions, mobility and secondments and has instead recruited external resources via Office of Government Procurement Frameworks and other contracts for professional services to ensure continued delivery of its services. In order to mitigate the requirement of preparing a supplementary budget request, virement sanction was requested during 2022 to move savings of €600k from Admin Pay to Government ICT Services and all of these funds were utilised.

As part of the National Low Latency Platform Project, €23 million was allocated for a two-year period. In 2022, €18.5 million was spent and the remaining €4.5 million was allocated for 2023. This funding was provided to OGCIO to deliver a National Low Latency Platform based on 5G technologies under the National Recovery and Resilience Plan.

2022 REVISED ESTIMATES CHANGES

2022 saw the introduction of revised admin subheads as part of the Financial Management Shared Services project, which introduced a common chart of accounts for all voted bodies. The changes to the administration subheads in 2022 was to facilitate the new single cross Government chart of accounts for all Votes.

2023 HEADLINE

The Estimate for 2023 is €40.48 million which represents a 6.9% decrease on the 2022 Estimate of €43.47 million. The main reason for the decrease in estimates relates to a once off Recovery and Resilience Facility (RRF) project. The OGCI0 was successful in its bid for RRF funding in 2021 and received €18.5 million in the 2022 Estimates and €4.5 million in the 2023 Estimates to deliver the National Low Latency Platform.

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

1. 2022 allocations and outturn

- The Revised Estimates (REV) 2022 outlined a Government Expenditure Ceiling of €87.6 billion, €4.6 billion of which remained unallocated at the time.
- Additional funding of €7.7 billion in gross terms (€7 billion net) was allocated by way of Supplementary Estimates for in-year developments.
- These Estimates utilised the remaining €4.6 billion space under the Government Expenditure Ceiling and allocated additional funding. Following Supplementary Estimates, the Government expenditure ceiling increased by €3.1 billion to €90.67 billion.
- Actual expenditure amounted to €88.1 billion. Therefore, €2.5 billion of additional funding went unspent in 2022.
- In terms of overall performance, expenditure of €88.1 billion was approximately €500 million higher than the planned level set out in the Budget for 2022. This was against a backdrop of a rapid increase in inflation levels averaging 8.1% over the year.

2. Supplementary Estimates

- Supplementary Estimates of €7 billion were approved.
- This high level of Supplementary Estimates was driven by a number of factors including:
 - Allocation of funding for a new Public Service pay deal to individual Departments;
 - Provision of funding for Cost of Living package announced as part of Budget 2023 with costs falling in Q4 2022;
 - Allocation of contingency funding for developments such as Ukraine domestic humanitarian response; and
 - Additional funding requirements of specific Departments, e.g. pensions (in Vote 12 Superannuation and Health), increased demand (for example Health), increased capital demand (in Justice and Education).

Surpluses for surrender

- Surplus funding of €2.8 billion was recorded at end 2022.
- €687 million was approved for carryover into 2023.
- The remaining €2.1 billion was surrendered back to the Exchequer at end 2022
- The largest surrendered amounts in nominal terms were:
 - €715 million by Enterprise Trade and Employment;
 - €301 million for Environment, Climate and Communications;
 - €246 million for Housing, Local Government and Heritage;
 - €150 million for Social Protection;
 - €95 million for Agriculture; and
 - €87 million for Children, Equality, Disability, Integration and Youth.

Reasons for large surrender levels or Supplementary Estimates

The **Department of Enterprise, Trade and Employment** Supplementary Estimate was mainly due to the Temporary Business Energy Support Scheme (TBESS) to support businesses with increasing energy costs. This scheme was announced in Budget 2023 (September 2022).

- €650 million was provided for the scheme in 2022 based on energy price data available at the time and estimated take-up assumptions.
- The final outturn for the scheme for 2022 was €5.5 million. The main reason for this large underspend was the legislation giving effect to the Scheme was not enacted until late in December which left a very short window for the payment of claims. Other factors such as low awareness of the Scheme, existing energy provider contractual arrangements, billing cycles, etc. also affected the drawdown of expenditure under the Scheme in 2022.

In 2022, the **Department of Foreign Affairs** (DFA) sought Supplementary Estimates of €114 million: an additional €30 million for Vote 27 and an additional €84 million for Vote 28. This was in the context of an initial estimate of net expenditure of €855.295 million across both Votes (Vote 27: €604.902 million; Vote 28: €251 million). The Dáil approved the Supplementary Estimates in November 2022.

- The additional allocation for Vote 27 supported the provision of €30 million in humanitarian support to the Horn of Africa, in particular to address food insecurity caused by political turmoil, climate change, and the Russian invasion of Ukraine.
- In addition, the Supplementary Estimate supported the provision of an additional amount of €30 million to provide institutional support for the stability of the governments of Ukraine and Moldova. It also facilitated payment of Ireland's assessed contributions to the UN system – primarily in respect of Peacekeeping costs – and mandatory contributions to the EU in respect of the European Peace Facility, including a €7.35 million contribution directed exclusively towards the provision of non-lethal support to Ukraine.
- An additional sum of €10.5 million went to the Passport Service, primarily to facilitate the advance purchase of passport books in the context of a global shortage of microchips and other supply chain issues.

The **Department of the Environment, Climate and Communications** (DECC) had a gross allocation of €868.5 million at REV 2022, which was increased following three Supplementary Estimates to €2,611.9 million.

- Vote 29 had a 157% net overspend compared to its original Estimate. This was mainly due to the introduction of the electricity credits to domestic accounts (€1.58 billion) paid to ESB Networks in 2022 but paid to domestic customers over 2022 and 2023.
- Vote 29 had a 9% gross underspend compared to the final Supplementary Estimate. This primarily arose due to an underspend of €199 million on B13 Emergency Generation Capacity.

The **Department of Housing, Local Government and Heritage** (DHLGH) surrendered €247 million in 2022. The Department were allocated €5.872 billion in 2022. This represented an increase of 12% on 2021.

- Capital expenditure in 2022 progressed slower than profiled as a result of construction activities being significantly impacted by ongoing external and macroeconomic issues.
- These included:
 - the COVID-19 protocols that prevailed up to early 2022, and resulting delays in project timelines;
 - rising price inflation, impacting on building costs and hence delivery timelines within projects;
 - supply chain disruption;
 - Interest rate changes, impacting financing on privately delivered turnkey or mixed delivery projects; and
 - As a result of these challenges, which largely relate to delays in building, capital of €228 million was unspent by DHLGH in 2022 and returned to the Exchequer, and €340 million of capital was carried over into the 2023 DHLGH capital allocation, allowable under the Finance Act 2004, section 91.

The Department of **Children, Equality, Disability, Integration and Youth** surrendered €86.7 million in 2022.

- The surrender on DCEIDY was mainly due to delays in furnishing and processing invoices related to Ukraine spending with savings of €78.6 million.
- Most of the other subheads on DCEDIY Vote also showed minor savings.
- IPAS showed an overspend of €5.4 million due to an increase in the number applicants seeking accommodation in 2022.

The Department of Social Protection surrendered €150.3 million in 2022 due to underspends across a range of schemes and services (compared to the Supplementary Estimate). The main drivers were:

- Jobseekers Allowance – an underspend of €50 million due to uncertainty around the level of Ukraine arrivals and transfers from PUP to the Live Register when the supplementary was being approved;
- Contracted Public Employment Services – an underspend of €14 million due to a slower rollout of services than anticipated;
- Carer's Support Grant – an underspend of €14 million due to lower than estimated expenditure on Cost of Living once-off payments; and
- Disability Allowance – an underspend of €12 million due to a lower number of recipients than estimated.

Underspends on the **Office of Public Works** Vote in 2022 were predominantly related to Capital expenditure projects. Current expenditure for the year reported a 2% underspend versus the Revised Estimate allocation. The main drivers of Capital Expenditure underspends are listed as follows:

- **Flood Relief Programmes:** There was a large surplus related to flood risk management (€41.3 million), mainly due to planning approval delays and other legal issues affecting the construction commencement dates of seven capital projects. In addition, there were savings at the design stage (Stage 1) for some 34 schemes, due to reduced market capacity to provide necessary data;
- **NRPP Projects:** The National Recovery and Resilience Plan subhead had a surplus of €46.4 million. This variance was due to delay in awarding the contract for the Data

Centre Project in Backweston, Co. Kildare and a delayed start to the programme of energy upgrading works for regional office buildings;

- **Acquisitions:** The surplus in subhead B5 - Purchase of sites and buildings of €4.4 million was due a planned acquisition not materialising in 2022; and
- **2023:** Capital spend this year is on track to be much closer to profile than in previous years. As of the October issues Capital (excl. carryover) is 2.6% behind profile and Capital Carryover from 2022 (€27 million) has been fully expended.

The **Office of the Attorney General** saw an underspend against allocation of €13.5 million in the Office of the Attorney General, or 40% of the allocated amount of just under €34 million in gross funding.

- €9.3 million or 69% of the total surrendered was under subhead A6 Consolidation and Revision of Planning Legislation.
- €12 million was allocated in 2022 at the request of the then Attorney General to the A6 subhead for a particular project examining planning legislation with a view to supporting delivery of Housing for All. Costs of this project for 2022 were less than estimated, with only €2.7 million of the €6 million budgeted for Legal Expertise Working group realised and no spend required for external legal expertise or miscellaneous costs.

Overall Trends

- Since the outbreak of COVID-19 pandemic in 2020, the level of surrendered funding has increased. There are a number of reasons for this trend:
 - Non-core expenditure was introduced in 2020 to respond the exit of Britain from the EU and to the emergence of the COVID-19 Pandemic;
 - Funding was held back each year as a contingency to be allocated pending developments, e.g. alterations in the health restrictions and supports required related to COVID-19, additional projects identified under the Brexit Adjustment Reserve;
 - In 2022, there was a shift in requirements as new challenges emerged, ongoing supply chain issues due to the knock-on impact of Covid restrictions throughout 2020 and 2021 and the impact of Brexit led to inflationary pressure. These pressures were furthered compounded with the outbreak of the war in Ukraine and resulting increases in energy prices. This led to a series of Cost of Living Packages to providing timely, targeted and temporary supports to those who most needed it;
 - Furthermore additional allocations were required to provide for those arriving on shores from Ukraine and meet our humanitarian responsibilities;
 - These non-core external pressures have required timely responses from Government, on the basis of the- best information available. This lead to an increase in the level of supplementary estimates, but also—due to inherent uncertainty related to these external pressures—an increase in the amount surrendered.
- It is important to note that non-core expenditure has been reducing over time. €15.4 billion was provided in 2020, reducing to €8.8 billion in 2022 and with this reducing further to a projected €4.5 billion in 2024;

- While there is inherent uncertainty in relation to these pressures as more information becomes available our Estimates will take account of this; and
- Departmental officials are engaging with each Department to ensure better alignment between Supplementary Estimates for 2023 and forecast end year position. This should reduce the level of surrender to the Exchequer.

Format and Content of the Appropriation Accounts

The Department is planning on making a small number of changes to the Appropriation Account circular for the 2023 financial reporting period. Some of these changes will facilitate the Department's aim of bringing the current accrual based financial reports in the Appropriation Accounts into line with International Public Sector Accounting Standards (IPSAS).

The most significant changes to the Appropriation Account circular in 2023 are:

- Renaming of Capital assets as Property, plant and equipment to achieve consistency with new accounting standards and to facilitate separate identification of intangible assets;
- Separate Intangible Assets disclosure note as required by IPSAS 31. This will mean that the current Capital Assets note will be split into two notes to the Statement of Financial Position (balance sheet). The first is a disclosure note on Intangible Assets and the second, a note on Property, Plant and Equipment (PPE);
- Intangible assets and property plant and equipment will be separately identified on the Statement of Financial Position. Comparatives will be restated for consistent reporting;
- Relevant movement in intangible assets and in property plant and equipment will also be shown separately in the Operating Cost Statement and in the State Funding Account;
- Split out of accruals line on Operating Cost Statement into Accruals, Prepayments, Accrued Income and Deferred Income. This change will aid the readers of the accounts more easily track balance sheet movements to the Operating Cost Statement; and
- Standard monthly depreciation policy be established (monthly from point put in service) so that only those who do not comply have to state the method used (annual depreciation charge).

The Department is also developing a central register of the latest financial statements of bodies under the aegis of Government Departments. This registry 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 as members of the Oireachtas and the public will have a real time hub showing the latest audited financial Statements of every public body. This would be in contrast with receiving the information on 30 September of the following year when the Office of the Comptroller and Auditor General lays the Appropriation Accounts.

Central Government Accounting Standards

In response to recommendation 6.4 in Chapter 6 of the C&AG's Report on the Accounts of Public Services 2022, the Department will provide an updated timeline to stakeholders on the financial reporting reforms agreed by the Government in 2019 after the Minister for Public Expenditure, National Development Plan Delivery and Reform updates Government on the timeline for the phased introduction of Central Government Accounting Standards (CGAS). CGAS are based on IPSAS with minor adjustments to take account of Irish reporting requirements.

As recommended in the 2019 OECD report, Central Government Accounting Standards (CGAS) based on IPSAS are being introduced on a phased basis for Departments and Offices of Government. In 2019, the Government decided that Government Departments and Offices would produce accrual based accounts in the Appropriation Account based on International Public Sector Accounting Standards for the 2025 financial year.

The first phase of is the introduction of nine Balance Sheet focussed accounting standards dealing with the accounting treatment of assets and liabilities for the accounting period ending December 2024. 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.

These first standards were prioritised as they primarily stipulate the accounting treatment of assets and liabilities. These standards will bring the current Statements of Financial Position (Balance Sheets) of Government Departments and Offices up to normal international accounting standards.

Delivery of the National Development Plan

The recent renaming of the Department to specifically include National Development Plan (NDP) Delivery has brought about a greater emphasis and mandate for the delivery of the NDP. In light of this new role, a review of the support structures and levers available across Government to maximise delivery of projects was undertaken earlier this year, as well as engagement with stakeholders and government colleagues. As a result, a series of actions and reforms were identified as priorities to improve delivery of NDP projects and programmes. The Minister secured government approval for that package of measures on 29 March, 2023.

The suite of significant actions have been identified for 2023 to support and improve delivery under the NDP, including:

- Action 1: The Public Spending Code will be replaced by a set of Infrastructure Guidelines. The level of cost at which a new proposal is considered a major project is also raised from €100 million to €200 million, and major projects will be subject to review by the Department of Public Expenditure NDP Delivery and Reform (PENDR) and Major Projects Advisory Group (MPAG) at the Preliminary Business Case stage only. It will be a requirement that major projects will go to Cabinet for approval at this and the Final Business Case stage. Prior to project implementation, the number of stages in the approval process will reduce from five stages to three stages. This applies to all projects and will help to significantly speed up the appraisal and approval process;
- Action 2: The Capital Works Management Framework (CWMF) will continue to work on rebalancing risk in the Public Works Contract while maintaining expenditure control. The focus on lifecycle costs in tender documentation as opposed to construction costs will allow public clients to focus on quality over cheapest bid. The reforms are also targeted at rebalancing some of the risks borne by the contractors/consultants on public works projects through capping the liability and amending indemnity insurance requirements. Initial changes were introduced in July 2023;
- Action 3: The Project Ireland 2040 Delivery Board has been reconstituted and is now chaired by the Minister for Public Expenditure, NDP Delivery and Reform, and comprise the existing independent members and key Secretaries General;
- Action 4: The review of capacity in major departments and agencies to deliver on NDP priorities has commenced with a particular focus on significant capital projects to ensure appropriate resourcing to assist delivery;
- Action 5: An independent mid-term evaluation of investment priorities and capacity of the NDP is nearing finalisation. This focuses on the capacity to deliver current Government priorities, to utilise sectoral capital allocations and to estimate the impact of the NDP on key economic indicators; and
- Action 6: Reporting to the Government on NDP delivery throughout 2023 and 2024 on a quarterly basis has been in place since Q2 2023.

It is important to emphasise that this Department is responsible for setting the overall multi-annual capital expenditure ceilings for each Ministerial Vote Group as set out in the National Development Plan and Project Ireland 2040. The 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 National Development Plan 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 this Department in terms of assuring appropriate value for money and the appropriate use of public funds.

Public Spending Code

The Public Spending Code (PSC) / Infrastructure Guidelines set out the value for money requirements and guidance for evaluating, planning and managing Exchequer-funded capital projects. It is highlighted that management and delivery of investment projects and public services and the appropriate national frameworks is a key responsibility of every Department and Minister.

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.

Investment in capital projects has grown substantially in recent years from €4.6 billion in 2017 to over €12 billion this year. The NDP is providing for ambitious plans to enhance public transport infrastructure, provide a greatly enhanced estate for school and education facilities, more homes and better healthcare. In the public transport sector, for example, good practice is in place where the sponsoring agency, the Transport Infrastructure Ireland (TII), has a well-defined responsibility evaluating, planning and managing capital projects. The Approval Authority, the Department of Transport, has the ultimate responsibility for the project and assesses the business cases at the appropriate stages.

Major investment projects require rigorous appraisal and the scale and detail of evaluating, planning and managing projects should be commensurate with the scale of the proposal. Ireland has had challenges in terms of capital delivery across recent decades and with some major projects in recent years. The Public Spending Code seeks to rigorously appraise projects early in the development stage to ensure that likely risks and costs have been fully considered prior to approval. It should be noted that cost overruns on major projects are not unique to public sector, as private projects are as prone to cost and time overruns which can arise for many reasons. The issue of successfully managing the delivery of major projects remains a key business requirement.

The Department considers that good governance in capital projects is beneficial for effective delivery. The Code provides processes for risk management, solid controls and clarity in objectives by bringing a rigour to decision making noting that the development of capital projects is essentially grounded on a series of decisions.

Factors such as scope creep, which are deviations from the original design, and delays due to the planning process and in some cases subsequent judicial review, are often provided as reasons for overruns on cost or time. Other causes can often be derived from various biases including optimism bias. The PSC protects owners, and the taxpayer, from these biases through more rigorous appraisal and the consideration of appropriate cost forecasting/benchmarking, including external perspectives and experience from previous projects.

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.

Value for Money / Spending Reviews

This information is provided in the context of the reference to Value for Money in the letter of invitation to the Secretary General.

Expenditure reviews are a vital component of the public expenditure management framework and a formal structure surrounding them has been in place, in various guises, since 2009. This Department has been responsible for the administration and facilitation of what is commonly known as the Spending Review process across the Civil Service since 2017, which is a follow on from what was formerly a larger Value for Money Review process (VFM) 2009 to 2012 and the Comprehensive Reviews of Expenditure (CRE's) up to 2017.

Between 2017 and 2022, a total of 173 formal Spending Review papers have been published, with more Departments now routinely assessing key policies and programmes as part of the spending review processes. All these reviews are listed and published on gov.ie.

The core objectives of the Spending Review are to:

- increase the range of data sources upon which policy analysis can be conducted;
- foster engagement, learning and deliberation between Departments in relation to the public policy formulation and implementation;
- assess the effectiveness of public expenditure in meeting policy objectives;
- feed policy insights into all stages of the policy process; and
- to use evidence and insights to inform programmes of reform and initiate reform where appropriate.