

Opening Statement

Michael McGrath TD, Minister for Public Expenditure and Reform

Budget Oversight Committee

Tuesday, 9th February 2021

Chair, and members of the Committee, I would like to thank you for the invitation to appear before you today and to make a contribution to your deliberations on parliamentary engagement throughout the budget cycle.

The Interim Report of the Committee sets out a number of key observations including in relation to pre-budget and performance scrutiny. I will deal with the issues that are relevant to the expenditure side of these processes.

Let me say at the outset, Chair, that I am very appreciative of the efforts and the insights that have gone into the preparation of the Interim Report. I think it is encouraging that the progress that has been made over recent years in improving and strengthening the opportunities for parliamentary engagement in our budgetary process – not least through the establishment of this Committee – be kept under review and that opportunities for further enhancement should be identified and actioned, where appropriate.

Equally, Chair, it is important to acknowledge and to remind ourselves of the progress that has been made and that is underway to support increased parliamentary engagement. As I have just mentioned, the establishment of this Committee is one major milestone in this reform agenda, as is the establishment of the Parliamentary Budget Office.

At the same time, the reforms introduced by the Department of Finance and the Department of Public Expenditure and Reform also support budgetary scrutiny and effective engagement with the budgetary process.

The Programme for Government also outlines a number of priorities in the area of reform to the budgetary process including: the development of well-being measures; and better budgeting for demographic costs.

These Programme for Government priorities, along with the significant reforms already in place can help to deliver more focused and more informed engagement. As noted in the Interim Report, a more effective budgetary framework has the potential to lead to improved outcomes for citizens through better informed policy-making, resource allocation and accountability. Ultimately, that is an outcome that we all want to see delivered.

Reforms in recent years with the publication of additional documents such as the Summer Economic Statement and the Mid-Year Expenditure Report support better pre-budget scrutiny. I acknowledge that the pandemic impacted this process last year, with the Mid-Year Expenditure Report not being published in July as usual and being replaced by a Pre-Budget Expenditure Update published in advance of the Budget in October.

The exceptional circumstances last year, with a requirement to respond to the evolving situation with the virus, meant that the focus was on implementing measures to support our people and businesses experiencing extreme difficulties arising from the pandemic and to ensure that our health service had the resources to respond to the crisis. The scale of support provided resulted in overall gross voted expenditure for 2020 coming in at €85.3 billion, an increase of almost €15 billion on the amount set out in the pre-Covid Revised Estimates for Public Services (REV) 2020. I want to acknowledge the role of the Oireachtas

in considering and approving this significant level of additional expenditure required to implement these support measures.

Turning to pre-budget scrutiny, there are a number of processes in place that can support such engagement. In setting out the Departmental expenditure baseline for the medium-term, reflecting pre-commitments arising from cost pressures such as demographics, and outlining the mid-year expenditure position for Departments, the Mid-Year Expenditure Report is focussed on supporting enhanced pre-budget scrutiny. I note that the Interim Report specifically references the cost of standing-still for the budget year including taking account of demographics. This is an issue that the Mid-Year Expenditure Report seeks to inform, and as I noted earlier, better budgeting for demographic costs is included in the Programme for Government.

Alongside the Mid-Year Expenditure Report, my Department publishes the Spending Review papers. Among the objectives of the Spending Review process are the assessment of the effectiveness of public spending in delivering on policy objectives and the development of evidence informed policy making. With over 100 published papers from the spending review process since 2017, this represents a significant evidence base to support policy formulation and development, and a year-round approach to the budget process.

I note that the Interim Report outlines that performance scrutiny should move towards a more structured year-round engagement. I am supportive of the principle that underlies this recommendation, and there are a number of processes and reports in place that can support such engagement.

In this regard, Performance Budgeting has been a key focus of budgetary reform. With the change in the budgetary timetable in 2013, and the REV now being published in December each year, this provides an opportunity for earlier

engagement by Committees with the Estimates during the course of the first quarter of the year.

The REV itself has developed significantly in recent years and now routinely includes details on activities, outputs and context-specific outcome indicators. Over the past three or four years in particular, the performance budgeting initiative has been expanded to include indicators relating to equality objectives. The Equality Budgeting initiative was first introduced as part of Budget 2018 and aims to provide greater information on how budgetary measures are likely to impact upon the various dimensions of equality. Expanding from an initial pilot, REV 2021 includes equality indicators for a number of Votes across twelve Ministerial Vote Groups, with additional Departments providing indicators this year including Housing and Agriculture.

Since its introduction, the performance budgeting initiative has been kept under review with a view to enhancing the quality of the information provided. As we look to develop performance budgeting further, the OECD, under the EU's Structural Reform Support Programme is currently engaged in a project to improve the effectiveness of performance budgeting drawing on international best practice. In its work, the OECD has met with a wide range of stakeholders including members of the Committee.

There is a significant amount of information published in the REV each year, with information at programme level on financial resources, outputs and public service activities, and impact indicators. Taking into account the ongoing work to enhance performance budgeting, this affords the opportunity to leverage the use of existing reports and processes to support the work of the Oireachtas in scrutinising Estimates.

While the REV deals with planned performance for the year ahead, the Public Service Performance Report outlines the key outputs that have been delivered each year. This Report was developed to facilitate meaningful and constructive dialogue on what is actually being delivered with public funds and is available for use by Oireachtas Committees.

As noted earlier, the Programme for Government has a commitment regarding the development of a well-being framework for Ireland. The development of this framework is aligned with the above reforms. In developing this framework, I am mindful of the need for Government to consult with key stakeholders, as such consultation should ensure buy-in to the framework and ensure its relevance to the work of those charged with designing, implementing and scrutinising public policy.

There are many reports and processes already in existence that we can look to utilise as we work together to improve engagement between Government and the Oireachtas on the budgetary process and on scrutiny of performance. Such an approach can support effective engagement, timely provision of information and the identification of those metrics of performance, equality and well-being that are most useful to parliamentary accountability.

It would also be important that there is a clear sense of the respective roles and responsibilities of the various Committees as this clarity can support Departments in their engagement with the Oireachtas.

I look forward, Chair, to a good discussion today and to working with the Committee on ways to enhance this key area of work.

Thank you.