

Meeting of the Committee on Budgetary Oversight

26 October 2022

Opening Statement of Niamh Callaghan, Department of Public Expenditure and Reform

Introduction

I would like to thank the Chairperson and the Committee for the invitation to attend the meeting today to provide an update on Budget 2023 and to assist the Committee as part of its Post-Budget examination. Today I am joined by three colleagues from the Department of Public Expenditure alongside colleagues from the Department of Finance.

Budget 2023

The Medium-Term Expenditure Framework, published in Summer Economic Statement 2021, outlined the strategy to:

1. Set core expenditure growth rate at sustainable levels – 5 per cent per annum; and
2. Provide for ongoing improvements in public services

Developments in 2022 have altered the economic landscape significantly. As part of the Summer Economic Statement, the growth rate for expenditure in 2023 was adjusted upwards.

The Government's objectives for Budget 2023 are to:

- Continue to invest in public services and infrastructure through core expenditure without further adding to inflationary pressures;
- Provide a comprehensive response to the cost of living pressures for households, businesses and wider society; and
- Ensure sufficient resources to respond to external challenges, including Covid-19, Brexit and Ukrainian humanitarian response.

Budget 2023 allocated €90.4 billion gross voted expenditure for next year. This is composed of €74.3 billion in core current expenditure for the delivery of public services, €11.6 billion in core capital expenditure as set out in the National Development Plan and €4.5 billion in non-core expenditure.

Cost of Living Response

Budget 2023 contains a significant response to support households, public and community services and businesses with inflationary pressures. This includes both one-off and permanent measures.

- €2.2 billion winter cost of living package for households including three energy credit for all households and a series of additional Social Protection payments
- In addition, a Christmas Bonus will also be paid to eligible social protection recipients in in 2022.
- In recognition of the unprecedented rise in energy bills, Government is also making available €340 million in 2022 to provide further support to public and community services.
- Government is introducing a €200 million Ukraine Emergency Response Scheme to support businesses

Budget 2023 also includes new core permanent spending measures, focusing on cost of living, with an estimated value of c. €1.3 billion, including a €12 weekly Social Protection rates increase for working age and pension payments and an increase in the universal subsidy on the National Childcare Scheme.

Distributional Analysis

Chapter 2 of the Budget 2023 Expenditure Report sets out an analysis of the impact of these cost of living, tax and social protection measures. Households are estimated to record an average gain in weekly disposable equivalised income of 3 per cent as a result of Budget 2023, with the overall impact of being strongly progressive. The disposable income of those in the first three income deciles is estimated to increase by an average of 5.2 per cent. This demonstrates the important role of Social Protection measures at the lower end of the income distribution.

Budget Day Publications

Budget 2023 saw the development and publication of key budgetary documentation such as *Expenditure Report 2023*. This document sets out the public expenditure strategy, expenditure allocations by Vote and the Estimates for Public Services. This year the report included detail regarding Cost of Living measures and non-core funding required to respond to external temporary shocks. Additional analytical papers published this year on Budget day include:

- Budget 2023: forecasting Live Register Recipients and Expenditure
- Budget 2023: The use of carbon tax funds

In addition to these analytical publications, the Budget in Brief: Your Guide to Budget 2023 was published on Budget day, which provides a high-level overview of the Budget decisions in a clear and accessible format.

Whole of Year Budget Process

It is useful to consider the range of budgetary documents alongside the budgetary reform initiatives as part of the whole of year budget process. These initiatives place an emphasis on broadening the approach to how public expenditure is appraised, implemented and reviewed across Government Departments, and examining the impact of public expenditure among different cohorts of society and on the different types of objectives that we want to achieve. It is with this more complete understanding that policymakers can work towards the achievement of value for money in the context of the entire budgetary process, and enhance the impact of policies and programmes.

The range of budgetary reform initiatives include the Public Spending Code; National Development Plan; Performance Budgeting; Equality Budgeting; Green Budgeting; Well-being Budgeting; and the Spending Review process.

A range of papers and strategies are produced throughout the calendar year including the Public Service Performance Report published in May, National Economic Dialogue held in June, the Summer Economic Statement and Mid-Year Expenditure Report in July, Spending Review papers generally published in two tranches in August and November, Budget Day publications in September/October and then the Revised Estimates Volume in December. This demonstrates the breadth of information feeding into the preparation of the Budget and the ongoing management of public expenditure in a planned, balanced and evidence-informed manner.

Conclusion

Thank you for this opportunity to address the Committee and we look forward to answering your questions.

ENDS