

**Opening Statement to the Meeting of the Select Committee on Budgetary
Oversight
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**John Kinnane, Acting Assistant Secretary, Expenditure Policy Division,
Department of Public Expenditure, NDP Delivery and Reform**

Introduction

I would like to thank the Chairperson and the Committee for the invitation to attend the meeting today to discuss ELS and to assist the Committee as part of its Post-Budget examination. I am joined by Jasmina Behan, Assistant Secretary, Work and Pensions Division, in the Department of Public Expenditure, NDP Delivery and Reform.

Existing Level of Service

A key part of the annual budgetary process is determining the amount of funding required for Departments to deliver services and supports based on the existing budgetary policy. This is referred to as the ‘Existing Level of Service’ or ELS. In any year ELS represents a significant element of the Budget package. It does not represent new policy decisions. However, to address demand pressures, including from demographic changes, the ELS provision will provide funding to deliver more supports and more services including:

- Additional staff to deliver public services, such as more teachers and SNAs,
- Additional places or beneficiaries on existing schemes, such as more people in receipt of the State Pension;
- Continued additional benefits for measures rolled out in previous budgets, for example the full year cost of decisions.

ELS and the Medium Term Expenditure Strategy

The Summer Economic Statement (SES) in 2021 set out the Medium Term Expenditure Strategy for the period to 2025, with an annual growth rate in core expenditure of 5%, broadly in line with the trend growth rate of the economy. This approach would see core spending grow in line with the trend growth rate while allowing the General Government Balance to fluctuate with the automatic stabilisers operating as the economy evolves.

The 2021 SES also set out a revised approach in relation to “pre-committed” current expenditure, with a provision of 3% of the core current expenditure base for ELS costs across each year of the multiannual period out to 2025. Previously an amount was set aside for: demographics in Health, Education, and Social Protection; the cost of existing pay deals; and the carryover of prior year Budget measures. In the previous SES in 2019, covering the period 2020 to 2024, this provided an amount for pre-committed current expenditure equivalent to just under 2% of the expenditure baseline for the first year of the forecast horizon, falling to just under 1% in the two outer years.

The increased level of provision of 3% set out in the 2021 SES took account of trends seen in previous budgets. This is an overall provision rather than a set rate of increase for each Department. This aids fiscal planning by providing a better estimate of the overall costs of maintaining ELS and therefore a better assessment of the amount available for new measures to enhance public services and social protection supports over a multiannual period.

ELS and Budget 2024

The 2023 SES set out a budgetary package for 2024 that saw the level of core expenditure growth increasing from 5% to 6.1% and provision for €4 billion of non-core expenditure to address external challenges including the humanitarian

response to the war in Ukraine and the legacy impacts of the pandemic. Within an overall increase of €4.3 billion for core current expenditure, the Mid-Year Expenditure Report, published in July, outlined an estimated amount of €2.3 billion in respect of the additional costs arising in 2024 to deliver ELS. This amount equated to approximately 3% of the core current expenditure base.

Each year, both as part of the whole of year Budget process and the finalisation of Estimates, ELS is considered in detail in each Vote. This requires an assessment of the specific needs of the Vote including previous budget decisions, the impact of the existing public service pay deals and any demographic or other demand impacts. Following detailed engagement across Departments in the Estimates process, the additional costs of ELS were estimated at €1.8 billion in Budget 2024, or 2.4% of the current expenditure base. Within this overall amount of 2.4% there was significant variation with some Departments having an additional ELS requirement equivalent to c. ½% of their core current expenditure baselines.

When this additional amount is added to the core current expenditure base of €74.3 billion, this brings the current expenditure amount to €76.1 billion for ELS and to €78.7 billion in total after providing for new budget measures.

Analysis and the Existing Level of Service

Given the overall scale of expenditure, the whole of year budget process, monitoring and reporting on expenditure, and financial management and evaluation processes across Departments, support the effective management of overall ELS costs. Throughout the year public expenditure is appraised, implemented and reviewed through a number of processes. These include;

- The Spending Review, which has produced 170 papers since 2017. These papers facilitate all Departments to analyse the efficiency and

effectiveness of their own key policy areas and act as an input to an evidence informed budgetary process.

- The Fiscal Monitor, published monthly, which monitors expenditure that month, comparing it to plans set at the start of the year.
- Quarterly reporting to Government by the main spending Departments on their respective sectors also takes place alongside the overall expenditure management updates provided by DPENDR.
- The work of the Irish Government Economic and Evaluation Service, assessing, analysing and using data to inform policy formation across Government.

All of these aspects are considered as part of the process of determining ELS in budgetary negotiations.

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

ENDS