

# DÁIL ÉIREANN

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## AN ROGHCHOISTE UM FHORMHAOIRSIÚ BUISÉID

### COMMITTEE ON BUDGETARY OVERSIGHT

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*Déardaoin, 20 Bealtaine 2021*

*Thursday, 20 May 2021*

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Tháinig an Roghchoiste le chéile ag 9.30 a.m.

The Select Committee met at 9.30 a.m.

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Comhaltaí a bhí i láthair/Members present:

Teachtaí Dála/Deputies	
Seán Canney,	
Ciarán Cannon,	
Pearse Doherty,	
Bernard J. Durkan,	
Mairéad Farrell,	
Michael Healy-Rae,	
John Lahart,	
Aindrias Moynihan,	
Patricia Ryan.	

Teachta/Deputy Neasa Hourigan sa Chathaoir/in the Chair.

## Public Service Performance Report 2020: Discussion

**Chairman:** I have received apologies from Deputies Nash and Leddin. Today the committee will engage with the Department of Public Expenditure and Reform regarding the Public Service Performance Report 2020. I welcome our witnesses: Mr. Ronnie Downes, assistant secretary; Mr. John Kinnane, principal officer; and Ms Caroline O’Loughlin, assistant secretary.

Before we begin I wish to explain some limitations to parliamentary privilege for our witnesses and the practice of the Houses as regards references they may make to other persons in their evidence. The evidence of witnesses physically present or who give evidence from within the parliamentary precincts is protected, pursuant to both the Constitution and statute, by absolute privilege. However, the witnesses are giving evidence remotely from a place outside of the parliamentary precincts and as such they may not benefit from the same level of immunity from legal proceedings as a witness physically present does. Witnesses are again reminded of the long-standing parliamentary practice that they should not criticise or make charges against any person or entity by name or in such a way as to make him or her or it identifiable or otherwise engage in speech that might be regarded as damaging to the good name of the person or entity. Therefore, if their statements are potentially defamatory in respect of an identifiable person or entity they will be directed to discontinue their remarks. It is imperative that they comply with any such direction.

Members should also note on privilege that they are reminded of the long-standing parliamentary practice to the effect that they should not comment on, criticise or make charges against a person outside of the Houses or an official either by name or in such a way as to make him, her or it identifiable. I remind Members of the constitutional requirement that they should be physically present within the confines of the place which the Parliament has chosen to sit, namely, Leinster House and or the convention centre in Dublin, to participate in public meetings. I will not permit a Member to participate where they are not adhering to this constitutional requirement. Therefore, any Member who attempts to participate from outside of the precincts will be asked to leave the meeting.

I ask Mr. Downes to make his opening statement.

**Mr. Ronnie Downes:** I thank the Chairperson for the invitation to appear before the committee and for the opportunity to discuss the Public Service Performance Report 2020 and answer any questions the Chairperson or committee members may have on performance budgeting and its role within the overall expenditure and budgetary framework.

The Government submission to the select Committee on Arrangements for Budgetary Scrutiny, in June 2016, committed to the publication of a performance report by the Minister for Public Expenditure and Reform. The first such report was published in 2017, with the Public Service Performance Report 2020, being the fifth edition of the report.

As recommended in the committee’s Interim Report on the framework for parliamentary engagement throughout the course of the budgetary cycle late last year, it was signalled that financial performance should be assessed through the principles of performance budgeting, focusing on what is being delivered with resources and how this aligns with the programme for Government and departmental statements of strategy.

The purpose of the performance report is to increase transparency and accountability and to ensure that the committee, as parliamentarians, and that citizens can see clearly how the public

funds are being used and what they are accomplishing. The information is deliberately presented in as clear and accessible a way as we can to ensure that people generally, not just those with financial expertise, can better understand how public money is being used.

The report builds on the existing elements of the performance-based budgeting initiative and creates a space within the budget process and cycle for performance-based dialogue. While performance information is provided alongside financial information in the Revised Estimates Volume, REV, in December, of each year, outturn information for the current year cannot be provided because of the timing of the REV publication. This means that committees may not have the relevant or most up-to-date information to allow them to assess performance for the most recent year in a timely fashion.

The performance report tries to address this lacuna by providing timely quantitative and qualitative information on what was delivered with public funds in the previous year so that there is an opportunity for meaningful dialogue between Ministers, Departments and the relevant sectoral committees on Government performance. The information provided will hopefully assist the relevant sectoral committees in tracking progress from year to year as to the outputs and outcomes of key governmental strategies.

I note that the committee's Final Report on the Framework for Parliamentary Engagement Throughout the Course of the Budgetary Cycle puts forward the proposal that sectoral committees should meet to consider the chapters of this performance report that are relevant to their areas of oversight. The performance report is designed to support such an enhanced focus on performance and delivery by committees. The relevant performance indicators are presented in this dedicated, focused document in as accessible a manner as we can make it. This approach seeks to enable the sectoral committees to make best use of the time available for reviewing performance and achievement by Departments and agencies.

This performance report is just one part of a broader suite of measures across the system to increase evidence-based decision-making, such as the spending review process, and the analytical papers that are produced regularly in that context, including by the Irish Government Economic and Evaluation Service, IGEES, network and the public spending code, which also set certain standards there.

Towards the back of the document the report includes an update on initiatives such as equality budgeting and green budgeting which are both integrated into this performance budgeting framework.

The equality budgeting pilot was introduced in 2018, and brings a new focus to performance budgeting, looking at various equality dimensions such as gender, socio-economic inequality, disability and minority groups. To date, 12 Departments have participated in equality budgeting and it has increased steadily year-on-year. Following a Government decision earlier this year, we are stepping that up and an interdepartmental group is being established to drive this important work across all areas of Government. This work is overseen and contributed to by an equality budgeting expert advisory group, which comprises key stakeholders and relevant experts, including independent voices. The last time I spoke to this committee, I drew attention to the OECD report on equality budgeting and we are moving forward with implementation of the various recommendations in that report.

Also related to the OECD, in 2019 Ireland joined the OECD Paris Collaborative on Green Budgeting and committed in that context to the progressive implementation of a range of re-

forms to the budgetary process with a view to better embedding climate and environmental goals within the budget process. With the ambitious climate targets in the programme for Government and their incorporation into legislation via the Climate Action and Low Carbon Development Bill 2021, the requirement for the budget process to support this grows more pressing. As I said, an update on this work is also included in the performance report.

As regards next steps, an ambitious work plan for performance budgeting policy is in place for the year ahead, which aims to continue and build on the momentum achieved to date and further advance this work. Last year, the Department of Public Expenditure and Reform successfully applied for funding to develop our performance budgeting framework and systems under the EU structural reform support programme, SRSP. The project incorporates the various elements and dimensions of performance budgeting, such as equality and climate-related budgeting and other aspects, including the Sustainable Development Goals and the well-being framework, all of which is in line with the programme for Government commitment to develop and utilise a national well-being framework. That EU-funded project is now near its mid-point and we are focusing on key priorities, such as improving and upgrading the IT framework for performance budgeting and increased the tagging or labelling of expenditure so we can more easily prepare and generate reports in order to highlight progress. In this context, we have undertaken a number of peer-to-peer study missions with counterparts in other countries to allow us to learn from best international practice. We keep our performance budgeting framework under constant and regular review to ensure it best serves the purpose of increasing transparency and accountability. Feedback from stakeholders is an essential part of this and, in particular, we value feedback from this committee as a cornerstone of that ongoing process.

In conclusion, it is clear from the committee's final report that the performance report is a source of information that can be further utilised by the various sectoral committees in their engagement with Ministers and their Departments. This engagement in principle allows the various committees to consider, with the relevant line Departments, any issues regarding performance against target and what is actually being achieved, and perhaps issues with the specific indicators selected for inclusion in the report and how they can be refined and upgraded. We found that the recommendations contained in the committee's report were quite thoughtful in this regard and we are putting together some material with a view to submitting a formal reply to the recommendations in that regard.

I thank the Chairman and the committee for including this performance report on its agenda and I look forward to hearing feedback and the views of members. This engagement with the committee in regard to the overall format of the report, and its positioning and role within the budgetary cycle, is very important to the Department of Public Expenditure and Reform as we continue our work in enhancing the overall performance budgeting framework and the performance report in particular. I know the Minister for Public Expenditure and Reform, Deputy Michael McGrath, is committed to advancing this agenda.

**Chairman:** Thank you. I call Deputy Lahart.

**Deputy John Lahart:** Thank you. As I have to go to the convention centre to chair a session at 10:30 a.m., I will do what politicians often do, which is to speak and run. No disrespect is intended.

I thank Mr. Downes for his presentation and thank the witnesses for attending. On equality budgeting, the assistant secretary general will know that was an initiative of the last Committee on Budgetary Oversight, of which I and Deputy Richard Boyd Barrett were members. It is

excellent to see it embraced. It resulted from a lot of consultation and the Scottish Parliament was particularly helpful to us on that. For the benefit of newer members, although they may know anyway, until that point there was always a danger that budgetary measures could have a disproportionate impact on different members of society. The social protection cuts in 2011 were a classic example in that they disproportionately hit women more than men. The Committee on Budgetary Oversight had people from a range of equality backgrounds present to us and equality budgeting was originally an initiative and recommendation from this committee. The Minister, Deputy Paschal Donohoe, embraced it in the first year it was introduced, and it has been embraced since. It would be nice at some stage to have a report on its impact, where it has worked and what difference it has made.

I want to make a general point in regard to public service performance, as a public representative interfacing on behalf of the public with the public sector. My experience is that there have been heroic performances by Departments, and maybe that is because some are more visible. The Department of Social Protection has performed miracles in the last year in keeping society afloat, particularly those who have become dependent on it, including those who might not have been used to being dependent on it. I have also found the HSE incredibly responsive. However, there have been Departments where there is remote working, which I think is going to be an indicator in the future, and the witnesses might have a comment to make on how we measure the performance of remote working as it becomes a significant part of the work of some Departments. What I liked about the Department of Social Protection and the HSE, just to use those two examples, is that the officials who were available to us pre-Covid remained available to us. Officials in other Departments, which I will not name, cannot be reached and have been unreachable directly for a year without going through a Minister's office. That is part of public service performance.

I have a couple of further points on remote working as an indicator. Has the Department of Public Expenditure and Reform looked at its impact in different Departments? What are the plans? What impact has the provision of remote working had on public expenditure? I also ask Mr. Downes to follow up on the equality budgeting piece. Is there an opportunity to integrate the metrics regarding the implementation of the public sector duty into the public service pension reduction, PSPR? On green budgeting, which has also become a staple of the way we move forward, does the Department of Public Expenditure and Reform provide reasoning for its own choice of indicators or are there any other choices of performance indicators? Can Mr. Downes explain why it chooses the indicators it does and what is the basis for that? Is any further examination undertaken by the Department as to the correlation between outcomes and impacts? How does the Department measure those? Those are my questions. I thank the witnesses again.

**Mr. Ronnie Downes:** I thank the Deputy. First, let me acknowledge the point he made about heroics. Certainly, this has been a tough year for everyone and for those in the health service and in various parts of our public service who deliver and continue to deliver public services to a high standard during those tough times. I thank him for that acknowledgement.

With regard to remote working, that has been a relatively new experience for most civil and public servants over the past year. We have gone from a position of 98% or 99% of civil servants working in the traditional office to it being completely reversed with 97% or 98% of civil servants working remotely. Of course, that is not the case in the health service where certain front-line workers have had to keep working.

Regarding the Civil Service experience, there is much working ongoing with surveys, get-

ting feedback and a sense of the impact remote working has had on public service performance. There is probably more work to do to collate and interpret that information, but the initial signs we are seeing are that people have adapted very well to the remote working environment. Departments continue to deliver on their core missions.

Looking forward, the Deputy asked whether we would develop an indicator for that. Certainly, there are some operational indicators which would be relatively routine to build in into the future regarding the number of staff who work either on site or remotely or in a blended working environment, which some people think we are evolving into. Ultimately, the purpose of this performance report, subject to the committee's views, is and should remain not so much on the operational issues but on what is being delivered in terms of public services, outcomes and impacts.

The Deputy asked how we select outcomes and impacts. In the first instance, the people who know and the organisations that know their business best are in the Departments and are the Departments themselves. It is a matter for Departments in the first instance to come up with output and impact indicators. Members will see throughout the report that, for each organisation, we have broken down the indicators very simply into outputs and impacts. Outputs are things that are delivered on year to year.

Looking at page 12 of the report, which refers to income supports for children, for example, there are the number of monthly child benefit payments, and €1.2 million is delivered by the Department of Social Protection. There are also listed several impact indicators, such as the percentage of children at risk of poverty. We can see that percentage has declined, that is to say the situation has improved to some degree, certainly since 2017, and there are the percentage of children in consistent poverty and deprivation rates. Looking at supplementary payments, there are impact indicators there such as the percentage of people without heating at some stage during the past year, which is something people can understand what that means, and the percentage of people who are unable to keep their homes adequately warm. Rather than just providing the number of household benefit payments, which is 440-odd thousand, which the Department is delivering, it is about what it is actually doing in terms of the impact on people's lives.

There is also the method of how we select the indicators. There are opportunities as we implement, embed and evolve our processes for performance supporting and accountability, including the role of this and various sectoral committees, for members as parliamentarians and in committees to ask questions, challenge or make suggestions to counterparts and colleagues in Departments as to whether there are other indicators members would like to see to give a better flavour or a more rounded account of what is being accomplished in different areas and what are the things that matter most. Perhaps I will leave it there for the moment.

**Deputy Mairéad Farrell:** I thank Mr. Downes for his presentation and for coming before the committee. I am a new member of this committee, unlike the previous Deputy who was speaking about the developments within equality budgeting. I have a question on that. I can see from Mr. Downes's presentation and the report that it is something which is being focused on. On some of the shortcomings highlighted by the OECD in its recent report, it stated that when it comes to equality budgeting that:

... there is no overarching strategy or set of goals in Ireland. This makes it difficult to judge the extent to which equality goals currently being set by departments are in line with real needs or are sufficiently ambitious.



It further noted that:

... equality budgeting is not obligatory; departments have limited incentive or capacity to participate, and they are unclear of the ultimate goal of the initiative.

That all sounds very negative and I had started off today thinking I would be very positive. I do not mean this to be negative, I am just reading out what the report stated.

We know a huge amount of money is spent annually on public procurement. Can this spending be challenged in such a way as to achieve social and environmental objectives through the inclusion of social clauses in contracts? Does Mr. Downes see a greater role for progressive public procurement in equality budgeting? Does he envisage it being reported on in future public service performance reports? Going back to my starting point, it is positive to see this and I would like to hear Mr. Downes's reaction to my comments.

**Mr. Ronnie Downes:** I thank Deputy Farrell for those comments. Regarding equality budgeting in general, it was introduced in 2017-2018 on a pilot basis. We invited the OECD to come and take a critical look at what the experience of the project was in its initial stages and to help us set a direction for the future to make sure it would have an impact. We were hoping, and were quite happy, that the OECD report would give us the critical feedback we wanted to help us stay on track. The point it made about the lack of an overarching framework within which equality goals can be articulated is one we can acknowledge.

One of the ways that is being addressed and progressed is in the context of the work already under way to develop a national well-being framework. The national well-being framework is at a reasonably advanced stage. It is being spearheaded by our colleagues in the Department of the Taoiseach, with us in the Department of Public Expenditure and Reform, DPER, and the Department of Finance sharing leadership of that agenda, but it is taking place on a whole-of-government, cross-departmental basis. Part of the objective of that exercise, as signalled in the programme for Government, is to develop a set of indicators which can serve multiple purposes. One of those purposes, for example, is to develop an alternative set of economic and social indicators to see whether Ireland is making progress in improving the lives of our citizens, including alternatives to GNP and so on. It can also play a more systematic role in providing the overarching framework of recognisable well-being goals and objectives. Each of those goals and objectives, from our point of view and part of the role DPER plays in this, is to make sure the well-being framework can serve that purpose as an overarching framework for performance budgeting, but also to integrate those equality dimensions within each of those well-being indicators so that it will also serve those purposes.

**Deputy Mairéad Farrell:** I thank Mr. Downes. That is very informative. I am just conscious that my time is running away from me so I will ask my other few questions together and then give Mr. Downes an opportunity to respond.

Regarding housing, the whole point of this performance report is that it increases transparency and accountability and ensures that every citizen can see clearly how public funds are being used. On that basis and on those principles, the principles of the report, the housing section reports the "total number of units delivered through Social Housing build and acquisition programmes". This is not by any means unique to this report; the lumping together of social housing builds with housing acquisitions into a single metric is something we see time and time again. However, building and acquisition are two very different things. In future could we see these two presented separately so we can see what is actually being built rather than what is

being acquired? In the interests of transparency and for citizens to see how public funds are used, that would be really important. I know this report has been reformed in recent years, so I hope that perhaps in the next report these two things, social housing builds and social housing acquisitions, will be accounted for separately. I would like Mr. Downes's views on that.

As for the Department's approach to green budgeting, there are three pages focused on this. The first two pages mainly explain what green budgeting is and the principles that underlie it. The last page of this part notes: "Over the course of 2021, DPER will work with those Departments responsible for climate and environmental related expenditures to develop ... metrics that are meaningful." My question relates to the development of such metrics, particularly as it relates to capital expenditure. We know that capital expenditure is budgeted to rise, and it is fair to assume that sizeable amounts of this will be on what can be referred to as green investment. It seems to me, therefore, that we need some metric that can link capital expenditure on green infrastructure to our emissions target, as per the new climate Bill. Can Mr. Downes tell us about any work that has been done in this regard?

I have one question about capital expenditure. I see on page 7 of the report that gross capital expenditure for 2020 was just shy of €9 billion. The stability programme update, SPU, states that gross capital expenditure in 2020 was budgeted to be €11.5 billion. Could Mr. Downes advise on this difference? Was it the significant carryover cost? Will the Department put in place measures to ensure that each Department will be incentivised to spend its allocation? We heard reports at the weekend that the Minister was concerned about ensuring that the capital expenditure is actually spent.

**Mr. Ronnie Downes:** I thank the Deputy for those questions. I will deal with them in turn.

Regarding social housing build and acquisition, the Deputy's point is that it would be perhaps useful to know about the separation between those and what underlies them. There are two ways we can progress that. One is that we can relay this feedback to our colleagues. We will take on board the Deputy's comments, certainly for the next iteration of the report, and relay that feedback to our colleagues in the Department of Housing, Local Government and Heritage. There is another way of addressing this, going back to my opening remarks. These indicators are being put forward by the Departments, including ours, as indicators that we think are useful. However, when it comes to having that performance dialogue, which is envisaged in the report the committee brought forward recently, with the relevant Departments, committee members should by all means have that discussion with colleagues in the Department of Housing, Local Government and Heritage and tell them what would be more useful for committee members to have broken down. We, for our part, will see what we can do.

Regarding the question about green budgeting and environmental budgeting, Deputy Farrell asked about some metrics that are being developed and the work that is under way in that regard. I mentioned in my opening remarks that we have worked with EU and OECD colleagues and have had some peer-to-peer or virtual visits with colleagues in other jurisdictions to see some approaches to integrating environmental indicators within the budgetary cycle. We are very much developing in that context. In the context of the ongoing work on the national development plan, as the Deputy mentioned, and regarding capital expenditure, we have been working closely with colleagues in the Department of the Environment, Climate and Communications to make sure there is a strong environmental focus that permeates right through the national development plan. I will mention two specific initiatives. I guess they will be spelled out more fully when the NDP is brought forward in due course. One arises from some of our lessons from best international practice, including in the context of the Paris Collaborative on



Green Budgeting. We are putting in place and have developed a process to conduct an environmental assessment or weighting of the different projects and programmes that are brought forward by each of the Departments in order that when it comes to the overall prioritisation and presentation of capital initiatives within the national development plan, that dimension can be taken systematically into account. Beyond the NDP, we will look to see whether and to what extent this type of systematic approach to assessing and weighting by reference to environmental criteria can be brought forward beyond capital to current expenditure also.

The second point about capital expenditure is that we are engaged in another initiative to improve and upgrade our public spending code still further. As the Deputy may be aware, we undertook a major update of the code and published it in late 2019. We are also conducting a specific analysis to see how, when it comes to conducting appraisals of capital projects, the technical appraisal can integrate those environmental dimensions in a way that is more structured and more specific than has been the case in the past. Those are two ways in which those environmental dimensions are being embedded into the capital side of things.

Deputy Farrell's final question related to overall capital expenditure and how Departments can be incentivised to spend. It is the case that there was a capital carryover into 2020 and a high capital carryover into 2021 arising in part from the shutdown in works that took place during the first lockdown. There are perhaps other issues that may be more specific to particular Departments and sectors. One of the number of initiatives that will be developed and spelled out further in the context of the final NDP report will be a range of measures to improve capacity and capability and to professionalise skills within our public sector capacity for delivery in the context of some of those supports at the centre, whether in procurement, as the Deputy mentioned, or public-private partnerships and some of the technical analysis around that. There is also other work on expert independent appraisal and how all this can be made more systematically available and more streamlined to develop that culture of professionalism. We are talking about approximately €10 billion in 2021 in capital expenditure, depending on what the NDP will come up with. It will be of that order of magnitude of capital expenditure just about every year for the next five to ten years. That requires that each Government Department and the system of how we interrelate with one another in the Civil Service and the public service are fit for purpose in making sure we can use that money in a timely way such that it delivers and has an impact as soon as possible for citizens. That is the agenda we are working to in the context of the NDP and beyond.

**Deputy Bernard J. Durkan:** I am in the convention centre and have to leave to be in the Chamber for Oral Questions shortly. I have ten minutes, so I will ask all my questions in one go and have plenty of time for the answers. I am watching the monitor at the same time and if I have to leave, it will not be that I am being rude but I must go to the Dáil.

The first issue I want to mention is performance monitoring and the extent to which the system is working adequately and is sufficiently incisive to identify trends that may have a negative impact on our economy, our financial independence, or whatever the case may be. For example, alternatives in housing provision have gradually emerged in the past few weeks. This has a direct impact on the State's finances because housing is a strategic element of our taxation system. If we do not have affordable housing, we must pay people more to pay their mortgages and so on.

Are the witnesses satisfied with the extent to which information available to the Department on an ongoing basis to alert them to changes that might have a positive or negative impact?

Deputy Lahart made some observations on working from home. This is something that will affect our economic performance. I think working from home is boring. That is my opinion and it is not the only opinion. Restricting oneself to working from home is not good for individuals for two reasons - boredom and lack of interaction with work colleagues and the work environment and the tendency towards working more hours, where people are forced to work by virtue of calls, commitments etc., when they are unable to do the work in the course of the day, which then drags on into the evening. Some conscientious people will then try to work after hours. That will further contribute to boredom and a poorer performance.

Two other issues will affect our economic future. We hear much about restoring houses in the centres of towns and villages to the market but we do not seem to stop and ask ourselves why such places are vacant now. One reason is people could not stand the level of noise, interaction and traffic and the racket in the background at all times. There are places on the main streets of towns and villages where sound barriers had to be erected inside buildings to ensure some quality of life for the people working there. People also moved out of the main streets because it was not safe to have children there. Where could they go? If they stepped outside the door, they were in danger. There are issues that should be borne in mind. We can rely on these alternatives but we should not pretend that they are a panacea for our problems in the future because they are not.

Working in hubs and centres throughout the country has considerable potential. Industrial parks could be developed anywhere allowing access to the central location. However, they must have communications, including top grade broadband. They give people a work environment within easy reach of their homes. They do not contribute to carbon footprints. They are an important development. They can have a huge impact on less populated parts of the country, of which there many, and can help address the lopsided nature of our economy.

From all the information I have, our procurement system is slow moving, repetitive and is not something in the interest of the public. I am not sure what the Department has found around that. I acknowledge it was mentioned earlier, but it is an area on which we need to spend considerable time to make the procurement system efficient, effective and up-to-date. A simple issue can go into the system at local level and emerge a year or two later. That is ridiculous nonsense. We cannot compete on world markets like that because we are competing with people who have developed nuances to a significant extent, and identified the negatives.

I must go into questions soon. I will stay as long as I can but please do not be offended if I am seen running out.

**Mr. Ronnie Downes:** There was a question on the extent to which we can be satisfied that we are identifying trends that might be important from performance information in areas such as housing that are economically and socially important. As I said in my opening remarks, the performance report is just one element of a broader package. It is almost the tip of the iceberg in the type and nature of the information available to policymakers to keep track of what is happening and to inform ongoing policy developments. In this report, we are trying to focus on some of the key high level indicators. As became clear in the discussion earlier with Deputy Mairéad Farrell, there might be scope for separating things out a bit more or clarifying to zero in on those indicators that are of most relevance, certainly in this forum and in other sectoral committees. Other analytical and evidential tools are available to policymakers in the civil and public service. These include spending reviews. Our Department has produced a series of spending reviews that focus on different aspects of the housing market and the relative efficiency and impact, for example of rental and leasing models versus purchase models. Those

all form part of that corpus of analytical information that can inform policymaking. However, as we know from recent times, developments happen all the time that we need to keep on top of and aware of.

**Deputy Bernard J. Durkan:** Sorry to interrupt, but how were these models tested? For example, approaches were made to me by people who wanted to invest in housing, as I am sure they were to everyone else, and I rejected them because it did not give to my constituents what I thought should be made available to them, that is, affordable housing within their reach. If someone is intervening in the market, does one presume that they are there for the purpose of providing money for the market in order that people can be housed or are they intervening for a profit for themselves first and then go on from there? Any intervention there is negative for the constituent.

**Mr. Ronnie Downes:** I would respond with two points. Most obviously, my colleagues in the Department of Housing, Local Government and Heritage, and their interaction with local authorities who are on the front line in developing and implementing policy, weighing up the evidence and putting it into practice. A separate point, which goes some way towards answering the Deputy's question, is that when it comes to assessing those particular policy choices there are different ways of approaching the analysis. In spending reviews we look at it from the point of view of the value for money for the public purse or the Exchequer of the different interventions. Part of the value for money consideration is not only the money being spent but what interventions will deliver in improved outcomes or housing outcomes for people. Some relevant considerations are whether the State is holding on to or developing an asset over time or is the asset more of an ongoing recurring expenditure. From the point of view of capital investment in housing, there are value for money advantages in the public sector developing its own asset base rather than purely having recourse to other models which involve ongoing payments. The analytical approach is to look at the value for money aspect. That is the overall amount of money going out and the efficiency and positive impacts of that for our citizens in delivering housing outcomes. We are aware our colleagues in the Department of Housing, Local Government and Heritage and local authorities often do not have the luxury of waiting for years for a particular policy to bear fruit, as intended. They may have to adopt some short-term and immediate-term interventions to get people the housing they need. In parallel with that, we understand colleagues are developing those medium and longer term policies which would put things on a more sustainable beneficial basis in the longer term.

The Deputy raised other important questions regarding working from home, including that it is not necessarily completely advantageous to work from home. The Deputy mentioned some mental health related issues arising from the tedium of working in the same place all day and the blurring there can be between work and life that can impact on having a work-life balance. Those are issues my colleagues in the Department of Public Expenditure and Reform are reflecting on as we take account of and collate the different learnings from the experience to date. Part of the solution or the space we may be evolving towards is hubs, to pick up on the Deputy's point, and the potential that may have to strike a better balance for some people. Some of the negatives in working from home that people report are the lack of social and direct interaction with their peers and colleagues and the learning by osmosis and interaction that takes place. There is scope in hubs for some of those benefits to be captured. There are regional development benefits with respect to regional hubs. All of that is currently in the mix. If we are moving towards a blended approach, whether it be the traditional workplace, working from home or a blend that will incorporate some of those regional hubs, that is all being currently considered.

I recall being at a meeting prior to the pandemic with some senior officials at which remote working was mentioned and someone around the table expressed the view that remote working or people working from home would never work and that we focus exclusively on people working in hubs, which was the way to go. There was much nodding of heads at the time. My experience of working from home for the past year has changed my thinking on that for what it is worth. I have seen civil servants work extremely well and effectively from home. I am working from home today but I have been in the office a few days this week.

**Chairman:** I might stop Mr. Downes there, as we are out of time on that section. Deputy Moynihan is the next speaker.

**Deputy Aindrias Moynihan:** Mr. Downes can continue as I do not have a particular question at this point.

**Chairman:** I will call Deputy Canney.

**Deputy Seán Canney:** I thank Mr. Downes and his team for attending today. I will confine my remarks to a number of straight questions. When we talk about budgetary oversight, the way we spend money and if we are getting value for the money we spend, an issue related to housing that increasingly comes to mind is the amount of money we spend on the housing assistance payment scheme and what return we will get from that in the long term. That is my first question.

I will move on to capital expenditure. Deputy Durkan mentioned the procurement process. I believe we have created a procurement process which has created a procurement industry in its own right. We have created something that is not giving us any more value for money. We seem to have over-complicated the process, introduced a great number of rules and regulations and distanced ourselves from the smaller suppliers and contractors in the regions who have walked away from public contracts on the basis that the process is too complicated and they could not be bothered with it. We are not getting value for money in the long term because local businesses which were sponsoring events in schools or communities are being excluded. When one wants to buy photocopying paper one must buy it centrally from some place in the country and get it delivered and one does not know what quality of it will be or if left short of an item one does not know who to contact, and the threat is if that one does not comply with the process one will lose one's capitation grant.

On the capital expenditure side, the public private partnership contracts we have put in place leave a great deal of liability with the State. The witnesses might give their view on that. I will cite a good example of that. The capital build of the 14 primary care centres in this country has left the HSE without any control over the buildings. I can vouch for that. The HSE cannot change anything structurally in the buildings for the next 25 years without, first, getting the permission of the public private partnership company and, second, getting a cost from it on it. Something has gone wrong on that. That public private partnership process took three years. It was going to deliver everything and anything and now when it has been worked out I wonder how we will measure that. For instance, currently the public private partnership company is refusing to allow a water main to go through a site which is owned by the HSE to service another HSE site. What is going on is baffling.

Public works contracts need to be examined and addressed. We have created public works contracts which are very adversarial and confrontational and they are not achieving what they set out to achieve, which was certainty in terms of cost, time and quality. It is now the norm for

those in the construction industry to go to mediation, conciliation and arbitration. That must be a fantastic business for people who are in that game but such conciliation or arbitration must be costing the State, the taxpayer and public purse a great deal of money and that money should be spent on building structures.

We are coming out of a pandemic and there are major inflationary pressures in terms of capital works and how they will be delivered. How do we measure or consider that as we start to spend money into the future? Will the carryover that we have had for the past two years, when we did not have public spend, be spent? My entire frustration is based around the fact that the day it is decided to do a capital project, it takes on average about seven years before we get a contractor on site. Something has gone wrong that was not there 20 years ago. We have created a huge plethora of paperwork and mini-industries within the industries. How can we unravel that and what is the Department's take on that?

**Mr. Ronnie Downes:** On housing policy, value for money and a good return from the housing assistance payment, HAP, I covered it to some degree in my responses to Deputy Durkan. The Department of Public Expenditure and Reform has done several spending review analyses and produced a series of analytical papers which have had a critical look at the relative return on the HAP-type models versus building-type models. I refer the Deputy to some of the findings from those spending review papers.

Our colleagues in the Department of Housing, Local Government and Heritage have their own priorities. There is always a balance to be struck between meeting the immediate needs of someone who actually needs to have their housing situation addressed versus putting in place some long-term developmental measures. The people best placed to directly address those important issues are my colleagues in the Department of Housing, Local Government and Heritage.

To the extent that this performance report sheds some light on some of those policy achievements, policy trade-offs and value for money, if Deputies want more indicators to be developed to help them in their oversight work, we are happy to listen to what emerges from discussions.

As regards procurement, my colleagues in the Office of Government Procurement are the experts in all of this. The Deputy raised an issue about risk. On the one hand, we have a highly developed and professionalised public procurement system. It delivers many benefits in terms of integrity, consistency, clients of European frameworks and so on. In that sense, we have a best-in-class procurement model from a compliance perspective.

The Deputy raised the issue of whether this has come at a cost of some overcomplication, as well as at a cost of making things more difficult for local contractors and local businesses to get in on big contracts. That is something my colleagues in the Office of Government Procurement are very much alive to. For example, on page 85 of the performance report, there is a series of indicators from the Office of Government Procurement which includes the frameworks and mini-competitions which have been developed and implemented. They were developed specifically with a view to facilitating engagement with a broader range of contractors, not just the biggest contractors. Then there are the numbers of users on e-tenders and how matters are dealt with on the help desk and so on. This is the sort of topic which would benefit from detailed engagement with the committee and my Office of Government Procurement colleagues directly. I will certainly pass on some of those remarks.

The Deputy mentioned some issues with public works contracts. I was not aware of the



specific case about the 14 primary care centres which the Deputy said has given rise to some issues. Public private partnerships, PPPs, have some pros and cons to them. As a model, they have been quite effective in rolling out a round of public infrastructure with the involvement of private partners, both national and international. This has been seen with the provision of, for example, schools and courthouses.

Among the benefits of public private partnerships, if things go wrong, say one of the contractors goes bust, the State can be protected from some of the financial fallout which would not arise otherwise. We saw that in recent years when school building projects have run into issues but it was all dealt with on the private rather than the public side of the equation. There are benefits. It is a question of the trade-off and the balance of benefits versus costs and various risks. I was not aware of issues about control, access, operation and capabilities associated with these buildings. I will take that up with colleagues in the Department of Health and the HSE to see what specifically the case is.

With regard to the more general points the Deputy raised about public works contracts and whether they have become overly adversarial over time, this is an issue under review. Colleagues in the Office of Government Procurement who are responsible for the public works contract are undertaking a review of that, including with regard to some of those issues the Deputy raised.

The final point the Deputy raised is about capital expenditure and the degree to which it could give rise to inflationary consequences, for example. We are aware of the fact that there has been a huge ramping up of capital expenditure over recent years, not just in the context of the pandemic response. Even before we take account of capital carryover and exceptional pandemic payments, this year we are at over €10 billion in capital expenditure. It is the largest level of capital expenditure in the history of the State. That carries with it some challenges in terms of ability. As I mentioned earlier, there is an obligation on the public sector to work with colleagues across the sector, while developing our capabilities and having a professional relationship with colleagues in the private sector. That is something we are actively working on at the moment.

We commissioned a report from EY to review phase 1 of the national development plan to look at different aspects and dimensions of what needs to be upgraded in terms of public sector capability. There are many areas of good practice but also much work to be done. We are working on that. Just last Friday-----

**Chairman:** We might cut it there and go to the next speaker.

**Deputy Patricia Ryan:** I thank the witnesses.

Regarding services for older people, I am concerned there is a significant underachievement in a number of areas. The target for older people in receipt of intensive home care packages was 235 but only 149 were delivered. The target for the number of home support hours provided from intensive care home packages was 363,000 hours but only 276,000 were delivered. What are the reasons behind this?

**Mr. Ronnie Downes:** Are the figures the Deputy has from the Department of Social Protection?

**Deputy Patricia Ryan:** Yes.

**Mr. Ronnie Downes:** The people who are best placed to answer that question are my colleagues in the Department of Social Protection themselves. I am sure there are specific reasons in each case as to why targets have been achieved, underachieved or overachieved. The pandemic situation will play a role in that regard. I note, for example, on page 11 that there was a target for last year of 273,000 for working-age income support payments and 692,000 were delivered. That includes all the pandemic unemployment payments. Some trends go in other directions throughout the Department's Vote. The best way to run that to earth, so to speak, is to talk directly with colleagues in the Department of Social Protection, who I am sure would be happy to go through each of those indicators and give the explanation. That is exactly what this report is intended to do. It is intended to show what we are trying to achieve and whether we are ahead of target or below target, and therefore to support the committee in its role of asking critical questions of civil servants like us as to what has been accomplished.

**Deputy Patricia Ryan:** This will probably apply similarly to other areas. The health service has taken an awful battering in the past year. There are already long waiting lists and they are probably going to get much longer. I am concerned about the long-term effects. We need radical action to address it. Are there any plans to recover lost ground and what funding will be available?

**Mr. Ronnie Downes:** Does Deputy Ryan mean in the Department of Health?

**Deputy Patricia Ryan:** Yes.

**Mr. Ronnie Downes:** There has been a lot of extra investment in the Department of Health and in the health system, both this year and last year, to meet the challenges of the pandemic. Deputy Ryan will be aware, for example, that in the Estimates for 2021 there was an additional allocation of approximately €4 billion to the Department of Health and the health system, bringing the overall total to €21 billion. That was to achieve a number of objectives. The first was for specific Covid-related interventions, for example, getting extra support from private hospitals and getting extra PPE.

**Deputy Patricia Ryan:** Does Mr. Downes think that is sufficient in the current circumstances?

**Mr. Ronnie Downes:** That is a question for Deputy Ryan to explore with colleagues in the Department of Health. There has been a lot of focus in the Department of Health and in the HSE on addressing some capacity gaps and improving the number of critical care beds in hospitals. That has been upgraded. There are some learnings from the pandemic experience about the readiness and resilience of the health system. The Sláintecare implementation plan was introduced last week, and I am sure the Deputy is aware of the very high level of ambition for what it going to be rolled out. That will have resourcing implications as well that we will need to consider carefully.

**Deputy Patricia Ryan:** I am concerned about the Defence Forces and I am interested in reversing years of neglect in underfunding. There was an underspend of €8 million at a time when the strength is at 90% of establishment and the Reserve is at 39%. Do we have any plans to make up the shortfall?

**Mr. Ronnie Downes:** If Deputy Ryan puts those questions to my colleagues in the Department of Defence, I am sure they would be happy to give her chapter and verse on what underlies all of that. What we can do is give her the ammunition, so to speak, to talk to our colleagues in

defence about these kinds of issues.

**Deputy Patricia Ryan:** I thank Mr. Downes very much.

**Chairman:** I might ask some questions of my own of Mr. Downes. We talked this morning about value for money. When the Department of Public Expenditure and Reform undertakes a value-for-money exercise, what are the timeframes involved? This is possibly different across Departments. I am asking the question with an eye to the future and the use of capital funds to address environmental issues such as flooding because it might need a different contextualisation in terms of value for money than we have been used to in the past. I also ask in view of decisions on the leasing of social homes.

**Mr. Ronnie Downes:** That is a good question. When we upgraded the public spending code in late 2019, one of the issues that we looked at was the proper time horizon to discount out costs and benefits into the future. We extended the overall time horizon to capture benefits to 20 years and in some cases 25 years. This is something we are looking at in the context of the ongoing revision of the public spending code. A case could also be made for potentially even longer time horizons in the context of intergenerational environmental and transformational projects to come up with a longer time period for those costs and benefits to be discounted but incorporated into that frame of reference. When it comes to applying those frameworks then on issues like social housing, the 20-year to 25-year horizons are the timeframes that we have in mind.

**Chairman:** Mr. Downes mentioned earlier that he considers assets at the end of the time-frame.

**Mr. Ronnie Downes:** When any Department is deciding on where to allocate its resources, it needs to take into account the pros and cons of engaging in current expenditure on an ongoing basis, which may be required and necessary in light of short-term and medium-term pressures on clients and citizens, versus the potentially nearer term costs and longer term benefits, including asset realisation, of a different approach. How exactly that is conducted and how the results of that are weighed into the reckoning is a matter for each Department concerned.

**Chairman:** If we stay on that issue, how have we arrived at 25 years for a cost-benefit analysis for social homes?

**Mr. Ronnie Downes:** I will have to dig out some papers on that and perhaps come back to you, Chairman. When we looked at the upgrade of the public spending code in late 2019, we looked at international practice on capital appraisal guidelines, our traditional ones and some international examples. In general terms, when it comes to capital infrastructure, these are the kind of time horizons that tend to be used internationally. It might be useful if I follow up directly with you, Chairman, with a more detailed response specifically on those time horizons.

**Chairman:** I would appreciate that. I am probably biased because of my background, but some homes do not last for 25 years so I wonder if that is coming from the duration of an average social tenancy or what the reason is. Some of the social homes we have built in the past are approaching 100 years old now and are still going strong. That is something the committee might return to at some stage.

For someone who is relatively new to this and is somewhat reading it from the outside, this report has been very useful in terms of understanding how various Departments operate. I will outline what might be helpful for me so as to address some of the opacity. The discussion

around equality budgeting and green budgeting are taking shape for the future and I am trying to understand how budgets have been formed in the past and what the metrics are within the Department of Public Expenditure and Reform for deciding on how money is spent. At what level do alarm bells go off when faced with a Department that is underperforming in particular areas of expenditure? I ask the question in the context of what happens the next year. I have done it in a university context and any of us who has ever run a budget before knows that if one does not spend one's budget, one often does not get the same budget again. I am looking at page 18 on disability services, items 3 and 4. Output 3 is "Centre-based respite nights provided to people with disabilities" and output 4 is "Movements facilitated from congregated to community settings". Both of these are massive issues in society at the moment. The proportion of both targets delivered is in the region of 50%. I am just using these as an example; I do not really want to go into the weeds with the details. At what stage do alarm bells go off within the Department? What is the response? How is it dealt with? Does the Department of Public Expenditure and Reform go to the relevant Department and ask what the issue is? What is the performance response?

**Mr. Ronnie Downes:** We in the Department of Public Expenditure and Reform have an on-going relationship with each of the line Departments. This is usually conducted through what we call our Vote sections. For example, there is a section for the health Vote which deals with our colleagues in the Department of Health and an agriculture Vote section for the Department of Agriculture, Food and the Marine. Part of the role of these sections is to engage in discussion and dialogue with counterparts in the line Departments to monitor the degree to which the Estimates allocation, the voted allocation, is being drawn down and spent on the capital investment and services for which the moneys were allocated. We cannot micromanage each particular area. In the first instance, it is the responsibility of each Department to make sure that the money is used effectively for the purposes for which it was allocated. The head of each Department is the Accounting Officer. That person has to give an account of how the money is used to the Dáil. There is a whole process which involves the Comptroller and Auditor General, the sectoral committees and the Committee of Public Accounts.

**Chairman:** I am sorry to interject but, to be clear, when a Department goes to the Department of Public Expenditure and Reform, it does not ask for a sum of money. It makes a proposal as to the money it needs based on the programmes it wants to run. As much as a Department has some discretion as to how to allocate its funds, there is an understanding with the Department of Public Expenditure and Reform as to how those funds will be used. Is that correct?

**Mr. Ronnie Downes:** Departments come to us looking for money for particular purposes. When the Estimates are settled each year, it is on the basis of an understanding that given moneys are required for given purposes.

**Chairman:** If the Department of Health - and I am just using this issue as an example, I could as easily ask about Traveller accommodation or something like that - comes to the Department of Public Expenditure and Reform asking for a certain amount of money to facilitate movements from congregated to community settings, and if Department officials are looking at papers showing that it achieved 50% of its targeted output in this area the year before, how does the Department respond?

**Mr. Ronnie Downes:** It is a real discussion in which we listen to what that other Department has to say. It is not a situation whereby, if a Department underperforms, we will automatically give it less money. We have to listen to what colleagues have to say. I know the Chair is not zeroing in on those particular examples but I imagine that, if my colleagues in the Department

of Health are listening in, they will probably be screaming at their screens and asking how they possibly could have moved people from congregated community settings as anticipated last year when there was a lockdown and when movement was not possible. That is an example of something envisaged at the start of the year that turned out not to be possible or practicable as the year went on. In some cases, there is an explanation for why a Department did not achieve what it envisaged.

**Chairman:** I take that point. I completely accept that with regard to the Department of Health but I am asking whether, from the Department of Public Expenditure and Reform's point of view, there is a particular benchmark or percentage point at which particular protocols click into action. For example, it might be if a Department spent less than 80% of what was allocated for a given purpose. Are there protocols in place whereby particular underspends are identified?

**Mr. Ronnie Downes:** I would not put it in those terms. We have ongoing discussion and engagement with Departments. The Department of Health, for example, has a budget of €21 billion and it is its own job to manage that money. Particular critical issues will come to our attention from time to time. We tend to focus on key priority issues. It is on these that we engage. If we have particular concerns about value for money or non-delivery, we will focus on those issues. There are also other processes that support us on an ongoing year-to-year basis and help us to get an understanding of what is working well and what is not going so smoothly in particular areas. We have to prioritise our focus towards those areas from time to time. For example, to take the year just gone, although it was, of course, not a typical year, we had extensive and intensive engagement with colleagues in the Department of Health on issues such as the arrangements with private hospitals to secure extra capacity during the course of 2020 and expenditure on personal protective equipment, PPE, and how such PPE was being procured and expended. We also engaged with the Department in respect of its engagements with nursing homes and the kinds of special measures that needed to be put in place to protect people and standards in those facilities. We also engaged with regard to some other issues regarding the overall trend in expenditure and whether it was above or below profile.

There is a range of tools available to us. Some are at the technical level. At the start of each year, Departments put in place a profile of expenditure showing how they expect expenditure to roll out month to month. We engage closely with them on that. Other issues are more policy-specific. A particular priority may be associated with a particular topic or we may be aware of a difficulty we want to explore in more detail. That is how things move forward. There is an understanding and implicit assumption that when Departments are allocated a given amount of money to achieve certain objectives, we give them sanction or permission to spend the money for that purpose but that it is up to them to make it happen. We cannot monitor each and every project and microproject but we can monitor things in general terms and zero in on the areas that are of more concern to us.

**Chairman:** Does Mr. Downes expect that kind of bespoke reconciliation process to change slightly once equality budgeting and well-being budgeting are in full swing?

**Mr. Ronnie Downes:** The direction in which we are moving with equality budgeting and performance budgeting will help by adding greater systematisation to how Departments bring forward policy proposals and to the kind of performance objectives associated with each of those proposals from the outset. One of the projects we have under way at the moment relates to the policy-proofing of measures. I have already mentioned the public spending code, which people tend to think about by reference to capital programmes. We are upgrading this



code by reference to current spending programmes. Since that page is open, if someone were to bring forward a proposal to improve disability services in a particular way, the Department concerned would have to bring forward a proposal in a structured way that makes it clear how much money was to be spent and what the impact would be across different dimensions, including the impact on equality. This equality provision obviously affects people with disabilities but there would also be intersecting issues relating to gender and ethnicity. Issues of regional balance might also arise. In that more structured format, there will be a greater opening for both ourselves in the Department of Public Expenditure and Reform and for Oireachtas select committees to engage with Departments as to whether particular projects and programmes are achieving their objectives.

**Chairman:** That is welcome to hear. One of my questions was going to have regard to where the well-being budget indicators actually come in, whether they come in at the beginning of the process or at the end. It sounds like they will come in more towards the beginning of the process when the budget is being formed and developed. Am I understanding correctly?

**Mr. Ronnie Downes:** Yes. To expand just a little bit, I will mention one of the things we have learned from experience with regard to how we manage capital expenditure programmes as against how we manage current expenditure programmes. We have reached a pretty structured approach with regard to capital projects. With the new public spending code, there is a project lifecycle. One of the lessons we learned when capital projects, including big ones, went wrong over the years was that a lack of effort and attention to detail at the outset of the planning stage will bedevil a project all the way through, including in respect of monitoring its effectiveness. This lesson should apply, in principle, to current programmes such that, right at the outset, before a well-meaning or nice-sounding project comes forward, we will have to do some due diligence to be clear on what we are trying to achieve with it and to determine how we will know whether it succeeds and its likely impacts in terms of the various dimensions of quality. Once that rigorous process takes place at the outset, it puts all of us, as policy stakeholders, in a better position to monitor and hold people accountable for what is delivered. Unfortunately, what can tend to happen not only in Ireland but also in other countries is that where a project is proposed based on some brainwave or other, there can be an impetus to move forward with it before it is subject to the rigours I have mentioned. People may criticise the latter as causing a delay or being overly bureaucratic but we have certainly learned the lesson on the capital side that more focus on getting things right at the outset stands us in good stead throughout the project lifecycle. Those good principles also apply on the current side.

**Chairman:** I welcome that. I am very much in favour of evidence-based policy development. What are the parameters for the evidence base? Are we involving universities, including academics, and particular stakeholders in the conversation?

**Mr. Ronnie Downes:** The short answer is “Yes” but it might be a good moment to ask my colleague Mr. John Kinnane, who was on one of the working groups developing the well-being framework, to make a couple of remarks on that point.

**Mr. John Kinnane:** The Department of the Taoiseach is leading this phase of the development of the well-being framework. An internal working group with representatives from each of the Departments is providing the input at Government level. The external co-ordination is being done by the National Economic and Social Council, NESC. NESC has been running extensive consultation over the past couple of months. That will feed into the well-being framework and the set of indicators. The plan is to have these published before the summer. As Mr. Downes has outlined, that certainly provides a starting point for us within the Department of

Public Expenditure and Reform in terms of embedding the work within the public policy and performance budgeting frameworks. It will be an iterative process. We will have an initial framework set out at a high level with a set of indicators. The plan is that the CSO will manage the dashboard that provides information on progress against the indicators. The challenge for us, as a Department, is to embed that within the overall policy-making and budgetary work.

**Chairman:** I thank Mr. Kinnane. I was aware that NESC is undertaking the consultation. I very much hope it will be iterative and include academics and universities, but also community groups on the ground working in various areas.

I am aware that other countries that have introduced well-being indicators have somewhat struggled with the differentiation between objective and subjective indicators. There are obvious areas where the CSO would be very strong and be able to give hard data, for example, but some countries have allowed the public to engage throughout the process and throughout the life of the well-being indicators, not just during the creation of the system. Every year, they have an input. What access does the public have now, and what access will they have throughout the use of a well-being budget?

**Mr. John Kinnane:** NESC is involved in a discussion. The fundamental aspect is setting out the dimensions and what we are trying to capture within them. What flows from that is the selection of the indicators. NESC has an input regarding the dimensions, or what should be captured, and the indicators. I am not involved in the NESC process so I am not entirely clear about its current position. We make a presentation to NESC to outline how the Department of Public Expenditure and Reform can have an input, take the work and embed it within our own work in the coming years. There is an internal discussion in the interdepartmental group considering the selection of indicators. Some of the proposals on indicators are subjective and others are objective. Some of them are already available but they are not available annually. There are surveys that are carried out over years rather than annually. The types of issues that are being discussed internally relate to the balance between objective and subjective and the question of how subjective indicators, if we are to opt for them, will be measured. We are still at the stage where the initial selection of indicators is being made. The plan is to have a relatively focused set of indicators for each of the dimensions but, over time, as we expand this aspect within the broader policy-making and budgetary work, the objective is to have clear linkages between the indicators that sit below the overall framework and the indicators that are being captured at a national level.

**Chairman:** I would like it to be on the record that I understand that constraints apply to subjective information in any system like this but I, for one, believe it would be very progressive and useful to ask the public how they feel about the budgets we create and whether the budgets are working for them and making their lives better. Simply asking people how they feel about how money is being spent on their behalf is a useful exercise.

**Mr. Ronnie Downes:** May I comment on that? To complement what Mr. Kinnane has just said, there is also work ongoing in our Department on developing the Our Public Service strategy, which concerns the principles that underpin the kind of public service we provide and how we provide it. One of the three pillars in this strategy involves the citizen focus and listening to what citizens have to say to us about what they feel about the services and the quality of the services they are getting. That would be in the spirit of what the Chairman has just indicated. We will certainly reflect on the extent to which we can accommodate that thinking within our well-being budgeting framework.

**Chairman:** That is very welcome. To finish on the issue of the well-being budget, I have two questions. One of the witnesses said we would see something before the summer. When will the system be fully up and running and implemented in our annual budgetary development? The witnesses will probably have seen from our report that this committee has addressed or is interested in the budgetary cycle, including the timing of reports and decisions, the associated intersection with the important work of sectoral committees and the question of how we can improve that. Do the witnesses envisage that the implementation of initiatives like well-being, green and equality budgets will have an impact on the budgetary cycle? If so, how would it happen?

**Mr. Ronnie Downes:** A couple of points arise, one of which concerns the schedule for the national well-being framework. As Mr. Kinnane said, the intention is to have the framework delivered by the summer. It could serve many very useful purposes. As Deputy Mairéad Farrell mentioned earlier, the ambition of the Department of Public Expenditure and Reform is to have an overarching framework which can be an anchor around which we can build many of our processes and a common frame of reference for what we do both in how we design policy and how we account for the achievements and accomplishments of policy. Having that in place by the summer is just the first step in setting the parameters for that framework. How we use it and embed it within our policy processes and our accountability processes into the future will be an ongoing process.

The Chairman asked whether there should be or could be an impact for processes and the budgetary cycle. That will be worked through, including in the context of the implementation of the various recommendations from this committee's report. We have an annual cycle which at least in principle should lend itself to segmenting different parts of the year for different areas of focus or perhaps in parallel for different things to be brought forward. I believe one of the recommendations of the report was that once the Estimates are presented to the Dáil in December, to try to have the various Dáil committees conduct their analysis of the Estimates by the end of January. That could allow space for more detailed engagement with the sectoral committees and the line Departments during the spring.

There are some recommendations in the committee's report about pre-budget engagement. While I do not think that equality budgeting or green budgeting in themselves would be drivers of a changed budgetary cycle, they could facilitate useful discussions at different stages of the budgetary cycle as it evolves.

**Chairman:** I want to move away from well-being budgeting to talk about valuations. We have mentioned capital spending a number of times this morning. In recent months at several committees and also in the media there has been discussion about various versions of valuations, particularly with NAMA coming to an end. I understand that the Department of Public Expenditure and Reform was doing some work on standardising the process for valuation and introducing some controls on that. I ask Mr. Downes to comment.

**Mr. Ronnie Downes:** Is the Chairman referring to the cost estimates that are associated with different projects?

**Chairman:** Yes. I am talking about the disposal of land and the valuation of holdings. This is relevant to our consideration of value for money.

**Mr. Ronnie Downes:** I can certainly talk about some of the developments that have taken place on the public spending code when it comes to putting a figure on capital projects. We

have had some experiences in the past where early guesstimates and projections have become crystallised or maybe have taken on a life of their own in public discourse as though they were some sort of analytically based sound estimates and projections for capital projects, which is not always the case.

Part of the guidance in the new public spending code is to be more circumspect about the bands and the nature of projections at any point in time, and to ensure that the various risks to project assessment are suitably factored in. The experience nationally and internationally is that there may be a figure in mind at a very early stage when a project is at the conceptual stage but then issues, complications and inflationary factors arise, and things move in a different direction. It is only at a certain point in the process that those risks can be stripped out.

The Chairman also mentioned valuations for holdings. I would not be an expert when it comes to holdings of stocks and shares and things like that.

**Chairman:** I was referring mostly to capital spending. I am thinking more of the purchase or disposal of lands. Does the Department of Public Expenditure and Reform set out a particular standard for valuation and the timeliness of those valuations for other Departments when they are engaging in that work?

**Mr. Ronnie Downes:** That would fall to be considered as part of the normal operation. The rules relating to the public spending code and public financial procedures require people to get the best valuation at a particular time. When a disposal or a prospective disposal of land is involved, valuation professionals would be called upon to give guidance. In those cases, there is less speculation and more professional valuation.

**Chairman:** Does the Department of Public Expenditure and Reform give guidance to Departments on that issue?

**Mr. Ronnie Downes:** Our colleagues in the OGP and in the capital works management framework may well provide specific guidance on that. As I am due to come back to the Chairman on another issue, I may also provide more clarification on that point.

**Chairman:** That would be appreciated.

I thank Mr. Downes and Mr. Kinnane and Ms O'Loughlin for their attendance and their assistance to the committee. The committee will meet in private session on Wednesday, 26 May 2021 at 3 p.m.

The select committee adjourned at 11.17 a.m. until 9.30 a.m. on Thursday, 27 May 2021.