Request ref: FOI P073/2017

Mr. Ken Foxe
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23 May 2017

Dear Mr. Foxe,

I refer to your request, received by this Department on 22nd April 2017, under the Freedom of Information Act 2014 for records held by this Department relating to:

"Copies of briefing notes prepared for Robert Watt ahead of his appearance at Committee on Budgetary Oversight in early April"

Records to which access is being granted

I enclose with this letter a Schedule of the records (excluding correspondence of a routine and/or administrative nature) relating to the above request. This comprises of 1 record which is being released with minor redactions.

Rights of Review

You may apply to have this decision reviewed under Section 21 of the Act by writing to the Freedom of Information Unit, Department of Public Expenditure and Reform, Merrion Street, Dublin 2, referring to this decision. You should make your appeal within 4 weeks from the date of this notification. However, the making of a late appeal may be permitted in appropriate circumstances. A week is defined in the Act to mean 5 consecutive weekdays, excluding Saturdays, Sundays and public holidays. The appeal will involve a complete reconsideration of the matter by a more senior member of staff of this Department/Body.

Please note that there is a fee of **€30** to accompany an application for an internal review or **€10** for medical card holders and their dependents in which case details of the medical card registration number should be supplied together with consent to the verification of this information

with the Health Service Executive. The fee, which should accompany your appeal, can be paid by way of Bank Draft, Money Order, Postal Money Order or personal cheque made payable to the Accountant, Department of Public Expenditure and Reform.

Yours sincerely,

John Kinnane

Assistant Principal Officer,
Expenditure Policy Evaluation and Management Division,
Department of Public Expenditure and Reform.

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Committee on Budget Oversight Briefing for Secretary General Watt

Historical Variance between REV and Expenditure Outturns

	2010	2011	2012	2013	2014	2015	2016
REV	61,179	57,544	55,860	54,577	52,987	53,231	55,839
Provisional Outturn	60,520	57,382	55,838	54,365	53,950	54,553	55,980
Variance (€m)	(659)	(162)	(22)	(212)	963	1,321	140
Variance (%)	**-1.1%**	**-0.3%**	**0.0%**	**-0.4%**	**1.8%**	**2.5%**	**0.3%**

Average Variance 2010 – 2013:	-0.4%
*2016 Includes Capital Carryover	

- Improvements in the public finances in period 2014-2016 allowed the Government to allocate additional resources in line with emerging pressures and Government priorities.

Gross Supplementary Estimates by Vote	2014	2015	2016
V2 - DEPARTMENT OF THE TAOISEACH (GROSS)	2	0	0
V6 - CHIEF STATE SOLICITOR'S OFFICE (GROSS)	0	2	0
V12 - SUPERANNUATION AND RETIRED ALLOWANCES (GROSS)	33	37	0
V17 - PUBLIC APPOINTMENTS SERVICE (GROSS)	0	0	0
V20 - GARDA SÍOCHÁNA (GROSS)	98	43	21
V21 - PRISONS (GROSS)	10	6	0
V22 - COURTS SERVICE (GROSS)	2	0	4
V25 - ENVIRONMENT, COMMUNITY AND LOCAL GOVERNMENT (GROSS)	51	0	0
V26 - EDUCATION AND SKILLS (GROSS)	103	163	118
V26A - NATIONAL TRAINING FUND (GROSS)	0	0	-15
V28 - FOREIGN AFFAIRS AND TRADE (GROSS)	0	0	5
V29 - COMMUNICATIONS, ENERGY & NR (GROSS)	0	4	0
V30 - AGRICULTURE, FOOD AND MARINE (GROSS)	-1	65	0
V31 - TRANSPORT, TOURISM AND SPORT (GROSS)	162	114	96
V32 - JOBS, ENTERPRISE AND INNOVATION (GROSS)	0	50	35
V33 - ARTS, HERITAGE AND THE GAELTACHT (GROSS)	0	0	0
V35 - ARMY PENSIONS (GROSS)	5	7	11
V36 - DEFENCE (GROSS)	0	0	0
V37 - SOCIAL PROTECTION (GROSS)	0	311	109
V37 - SOCIAL INSURANCE FUND (GROSS)	0	204	106
V38 - HEALTH (GROSS)	630	665	0
V40 - CHILDREN AND YOUTH AFFAIRS (GROSS)	0	13	0
	1,095	**1,684**	**489**

Figure 3.5 Votes with supplementary estimates, 2010 to 2015[a]

	2010	2011	2012	2013	2014	2015
Health[b]	●	●	●	●	●	●
Garda Síochána	●	●	●	●	●	●
Army Pensions	●	●	●	●	●	●
Transport, Tourism and Sport	○		●	●	●	●
Social Protection	●		●			●
Jobs, Enterprise and Innovation	○	○	○		○	●
Superannuation and Retired Allowances			●		●	●
Education and Skills	○				●	●
Agriculture, Food and the Marine					●	●
Public Appointments Service					●	●
Prisons					●	●
Children and Youth Affairs					○	●
Office of the Chief State Solicitor						●
Environment, Community and Local Government	○	○	○		●	
Courts Service	○	●	●		○	
Arts, Heritage and the Gaeltacht	●				○	
Department of the Taoiseach					●	
Foreign Affairs and Trade	●					
Justice and Equality	○	○		○		
Communications, Energy and Natural Resources						○
Office of the Minister for Finance						○
Defence					○	
Shared Services				○		
Public Expenditure and Reform		○				

Source: Analysis by the Office of the Comptroller and Auditor General

Notes:
- ● Indicates an increase in the net expenditure estimate i.e. a substantive supplementary estimate.
- ○ Indicates that the increase in net expenditure was a token €1,000 i.e. a technical supplementary estimate.
- a Vote titles are as per the 2015 Revised Estimates for Public Services. For some votes, different titles may have applied in earlier years in which a supplementary estimate was approved.
- b Between 2010 and 2014 the HSE Vote required substantive supplementary estimates, and in 2015 the Health Vote required a substantive supplementary estimate.

	2010	2011	2012	2013	2014	2015
Substantive	6	4	7	4	11	13
Technical	6	4	2	2	5	2
Total SEs	**12**	**8**	**9**	**6**	**16**	**15**
Total Votes	40	40	40	40	40	41

Expenditure Risks highlighted by the Committee on Budget Oversight

The Committee raised the issue of Expenditure Risks generally and highlight four in particular:

a) Bringing forward of €1,000 under Lansdowne Road Agreement

- The expenditure risk has **already been quantified** in one instance (i.e. the bringing forward of payments under the LRA agreement) and the outstanding issue relates to the funding of these increases.

- The additional cost arising from the Government Decision in relation to the Lansdowne Road Agreement is €120 million. The required funds will need to be met from available public resources taking into account the scope for reallocation of expenditure while also ensuring that core public services are not adversely impacted as a result of this decision.

- The extent to which Departments are in a position to meet this additional cost will only be determined later in the year. The Government will monitor the position closely and will consider how best to meet any additional funding requirements where the need arises. This funding approach has been agreed with the Minister of Finance

- The principal benefit of the deal is to allow time for the Public Service Pay Commission to complete its initial report (due Q2 2017) and negotiations to follow on a successor to the LRA.

- [redacted]

- [redacted]

[redacted]

[redacted]

[redacted]

- [redacted]
- [redacted]

[redacted]

- [redacted]

Budget Oversight Committee – 5th April 2017

Irish Water Developments

... Current Budgetary Assumptions

- The assumption re Irish Water revenues for 2017 was based on the prevailing legal position as set out in the *Water Services (Amendment) Act 2016.* .This suspended the charges to March 2017 (or later if necessary).

- Based on this, an assumption was made the suspension would end at Q1 2017 with c.€0.2 billion (c 0.1% of GDP) in 2017 Irish Water revenues included in the Budget arithmetic for this year, and growing gradually thereafter.

... Impact of Possible Abolition of Charges

- Should the charges be abolished, this would reduce general government revenue by this amount, with this loss in revenue impacting the headline deficit by 0.1% of GDP for this and subsequent years. This in turn would feed through to the structural balance.

... Impact on Fiscal Space

- In terms of fiscal space, a negative discretionary revenue measure of -€64 million was booked in 2016. This is differential arising from the fall in 2015 Irish Water domestic revenues of €123 million to an estimated €59 million in 2016.

- Should the charges be abolished in 2017 the impact on the fiscal space is -€59 million. For fiscal space the 'step change' between years is what counts, so the complete abolition of water charges would represent a negative DRM of -€59 million in 2017.

- However, there would be no impact upon the fiscal space from 2018 onwards as the 'step change' will have been booked the year previously.

€m	*2015*	*2016*	*2017*	*2018*
Domestic Revenues	123	59	0	0
Fiscal Space		*-64*	*-59*	*0*

... Refund of Charges

- Should a refund of charges - c.€170 million - be made, this would imply an impact to the general government deficit and the fiscal space in the year these payments are made.

Committee on Budget Oversight Briefing for Secretary General Watt

Summary of OECD's report, Review of budget oversight by parliament: Ireland

The Government, in the *Comprehensive Expenditure Report 2012-2014*, made an explicit call for the Houses of the Oireachtas to engage more effectively within a "whole of year" budgetary process. (Subsequently, the Minister for Public Expenditure & Reform wrote to the Chairs of the Select Committees inviting them to bring their considerable political expertise to bear upon the task of deciding priorities for subsequent years' Estimates.)

The Houses of the Oireachtas Secretariat requested the OECD to examine the direction of the effort to reform the engagement by the Oireachtas in the budgetary process to date and to highlight practical ways in which this could be further enhanced. The report brings forward some suggestions for ways in which parliamentary engagement might be made more effective. These suggestions are for consideration by the Houses of the Oireachtas and by Ireland's public administration more broadly. The report is based on an analysis of the existing legal and procedural framework, and in-depth interviews with a wide range of stakeholders in Ireland (included officials from D/PER).

Chapter 1 – Role of the Houses of the Oireachtas in the budget process: background and context

This chapter sets out Ireland's parliamentary framework, constitutional aspects of budgeting, legal and administrative aspects of budgeting and recent and ongoing reforms of the budget process.

Chapter 2 – Enhancing engagement of the Dail in the budget process

This chapter notes that the multi-annual nature of budgeting, provides opportunities for parliamentarians and other stakeholders to follow and influence the course of policy issues and impacts over a number of years. It also notes that enhanced parliamentary engagement does not entail simply displacing the views of the executive branch with the views of parliamentarians, but rather ensuring that the legitimate views and insights of parliamentarians are brought to bear upon budget deliberations.

The report points to research that indicates that the level of budget engagement by the Oireachtas is the lowest observed in any OECD country. The OECD summarise the challenges and perceived shortcomings as:

- Lack of *engagement with parliament* as a partner throughout the budget process – there is not a sense that the input of Deputies is particularly expected or welcomed;
- Lack of *parliamentary input* to medium term fiscal planning – SPU presented too late for the government to take account inputs of Deputies;
- Lack of *ex ante* parliamentary debate on budget priorities – budget presented as a *fait accompli*;
- Lack of adequate "no policy change" *pre-budget information* – information in the SPU provides limited information about what would be required to maintain the existing level of public services, future spending commitments are not systematically reflected in projections and the White Paper is out of date within a few days;

- Limitations in legislative *scrutiny* of Budget Bills – time available is low relative to international norms;
- Lack of detailed Estimates and performance information *at the time of the Budget* – limits usefulness of budget day documentation;
- Lack of *timeliness* of Estimates discussion – consideration takes place after spending has commenced; Appropriation Act at the end of the year, after the money has been spent;
- Lack of *meaningful debate* and discussion on the Estimates – no power to accept or reject or make or recommend changes;
- Lack of *willingness and / or capacity* of parliamentarians to engage in the budget process – struggle to achieve a quorum, challenge to focus discussion on Estimates, few questions tend to be asked in relation to the Estimates or performance information;
- Lack of *specialist analytical support* for parliamentarians to engage in budget scrutiny – very limited access to specialised analytical support; and
- Delay in the presentation and debate of audited *Appropriation Accounts* – issues of effectiveness in policy delivery and value for money across the totality of public expenditure do not necessarily get a uniform level of attention and scrutiny.

The OECD sets out a number of recommendations that have the potential to enhance the Oireachtas' role in the budget process and to improve the evidential basis and quality of budgetary policy development, decision making and accountability. The OECD notes that these need **a renewed commitment by government, at political and administrative levels, to engage with the Oireachtas as a partner throughout the budget process**.

The recommendations include:

- Procedural changes to promote parliamentary engagement
    - *Ex ante* parliamentary input to medium-term fiscal planning – bring forward publication of SPU too allow Dail to express views on medium term fiscal strategy;
    - *Ex ante* parliamentary input on budget priorities – Select Committees to hold a week of open hearings, drawing views from a wide range of experts and stakeholders, with the evidence used to inform a series of recommendations for government in relation to budget priorities;
    - Early publication of full budgetary information and legislative proposals – maximise the time available for legislative scrutiny and debate;
    - Timely consideration of the Estimates of Expenditure – take place October – December, to reinforce the immediacy and relevance of the Dail's involvement at this important juncture in the budget process; and
    - Performance dialogue with joint committees in early year – engage in a focused dialogue upon issues of performance and impact;

- Enhanced information to promote parliamentary engagement
    - Re-introduce "Pre-Budget Estimates" showing "no policy change" expenditure baselines – publish in July with an accompanying White Paper; and

- Institutional supports for effective parliamentary engagement
    - Establish an Irish Parliamentary Budget Office to support parliamentary engagement and budget scrutiny; and
    - Continuing Professional Development of parliamentarians and officials.

Chapter 3 – Performance-based scrutiny of the Estimates

The OECD set out a number of specific issues with performance budgeting in practice, in particular:

- Lack of systematic linkages between performance indicators and higher-level strategies – selection of indicators is largely the responsibility of the Departments concerned and can seem arbitrary, not anchored in an overall vision of departmental priorities and strategies;
- Lack of consistency in the quality of performance measures – information tends to lack operational relevance, related to discrete events;
- Poor presentation of performance information – volume of information provided by Departments for inclusion on single page has undermined presentation;
- Lack of accountability for meeting performance targets – does not compare "targets" to "outturns" for a given year;
- Lack of impact on budgetary decisions – new approach does not command the interest and attention of Oireachtas members, little sense that the process engenders a meaningful dialogue around how resources are used and around impacts for citizens; and
- Lack of dedicated resources to support scrutiny of performance in the Houses of the Oireachtas – no dedicated resources available to support the scrutiny of performance budgeting.

The OECD makes a number of recommendations that are aimed at making space in the budget cycle for a "performance dialogue" between committees and public bodies.

The recommendations include:

- Procedural changes to promote parliamentary engagement
    - Performance hearings with joint committees in early part of the year – focus would be on how performance measures have fared over the past year as well as allowing committees to make recommendations on the selection of performance measures to the next stage of the policy cycle; and
    - Power for joint committees to recommend changes to performance information – intend to improve the quality and relevance of discussion and the information provided to inform it;

- Enhanced information to promote parliamentary engagement

- Systematic review of existing performance metrics – conduct a full review of existing performance information and assess its suitability for purpose;
- Estimates Performance Reports – facilitate discussion at Committees based on a structured template;
- Promotion of IrelandStat as an authoritative portal for public performance – data remains patchy and absence of targets;
- Linkages to higher level strategies and articulation of National Performance Framework – lack of a coherent overall framework for setting out national objectives for the performance of government and the country as a whole; and

- Institutional supports for effective parliamentary engagement
  - Establishment of a National Performance Quality Panel – informed by expert, professional advice from the public service and beyond regarding the appropriate indicators to translate national performance goals into organisational performance targets;
  - Role of the Irish Parliamentary Budget Office in supporting performance scrutiny – provide regular briefings on performance information, specialist support in assessing performance information, training for members on performance budgeting and on the effective scrutiny of performance information, research notes on alternative performance metrics and acts as a focal point for ongoing improvement in oversight of performance information by parliament; and
  - Selective audit of performance information by the C&AG in reports to the PAC and other committees - - help close the loop in the budget policy and performance cycle and enhancing the standing and relevance of performance data within the Oireachtas.

Context: Expenditure Reform and Whole-of-Year Budgetary Process

In addition to the requirements arising from the EU Fiscal Rules, there have been far-reaching reforms to the expenditure management process in recent years in response to the lessons learned from the experience of unsustainable growth in public expenditure in the period preceding the fiscal crisis.

The core elements, key issues and the impact of the Medium-Term Expenditure Framework (MTEF) established under the Ministers and Secretaries Act, 2013 are set on in Chapter 3 of the Mid-Year Expenditure Report 2016 (which is referenced in Annex IV to this brief).

In summary, the MTEF comprises:-

- Government Expenditure Ceiling (GEC) essentially equivalent to total gross voted expenditure (i.e. current and capital); and
- the allocation of the GEC into individual Ministerial Expenditure Ceilings (MEC) encompassing both current and capital expenditure.

Other important elements of the MTEF include:

- a sharp focus on performance information to enhance *ex-post* scrutiny of outputs and outcomes achieved from public spending;
- ongoing Value For Money (VFM) evaluations assessing the effectiveness and efficiency of spending programmes utilising the Irish Government Economic and Evaluation Service (IGEES) in line with the requirements of the Public Spending Code;
- Spending Reviews – such as is currently being carried out to assess whether or not programmes are effective in light of, for example, changes in Government priorities as well as proposals for additional spending under existing expenditure programmes.

The MTEF provides a comprehensive and detailed framework for expenditure management and for securing continued compliance with the EU Fiscal Rules. Trends in aggregate voted expenditure following the establishment of the MTEF demonstrate the effectiveness of the framework in supporting the achievement of expenditure targets. The MTEF continues to develop and evolve in line with experience derived from its operation to date and the overall macroeconomic and fiscal conditions.

Expenditure Reporting: Existing Publications

A key feature of the MTEF to achieve greater openness, transparency and public accountability in relation to public expenditure through greater engagement with the Oireachtas is the adoption of the whole-of-year Budgetary process.

Extensive data, information and analytical studies on public expenditure are published on a timely basis in support of the whole-of-year approach to expenditure management that arises in that context.

In summary:-

- As part of the Department of Finance's Fiscal Monitor, information is published by DPER on both current and capital spending by Vote Group on a monthly basis throughout the year as well as performance relative to the projected expenditure profile and the corresponding period of the previous year which enables robust monitoring and scrutiny of intra-year developments in voted expenditure.
- DPER contributes the analysis of voted expenditure to the Stability Programme Update and the Summer Economic Statement published by the Department of Finance and prepares papers on expenditure matters discussed as part of the National Economic Dialogue.
- The pre-Estimates baseline for Departmental expenditure is provided in the Mid-Year Expenditure Report (MYER) first published by DPER in 2016 as part of the ongoing process of expenditure reform. The MYER represents the starting point for examination of budgetary priorities by the Government and the Oireachtas identifying any areas where significant expenditure pressures are arising.
- Expenditure allocations for the coming year are published in the Expenditure Report at Budget time alongside the details of the specific expenditure measures for the coming year. The Expenditure Report also provides an assessment of the projected year-end position in light of pending policy decisions such as the payment of a Social Welfare Christmas Bonus.

- In December, the publication of the Revised Estimates Volume details the specifics of the coming year's allocations alongside key performance information on outputs and outcomes. The provision of this comprehensive and detailed information is intended to support the scrutiny role of Oireachtas Committees in relation to public spending and will be reinforced and complemented by the publication of the first Performance Report in 2017 (see further below).

In terms of how Ireland compares internationally, it can be noted that the IMF in the Fiscal Transparency Assessment for Ireland published in July 2013 concluded that fiscal reporting in Ireland is relatively comprehensive, frequent, and reliable and that Ireland was approaching best practice in reporting. The IMF made a number of recommendations to improve further the timeliness, quality, and comprehensiveness of its budgets, statistics, and accounts which continue to be progressed

Further details of the key publications relating to public expenditure are included in **Annex V.**

Performance Information

(a) Progress made on Performance Information in the REV

The aim of the performance budgeting initiative is to strengthen the focus on what is being delivered through public services with public funds, and to use this information to inform the policy making process. The introduction of the initiative laid the foundation for a more systematic engagement by parliamentarians and the public on the impact of public policies and on resource allocation decisions.

The performance information provided in the Revised Estimates Volume is designed to gives a picture of the resources allocated to a particular programme area, the goods/services provided being provided and the impact of those goods/services on society.

Following the publication of REV 2016, a detailed analysis of the type and quality of performance information provided was carried out in conjunction with a comprehensive guidance note on enhancing the quality of performance information was developed and circulated to Departments. As a result of this feedback, guidance and ongoing engagement between DPER officials and Departments, there has been a significant improvement in the quality of performance information provided for REV 2017.

(b) New Initiative: Performance Report

The OECD report, 'Review of Budget Oversight by Parliament: Ireland', published in November 2015, discussed performance budgeting in Ireland and the role that performance information plays in effective parliamentary engagement with the budget process. A key focus of the proposals emerging from the review was to promote a "performance dialogue" between Oireachtas committees and public bodies.

One shortfall in the timing of the publication of the REV is that, as it is published prior to the end of the year, outturn information is not available for the current year, and only targets can be published. A Committee must wait until December 2017 to examine the outturn information related to 2016. The Performance Report will address this shortfall as it will be a

backward looking document that will provide timely quantitative information on what was delivered in 2016.

The intention is that the Performance Report will build on the initiative that is underway to improve the quality of performance reporting in the REV.

The Performance Report will help enhance the focus on performance and delivery by presenting relevant performance indicators in a dedicated, focused document, which will enable sectoral Committees make best use of the time allocated for reviewing performance measures. The intention is to make the Report as user-friendly and accessible as possible.

One shortfall in the timing of the publication of the REV is that, as it is published prior to the end of the year, outturn information is not available for the current year, and only targets can be published. A Committee must wait until December 2017 to examine the outturn information related to 2016. The Performance Report will address this shortfall as it will be a backward looking document that will provide timely information on what was delivered in 2016.

It is proposed that the Performance Report will be divided into two sections:

Section 1

This section will provide background to the Report and explain the approach adopted and rationale. As this is the first such Report we could invite constructive suggestions from the Oireachtas regarding how it could be improved, subject to the availability of the relevant data.

Overview trend information for the public service as a whole could be presented here also (giving an overview on the size and scale of the public service, and international comparisons).

Section 2

This section will form the substantive part of the Report and will be arranged by Vote Group. This section could provide an overview of the funding allocated to the Vote, trends across categories of spending, a breakdown of spend by programme and staff numbers. Using the information in the REV, output information can be presented in a dashboard format, broken

down by programme level. In cases where the Department or Office has not provided sufficient quantitative metrics in the REV, additional metrics will be requested to populate this section.

Again, it must be emphasised that this is year 1 of a process. The intention is that, over time, this information can build up a picture of performance within a sector using key metrics. Once enough data has been generated through repeated reporting on consistent metrics, this section of the Report will be capable of demonstrating performance trends over a number of years. Outturn information can then be mapped against targets to give a picture of what is being delivered through public resources, and help to track progress in achievement or non-achievement of strategic outcomes.

While the performance information in the REV has been improving incrementally over the last number of years, there has not been consistent reporting on high quality quantitative metrics for sufficient time to build up this picture. The hope is that this initial performance report can provide a baseline of quality indicators, upon which future analysis can be built.

As referred to above, an important innovation to further enhance the quality and timeliness of performance information and support the expenditure scrutiny role of the Oireachtas is the proposed publication of a Performance Report in Spring 2017.

Overview of Expenditure Management Process

The management of the annual Exchequer funding provision allocated to Departments is governed by the by the rules detailed in Public Financial Procedures. Managing the delivery of public services within Budgetary allocations is a key responsibility of each Minister and their Department, and important measures are in place to help ensure that these budgetary targets continue to be met. DPER is in regular communication with all Departments and Offices to ensure that expenditure is being managed within the overall expenditure parameters. The drawdown of funds from the Exchequer is monitored against the published expenditure profiles. As set out above, there is regular and timely reporting to Government on these matters, and information is published monthly, as part of the Exchequer Statement published by the Department of Finance.

It is important to review the several reasons why the end-year expenditure outturn can exceed the projected outturn at the end of a year.

In the first instance, expenditure can exceed profiled expenditure on account of forecasting error.

This can arise in particular in spending areas that are 'demand-led' on account of unpredictable pressures on services, including on account of macroeconomic and labour market developments. Indeed, the impact of unexpected economic developments impacting on employment levels and household incomes is, at any point in time, the most significant source of expenditure risk.

Another common reason for both expenditure overruns is timing issues which in a cash based expenditure system across a very spectrum of individual expenditure programme can often give rise to a situation where expenditure diverges from expected profile. This relates to a situation where say spending profiled for the last quarter of the year does not take place until the first quarter of the next year owing to for example slower the anticipated progress in the implementation of a particular expenditure project.

Policy decisions made by Government in the course of the year are often the primary reasons for increased expenditure over and above that forecasted in the REV.

Where expenditure is set to exceed the agreed profile in a particular spending area primary responsibility for addressing this issue falls to the relevant Department to manage within the overall expenditure allocation voted by the Oireachtas.

This can be achieved in a number of ways.

Departments have the option of a *virement* in situations where a Vote requires to transfer a relatively small proportion of planned funding resources between subheads.

For larger transfers within a single Vote Group a technical Supplementary Estimates has to be laid before the relevant Sectoral Committee for approval.

Where the scale of funding resources required exceeds the ability of the Department to manage the expenditure pressure within its agreed allocation in the REV, a substantive Supplementary Estimate and a change in the relevant MEC will be required. However, this may have implications for the agreed GEC and needs to be assessed in terms of its implications for compliance with the Fiscal Rules.

Expenditure Management in 2016

In the first instance, it is acknowledged that the later approval date of REV 2016 (in July) allowed the Government to recognise spending pressures which had accumulated within the Department of Health and allocate an additional €500m to ensure service levels were maintained. €40m was also allocated to the Justice sector support an intensified police response to the recent spate of serious crime related violence in Dublin. It is against this allocation that expenditure performance in 2016 is measured in the below.

In assessing the performance of Ireland's public expenditure management system as can be seen from the table following an appropriate comparison is the outturn for total gross voted expenditure which was over profile by €142m – as compared to the projection in REV 2016. This amount represents just 0.25% of total gross voted expenditure, highlighting the strict control of the overall level of public expenditure in the course of 2016.

€m	**Current**	**Capital**	**Total**
REV 2016	51,872	3,967	55,839
Exchequer Outturn	51,787	4,194	55,981
Variance	(85)	227	142
Variance (%)	*-0.16%*	*5.71%*	*0.25%*

In 2016, Government decision-making in response to significant public policy issues was the main factor underpinning the deviation of the end-year position summarised in the table above.

As illustrated in the table, the €142m of total gross voted expenditure in excess of that profiled was actually comprised a €85 million shortfall in current expenditure with capital expenditure exceeding its profile by €227.

It should also be noted, that with gross voted current expenditure behind profile at end-year, in effect the cost of the Christmas Bonus of €220m was fully offset by underspends across a number of Votes.

The higher level of capital expenditure had been previously outlined in the MYER and related to road repairs (in response to flooding damage at the beginning of 2016) and faster than

expected progress under the schools building programmes. It also reflected the allocation of €35m for capital grants to the Department of Jobs, Enterprise and Innovation through a Supplementary Estimate to support increased flexibility in undertaking initiatives in responding to Brexit in 2017.

Finally, there were also a number of Supplementary Estimates over the final two months of the year to enable certain reallocations of expenditure within Votes Groups (including for example Justice and Defence, to be funded by savings within those Vote Groups). As Public Financial Procedures do not provide for negative Supplementary Estimates to reflect anticipated year-end savings, the effect of all Supplementary Estimates was to require an increase in the gross expenditure allocation for 2016 to €56,329 million. However, it was anticipated at that time – as proved to be the case - that under-spending across Departments would bring overall expenditure for the year back into line with the amount set out in Expenditure Report 2017. It should be noted that in light of the high priority afforded by Departments to minimising the risk of an Excess Vote, the scale and extent of end-year savings only become apparent quite close to the end of the year.

Position from REV 2016 to Estimates 2017

Evolution of 2016 Outturn

	Current	Capital	Total
REV 2016 (Dec)	51,332	3,967	**55,299**
Health and Justice	*540*		*540*
MYER / Revised REV (July)	51,872	3,967	**55,839**
Provision for 2016 Christmas Bonus	*220*		*220*
Year End-Savings	*(110)*		*(110)*
Transport and Education Capital		*200*	*200*
Budget 2017	51,982	4,167	**56,149**
Other Supplementary Estimates	106	73	179
REV 2017 Estimate + Supplementaries[1]	52,088	4,240	**56,328**
End-Year Savings	301	46	347
End Year Outturn[2]	51,787	4,194	**55,981**

[1]Despite the anticipation of end-year savings, this level of increase was required as negative supplementary estimates are not permitted

[2]Capital Carryover of €76m is included in the 2016 Outturn

2016 Expenditure Outturn

The Revised Estimates Volume (REV) 2016 presented to the Dáil and referred to Committee in December 2015 set out total gross voted expenditure of €55,299 million for 2016. Given the timing of the election in early 2016, these Estimates were not subject to consideration by the relevant sectoral committees in advance of the election.

Following the formation of the Partnership Government in May last year, the Government decided to allocate additional resources of €500 million to the Department of Health and €40 million to An Garda Síochána. These additional amounts were reflected in the Estimates agreed by the Dáil in July last year, bringing the gross voted expenditure allocation for 2016 to €55,839 million.

[The additional €500 million allocated to the Department of Health, brought the total allocation for the year to €14,109 million, an increase of almost €0.8 billion on the 2015 allocation. This additional €500m allowed the Department of Health to deal with spending

pressures, including overspends in the acute sector and PCRS already evident at that stage of the year, and to ensure that service levels were maintained in relation to health and social care.]

[The additional €40m provided to An Garda Síochána supported an intensified police response to the serious crime related violence in Dublin and allowed a step up in An Garda's counter terrorism and security activities in the aftermath of the attacks on Paris and Brussels.]

The Expenditure Report 2017, revised the projected total gross voted expenditure for 2016 to €56,149 million, an increase of €310 million or 0.6 per cent. This reflected additional capital expenditure outlined in the Mid-Year Expenditure Report and provision for a Social Welfare Christmas Bonus less anticipated offsetting savings across Government Departments.

[The Expenditure Report included an increase of €200 million for capital funding required for necessary repair work to transport infrastructure arising from flood damage at the start of the year and expenditure arising from the rescheduling of school building works. These items of additional expenditure were signalled in the Mid-Year Expenditure Report. In addition, an amount of €220 million was included to fund a Christmas Bonus to long-term Social Welfare recipients. In line with previous years, it was anticipated that the additional cost of providing this bonus would be partially offset by year-end savings across a number of Departments. Savings of €110 million were reflected in the Expenditure Report.]

These additional expenditure amounts were reflected in the Supplementary Estimates agreed by the Dáil in December. In addition, the Supplementary Estimates also reflected certain reallocations of expenditure within Votes Groups, including Justice and Defence, to be funded by savings within those Vote Groups, and additional funding for the Department of Jobs Enterprise and Innovation of €35 million. As Public Financial Procedures do not provide for negative Supplementary Estimates to reflect anticipated year-end savings, the effect of all Supplementary Estimates was to require an increase in the gross expenditure allocation for 2016 to €56,329 million. However, it was anticipated at that time that underspends across Departments would bring overall expenditure for the year back into line with the amount set out in Expenditure Report 2017.

[The additional funding for the Department of Jobs, Enterprise and Innovation allowed the Department to meet some pressing needs in 2016. This included supporting Research and Development through the Programme for Research in Third-Level Institutions and Science Foundation Ireland and supporting the development of small businesses by the provision of funding to Microfinance Ireland. The allocation of funds to these areas should create space within the existing allocation for 2017 to proactively respond to growing uncertainties for Irish based enterprise on foot of Brexit.]

The actual gross voted expenditure outturn for 2016, reflected in the end-December Exchequer returns, is €55,981 million. This is 0.6 per lower than the gross expenditure allocation. In 2015, the underspend in the end-year Exchequer Returns was close to ½ per cent of the gross expenditure allocation.

Relative to the Estimates agreed in July, current expenditure was €85 million below profile with capital expenditure €227 million above profile. With gross current expenditure finishing behind profile, the cost of the Christmas Bonus has in effect been fully offset by underspends across a number of Departments.

On a year on year basis, gross voted expenditure shows an increase of €1.3 billion or 2.4% relative to 2015. Gross current expenditure has increased by just under 2% with capital expenditure up by 9.6%.

2017 Estimates

The REV 2017 proposes total gross voted expenditure of €58,072 million, an increase of €43 million or 0.07 per cent over the amount of €58,029 million set out in Expenditure Report 2017. This increase reflected a number of post-Budget technical and policy adjustments.

[There is an adjustment in the REV to reflect an Exchequer neutral transfer of certain Ordnance Survey Ireland (OSI) funding lines of €5 million in aggregate, in a number of Departments, to the Department of Justice and Equality to take account of the new National Mapping Agreement. €6 million is included in the REV to provide for the commencement of the roll-out of the Public Service ICT Strategy. A number of allowances in the Further Education and Training (FET) sector are being increased in line with rates for Working Age

Income Supports, and expenditure in the FET sector is adjusted by €7 million to take account of the Social Welfare rate changes. An additional allocation of €25 million is being made to Garda pay in response to the Labour Court Recommendations. In addition there is to be a reallocation of expenditure from within the Justice Group of Votes towards Garda pay. This is to be achieved through reprioritisation and efficiency measures that are designed not to impact on the provision of crucial services to the public delivered by the sector.]

The increase in the 2017 Estimate over the 2016 Estimate including Supplementary Estimates is €1.7 billion or 3.1 per cent. When the 2017 Estimate is compared with the 2016 outturn the increase is €2.1 billion or 3.7 per cent.

The REV allocates some €1.2 billion in funding for the Housing programme in the Department of Housing, Planning, Community and Local Government for 2017, representing an increase of €0.4 billion or 50 per cent over the amount allocated to that programme in 2016.

The REV shows an increase in the Health allocation of almost €0.5 billion or 3.5 per cent. This brings total gross voted expenditure for Health to €14.6 billion. This level of investment continues the process of putting our health service on a sustainable footing and represents the highest ever level of health funding.

€9.5 billion is allocated to Education in 2017 an increase of 4 per cent. The increase in spending will fund an extensive programme of recruitment in 2017, including an additional 2,400 teaching posts, of which 900 will be resource teachers.

Higher quality and more affordable childcare benefits children, families and the economy. There is an increase of 15 per in the allocation for the Department of Children and Youth Affairs.

Social Protection is allocated €19.9 billion in 2017 and accounts for 37 per cent of gross current expenditure. This allocation will provide for increases of €5 per week in March for all weekly social welfare payments.

These expenditure increases demonstrate the Government's commitment to improvements in public services by delivering sustainable growth in public spending at a rate that is prudent and responsible taking account of our recent economic history.

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Quarter 1 Expenditure Figures

Total gross voted expenditure for the first quarter of €13,599 million is €130 million or 0.9 per cent below profile.

Gross voted current expenditure of €12,887 million is €155 million (1.2 per cent) below profile and €464 million (3.7 per cent) ahead of the same period last year.

- At a Departmental level, the year-on-year comparison is impacted by timing issues including the timing of a payment of €100m from the Department of Housing, Planning, Community and Local Government to the Local Government Fund.

Gross voted capital expenditure of €712 million is €26 million (3.8 per cent) ahead of profile and €244 million (52.3 per cent) higher than the first quarter last year.

- Over 60 per cent of the year-on-year increase is driven by increased expenditure in the Department of Housing, Planning Community and Local Government. This is in line with that Department's expenditure profile for the year which has a higher proportion of capital expenditure profiled for the first half of the year when compared to the actual expenditure in 2016.

Quarter 1 2017 Exchequer Returns by Vote Group:

Total Ministerial Group	Outturn	Variance from Profile	% Variance	Year-on-Year Change (%)
Agriculture, Food and the Marine Group	255	(7)	-3%	10%
Arts, Heritage, Regional, Rural & Gaeltacht Affaris Group	71	(2)	-3%	10%
Children and Youth Affairs Group	327	(1)	0%	21%
Communications, Climate Action & Environment Group	100	(11)	-10%	12%
Defence Group	202	(8)	-4%	1%
Education & Skills Group	2,250	(21)	-1%	4%
Finance Group	107	1	1%	7%
Foreign Affairs Group	128	(15)	-11%	-19%
Health Group	3,575	(26)	-1%	2%
Housing, Planning, Community & Local Government Group	392	6	1%	277%
Jobs, Enterprise & Innovation Group	133	(13)	-9%	-3%
Justice Group	578	(8)	-1%	5%
Public Expenditure and Reform Group	228	(12)	-5%	5%
Social Protection Group	4,908	(27)	-1%	2%
Taoiseach's Group	44	(3)	-7%	7%
Transport, Tourism & Sport Group	301	18	7%	21%
Total	**13,599**	**(130)**	**-0.9%**	**5%**

- 14 out of 16 Vote Groups are at or below profile at the end of Quarter 1.

Spending Review

Work on the Spending Review announced in my speech accompanying the publication of the Estimates last October is now underway. This review will systematically examine existing spending programmes to assess their effectiveness in meeting policy objectives and also to identify scope for re-allocating funding to meet expenditure priorities. The review differs from the 'comprehensive' reviews of expenditures carried out in previous years, moving to a 'rolling' system of selective reviews. A significant proportion of current Departmental expenditure – with the exception of pay rates – will be examined this year, with the remainder to be covered in 2018 and 2019. The topics selected for review in this year's round are currently being finalised. This approach to the review is informed by the Irish Government Economic Evaluation Service paper 'Spending Reviews in Ireland: Lessons for the Future' and has been tailored to reflect the changed context and lessons from previous reviews.

Increase in Expenditure and Public Service Numbers

- Gross Voted Expenditure has increased by €4.8bn (+9%) since trough of 2014 (adjusting for the change in accounting treatment for the HSE).
- Public Sector Numbers have increased to 306,000 – almost 18,000 (+6%) higher than the trough in 2013.

Why has the Minister not set a clear target for savings for the 2017 spending review?

Recent spending reviews, including the Special Group Report in 2009 and the Comprehensive Reviews of Expenditure in 2011 and 2014, were conducted at a time when Ireland was about to enter, or already in an Excessive Deficit Procedure (EDP) under the corrective arm of the Stability and Growth Pact (SGP).

As Ireland is now in the preventive arm of the SGP, this year's review will take place against a different fiscal, and indeed a different economic, landscape. Moderate, sustainable, expenditure growth is now planned over the medium-term. The focus of future reviews will move from improving the deficit position to ensuring all expenditure is considered when

Government is making budget decisions. However, increasing and competing public service demands will mean managing expenditure is likely to prove challenging.

I have repeatedly made clear throughout my time as Minister for Public Expenditure and Reform that the totality of public expenditure must be considered when priorities are examined. By systematically examining baseline expenditure using available evidence and data, the increasing tendency to focus only on incremental improvements in expenditure can be countered. Spending reviews can support better policy choices by broadening the Government's toolkit within the budgetary process.

The spending review process operates within the wider budgetary architecture and the medium-term expenditure framework (MTEF), which supports sustainable expenditure policy anchored by adherence to the fiscal rules. This new system is designed to replace periodic, sharp fiscal retrenchments with an ongoing emphasis on prudent and sustainable growth in public expenditure. The major challenge addressed by the spending review process is to prioritise between policy initiatives to ensure resources are allocated to areas where they can have the greatest impact in terms of economic and social gain while respecting the necessary parameters set by these overall budgetary limits. In other words, Departments will examine existing spending within their expenditure ceilings to identify less efficient or effective areas and thereby create space for new, higher priority, initiatives. The aim of the spending review is not to reduce expenditure ceilings.

How does this process differ to that of previous spending reviews?

The focus of this review process has shifted from the need to reduce overall expenditure, to a need to prioritise between competing demands. The aim of this process is not to reduce expenditure ceilings, but to create space within those ceilings to fund new, high-priority initiatives through a systematic review of the existing cost base.

As I have noted, the design of the spending review process has been tailored to reflect the current fiscal and economic landscape, while reflecting the lessons learned from previous review rounds. The process itself has begun earlier in the year than previous reviews would

have and will operate as a separate but parallel process to the Budget. Instead of examining the entirety of the expenditure base in one year, it will be examined over a three year period.

The context in which this review is being carried out also differs significantly from previous review process, largely due to the constraints of the fiscal rules. Since 2016, Ireland has operated under a new fiscal framework that is different from ever before. We are now under the 'preventive arm' of the Stability and Growth Pact, which puts in place binding constraints on deficits, underlying deficits, expenditure growth and debt levels. The implications of these rules for expenditure policy are that expenditure growth will be limited to medium-term average of underlying economic growth and will be less impacted by in-year changes of government revenues. This means that there is more certainty about the broad availability of funding for new measures over the next number of years, which will be allocated in a stable and sustainable manner. The Expenditure Report 2017 detailed the expenditure ceilings for each Ministerial Vote Group for 2017 to 2019. In addition to these ceilings there are also monetary amounts included under the title 'resources to be allocated' which have to be allocated to the individual Ministerial Vote Groups. These resources detail the amount of net fiscal space available for expenditure in 2018 and 2019. However, the totality of this funding will not be available for new policies, due to pre-announced commitments and revisions that must be accounted for. This highlights the importance of creating space within existing ceilings to fund new policies, in particular given that the carryover costs of Budget 2017 measures in 2018 will also have to be funded out of the net fiscal space for 2018.

Will tax expenditures be examined as part of the spending review?

As tax expenditures are the responsibility of the Department of Finance, they will not be included as part of the spending review. However, the Deputy will be aware that tax expenditures have come under increased scrutiny in recent years. The Department of Finance published guidelines for tax expenditure evaluation in 2014. These are now being applied to proposals for new tax reliefs (ex-ante evaluation) and to existing tax expenditures (ex-post evaluation). A Report on Tax Expenditures is published on Budget Day by the Department. The last report in October 2016 included a review of the R&D tax credit. The Department of

Finance regularly performs these evaluations to improve the evidence base underpinning tax policy and determine if tax relief schemes remain fit for purpose.

How does the spending review process tie into the budget process?

The spending review will operate as a separate but parallel process to the Budget. As part of the initial preparation phase for the review process, we will be advancing the budgetary timetable to facilitate earlier engagement with Departments. While this move is related to the review, it is intended that this will be a permanent move to a 'whole-of-year' budget process. This will allow for greater engagement with Oireachtas, which is in line with recommendations from the OECD. In running these processes in parallel, the aim is to further embed evaluation and analysis in the budget process and create more time for evaluation and engagement at all levels.

In relation to new policy proposals for Budget 2018, Departments will be asked to set out and prioritise detailed proposals. These proposals must be based on the Programme for Partnership Government, the Confidence and Supply Agreement and Departments' Statements of Strategy. By requiring Departments to rank their proposals, it will be easier to establish what the highest new priorities are. Timely, well-informed proposals will ultimately allow Government to directly compare costs and impacts of new proposals with those of existing policies.

Capital Review

A review is also being carried out of the Capital Plan 'Building on Recovery', to ensure that capital spending is strictly aligned with national economic and social priorities, consistent with the objectives of the Programme for Partnership Government. The review will be undertaken in two stages. Phase one will be aimed primarily at advising the Government in the context of the Estimates 2018 on how the additional funding committed for capital funding should be allocated, over the remainder of the period of the plan. This will involve examination of priority areas for investment, consistent with the objectives of the existing capital plan, as well as reflecting the specific investment priorities set out in the Programme for Government. Phase two of the review will assess and report on the framework required to underpin longer term analysis of Ireland's infrastructure planning needs. The Taoiseach, in his recent address to the Institute of European Affairs 'Ireland at the heart of a changing European Union' reaffirmed that the new National Planning Framework for spatial planning due to be finalised later this year will be complemented with a long-term (i.e. 10 year) capital plan.

Q. What is the process involved in the mid-term review of the capital plan?

The Capital Plan "Building on Recovery" is being reviewed to ensure that capital spending is strictly aligned with national economic and social priorities, consistent with Programme for Partnership Government objectives. A key goal for the review is to focus available capital resources on investment that can best underpin sustainable medium-term economic growth and social progress and enhance Ireland's future growth potential.

The review of the Plan will be undertaken in two stages. The first phase will comprise a focused review of priorities aimed primarily at advising Government in the context of Budget 2018 on how the additional funding committed by Government for capital investment should be allocated over the remainder of the period of the plan. This will examine priority areas for investment, consistent with the objectives of the existing Capital Plan and also reflecting the specific investment priorities set out in the Programme for Government. The second phase of the Review will assess and report on the framework required to underpin longer term analysis of Ireland's infrastructure planning needs.

Submissions will be sought from Departments and key stakeholders and a public consultation will also be undertaken to inform the Review. As part of the process, it is currently intended that my Department will publish output as part of the 2017 Mid-Year Expenditure Report, including a stock-take of progress to date on delivery of the Capital Plan; a macro-economic analysis, assessing developments in the economic environment since the plan was published in 2015; and an infrastructure demand analysis, benchmarking existing infrastructure being supplied to assess its capability to meet demands as the economy continues to grow.

Building on this analysis, my Department will assess the submissions received from Departments and other stakeholders and make recommendations to Government in Q3 2017, to inform final decisions by Government on revised capital allocations, to be announced in the context of Budget 2018.

My Department has recently written to all Departments initiating the review process and has sought submissions, including proposals for any of the additional capital funding available, by end February 2017.

Q. Is it the Minister's intention to produce a five year capital plan or a ten year capital plan?

The review of the Plan will be undertaken in two phases; the immediate, five year, period and the longer-term period of at least ten years.

The first phase will comprise a focused review of priorities aimed primarily at advising Government in the context of Budget 2018 on how the additional funding committed by Government for capital investment should be allocated over the remainder of the period of the plan out to 2021. This will examine priority areas for investment, consistent with the objectives of the existing Capital Plan and also reflecting the specific investment priorities set out in the Programme for Government.

The second phase of the Review will assess and report on the framework required to underpin longer term analysis of Ireland's infrastructure planning needs. This long-term capital planning framework is intended to comprise a fundamental review of public capital infrastructural requirements as follows:-

1. An assessment of the appropriate level of investment required to maintain the quality of our existing infrastructure, before seeking to add to our stock of infrastructure;
2. A benchmarking of our infrastructure by reference to that of other comparable developed countries – potentially including a review undertaken by the OECD;
3. An assessment of the long term infrastructure requirements, by reference to the new National Planning Framework due to be published in 2017;
4. A review of our delivery mechanisms and the mechanism for coordinated planning of infrastructural provision across sectors; and
5. An examination of the options for funding infrastructure (borrowing, PPPs, taxes, user charges), together with potential demand management tools which could assist in reducing the need for (and cost of) additional infrastructure supply.

The Taoiseach, in his recent address to the Institute of European Affairs 'Ireland at the heart of a changing European Union' reaffirmed that the new National Planning Framework for spatial planning due to be finalised later this year will be complemented with a long-term (i.e. 10 year) capital plan.

Q. In view of the overwhelming consensus right across the ideological spectrum (e.g. IBEC, ICTU, EC, IMF) that more capital spending is required, why is the Minister not announcing increased capital spending now?

While the macro-economic environment and fiscal performance have clearly improved relative to when the Capital Plan was published in 2015, as you know the fiscal rules under the preventive arm of the Stability and Growth Pact give rise to strict constraints on the growth in public capital spending – even allowing for the supportive effect of the capital smoothing rule. Moreover, there are a number of significant expenditure risks that need to be factored into public expenditure planning overall.

Expectations in terms of additional funding and demands for additional capital funding must, therefore, be firmly anchored in the additional resources that have been projected as available under the Expenditure Benchmark rule. In this context, taking account of commitments already made, in the context of Budget 2017 and in support of the Action Plan

for Housing, there remains c€2.65 billion of the total committed additional €5.14b capital funding that is now available for allocation over the remaining period of the plan.

Prioritisation of proposals for increased capital spending will, in that context, be essential to ensure we achieve the maximum impact for the additional investment spending.

Q. Why is it necessary to undertake a review if the Capital Plan was deemed sufficient when it was published just one year ago?

The Capital Plan was the product of an extensive strategic review of infrastructural requirements as undertaken by my Department and other line Departments as part of the 2015 review. It represents a sustainable and evidence based policy approach to capital investment based on the analysis carried out at that time.

However, although the plan was only published in 2015, the fiscal outlook has improved in the intervening period and the mid-term review, now underway, will provide an opportunity to reflect on a number of developments that have occurred such as:

- an additional €5.14bn increase to capital investment
- Government announcements regarding commitments to priority areas such as housing
- Brexit
- A new National Planning Framework (first draft due in April)
- Census 2016 (figures will not be available until March 2017) and
- other macro and micro changes to our economy.

It is important therefore, that the review ensures that developments such as these are taken into account in terms of the Capital Plan's priorities and objectives, and in doing so allow the benefits of our growing economy to be accessed by all.

Q. Would the Minster care to comment on the low level of capital to GDP that the Government will be investing in 2017?

While representing capital investment as a percentage of GDP tends to be used as a means to make international comparisons on the topic, in Ireland's case this ratio may not give an accurate reflection of the level of investment taking place. It is generally accepted that GNP is a better measure for Ireland than GDP.

While there has been a constraint on capital expenditure over recent years, capital expenditure should also be considered over the medium term given the lifetime of capital projects. Over the period 2000-2015 Ireland's public expenditure on capital as a percentage of GNP was 3.5%, which is above the Euro Area average of 3.1% for the same period.

Over the coming years the Government intends to increase capital expenditure as clearly outlined in the Capital Plan.

Q. Would it not be prudent to spend 5% of GDP next year on capital investment to ensure that economic growth is not impinged by infrastructure deficits?

This Government is committed to following the fiscal rules and their essential goal of avoiding the pro-cyclical tax and expenditure policies of the past, which were so costly. So while there appears to be an infinite demand on the State's resources to invest in enhancing our infrastructure, there is no free or easy money available to meet this demand.

In deciding how to respond to these pressures it is therefore necessary to make choices in relation to how our infrastructure is to be delivered. This Government proposes that funding for investment be based on sustainable economic growth and within the current budgetary parameters. The alternative choice is further taxation and/or through user charges.

Equality Budgeting

- The PfPG contains a commitment to developing a process of budget and policy proofing as a means of advancing equality, reducing poverty and strengthening economic and social rights.

- There are currently a number of established procedures in place already supporting the delivery of this PfPG commitment, including the requirement that all **Memorandums for Decision** submitted to Government set out the estimated **impacts of the proposal across a range of areas** including gender, social inclusion and people with disabilities.

- At Budget time the current practice, carried out by the Departments of Finance and Social Protection, involves the ex-post impact assessment of the main tax and social welfare measures introduced in the Budget. These exercises use the ESRI micro-simulation **(SWITCH) model** to assess the impact of these policy measures across different household types based on a large-scale nationally representative survey.

- Another initiative currently underway in response to the commitment in the PfPG commitment in relation to equality budgeting is the undertaking of Social Impact Assessments of public expenditure policies to help examine the targeting of public spending.

- In order to facilitate a more comprehensive assessment of the impact of budget expenditure measures on household living standards, **a new Social Impact Assessment Framework** is being designed to focus on policy areas that cannot easily be incorporated into the existing SWITCH model, specifically the impacts of public expenditure on recipient households.

- Depending on the available data, the impacts of expenditure in certain policy areas may also be examined with regard to certain group characteristics e.g. age, gender, regional spread. **In the future, the aim will be to expand the assessment**, in so far as is possible within the available data constraints, to encapsulate the impact of a particular policy measure on other identified groups.

- The framework aims to **complement the existing process** that takes place each year with additional information on where Government resources are spent and who the key beneficiaries are.

- The Social Impact Assessment Framework will play an important part in delivering the PfPG commitment to develop a process of budget and policy proofing as a means of advancing equality, reducing poverty and strengthening economic and social rights.

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- In January, the Department of Public Expenditure and Reform and the Department of Justice and Equality hosted a half day seminar on delivering the PfPG commitments regarding equality and gender proofing and budgeting.

- The seminar provided a review of the concepts of equality and gender proofing and an introduction to the tools and other resources available to Departments implementing these processes.

- The event was attended by Departmental officials from across the civil service who have a role in drafting or coordination of Department's strategic plans, budget submissions, policy development or service delivery.

- Work is underway on developing a discussion paper on equality budgeting and its application in Ireland. A draft of this paper will be shared with the Irish Human Rights and Equality Commission for observations and input.

- In relation to policy proposals for Estimates 2018, where a proposal has socio-economic objectives and impacts on groups identified in equality legislation, Departments have been asked to provide information on the projected impacts on these areas.

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Public Service Pay

Completion of Phase 1.

- This Government believes in the value of collective agreements and is taking steps to support the continued implementation of the Lansdowne Road Agreement until a successor can be negotiated following the report of the Public Service Pay Commission.

- A collective approach to public service pay is vital to our national interest as it provides for the stable industrial relations environment which has been a pillar of our domestic recovery and restored international reputation. Collective agreements deliver public service reform, secure productivity improvements and allow for strong fiscal planning – where pay increases are negotiated fairly and budgeted for on a multi annual basis. This allows us to balance pay increases in the public service with other societal priorities including improvements in housing and health care.

- Collective Agreements however are not dead documents or static bargains, they have to be flexible and responsive to events. The Labour Court Recommendation with respect to Garda pay provided for pay increases for a particular group of public servants. Government had to act to ensure that the benefits of the collective approach were not undermined and the Lansdowne Road Agreement remains in place.

- As you are aware the Labour Court Recommendation on Garda pay issued on 3rd of November last had serious implications for the continued viability of the Lansdowne Road Agreement.

- These stemmed from the impression that two Associations outside of the Lansdowne Road Agreement had secured a better deal for their members than Unions and Associations who remained party to the agreement.

- In response, we decided on a two phase approach to securing the future of collective pay agreements.

- The first phase was to address the anomalies arising from the Labour Court Recommendation and the second phase is to negotiate a successor to the Lansdowne Road Agreement in Q2/Q3 2017 in time for Budget 2018.

- Phase 1 has now been completed following agreement with the Public Service Committee of ICTU on measures required to support the LRA in 2017 until a replacement can be negotiated.

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- The substance of the deal is an increase in annualised salaries of €1,000 for the period April to August 2017 for:
    - those on annualised salaries up €65,000;
    - who are parties to the Lansdowne Road Agreement; and
    - who do not stand to benefit from the Labour Court Recommendations (CD/16/321 & CD/16/322) issued in respect of the Garda Associations.

- The estimated cost of this new provision is an additional €120m in 2017.

- This will benefit approximately 250,000 public servants (whole time equivalents) or 83% of the 304,500 WTE employed.

- The additional cost arising from the Government Decision in relation to the Lansdowne Road Agreement is €120 million. The required funds will need to be met from available public resources taking into account the scope for reallocation of expenditure while also ensuring that core public services are not adversely impacted as a result of this decision.

- The extent to which Departments are in a position to meet this additional cost will only be determined later in the year. The Government will monitor the position closely and will consider how best to meet any additional funding requirements where the need arises. This funding approach has been agreed with the Minister of Finance

- The principal benefit of the deal is to allow time for the Public Service Pay Commission to complete its initial report (due Q2 2017) and negotiations to follow on a successor to the LRA.

- [redacted]

- [redacted]

- [redacted]

- [redacted]
- [redacted]
- [redacted]

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List of items published by D/PER

Please see below summary description and links to publicly available information in relation to Government expenditure. Certain of the information, such as that relating to monthly expenditure, while prepared by this Department is published on the website of the Department of Finance.

The **Mid-Year Expenditure Report** published by the Department of Public Expenditure and Reform presents the baseline for Departmental expenditure and provides the starting point for examination of budgetary priorities by the Oireachtas.

http://www.per.gov.ie/en/mid-year-expenditure-report-must-ensure-effective-use-of-taxpayers-money-donohoe/

The **Expenditure Report** is published by the Department of Public Expenditure and Reform on Budget day in October. This document sets out the voted expenditure allocations and measures for the following year and provides three year expenditure ceilings.

http://www.budget.gov.ie/Budgets/2017/2017.aspx

The **Revised Estimates for Public Services** are published in December each year and contains additional information in relation to the voted expenditure allocations published on Budget day. This document also sets out key performance information regarding programme expenditure outputs and impacts.

http://www.per.gov.ie/en/rev/

Voted Expenditure Profiles are published setting out the planned expenditure by month by Ministerial Vote Group.

http://www.per.gov.ie/en/rev/

The Department of Public Expenditure and Reform each month prepares **Voted Expenditure Reports** that are published with the monthly Exchequer Statement by the Department of Finance.

http://www.finance.gov.ie/news-centre/press-releases/fiscal-monitor-incorporating-exchequer-statement-february-2017

The **Public Expenditure Databank** provides access to a comprehensive set of data on voted expenditure trends in Ireland.

http://databank.per.gov.ie/

The Department carries out **periodic reviews of expenditure** across all Government Departments. The outcomes of these reviews along with supporting analysis papers and Departmental submissions are published on the Department's website.

http://www.per.gov.ie/en/comprehensive-review-of-expenditure/

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The **Capital Investment Plan** and Departmental submissions in relation to the Capital Plan are published by the Department of Public Expenditure and Reform.

http://www.per.gov.ie/en/capital-investment-plan-2016-2021/

The **Irish Government Economic and Evaluation Service** website contains recent analytical papers across a range of public policy and expenditure topics.

http://igees.gov.ie/