

**PART II UPDATE ON REFORMS TO THE
PUBLIC EXPENDITURE FRAMEWORK**

1 Introduction and Overview

In the *Comprehensive Expenditure Report 2012-14*, the Government announced a set of reforms to the budgetary architecture aimed at enhancing public expenditure management in Ireland. The core theme of these reforms was the move to a more open and transparent process, whereby public funds are allocated to areas where they can be used – and seen to be used – to good effect, with improved outcomes for citizens and for society. These reforms involve changes to the traditional roles of all those involved in the budgetary process – policy-makers, line and central Departments, Government and the Oireachtas – and allow for clearer accountability and engagement by the public in relation to what is achieved. This section recaps the major reform areas for which the Department of Public Expenditure & Reform is responsible, in partnership in many cases with colleagues in the Department of Finance and other Departments and Agencies, and provides a report on the progress achieved during 2012 in each area.

2 Key reform areas: Progress Updates

2.1 Planning for Sustainable Public Expenditure

A core objective of the reformed budgetary architecture is to shift the focus of Government budgetary planning to the resources actually available, and away from the traditional 'bottom up' processes whereby total expenditure for a year only became apparent once all of the demands had been catered for. In line with this new approach, the *Medium Term Fiscal Statement 2013-2015* (MTFS) was published in November 2012 and this provides an update on the consolidation strategy over the three-year period ahead, taking account of the Department of Finance's latest economic and fiscal forecasts. The 2013 Budget and Estimates of Expenditure are framed within this overall fiscal framework. Developments at EU level on economic governance will also have a bearing upon Ireland's fiscal planning framework in 2013 and in future years.

2.2 Medium Term Expenditure Framework

Consistent with the Government's overall fiscal plans, the new Medium Term Expenditure Framework (MTEF) provides greater clarity and certainty about the allocations available to each Department over the coming three-year period. This approach allows for structural, medium-term planning and prioritisation within each area, with full public input and parliamentary oversight.

The *Comprehensive Expenditure Report 2012-14* (CER) introduced the 2013 Ministerial expenditure ceilings on an administrative basis and these form the foundation upon which the detailed 2013 expenditure allocations have been decided by the Government. In September 2012, the Government published the *Ministers & Secretaries (Amendment) Bill 2012* which, if enacted, will put these multi-annual ceilings on a statutory footing, ensuring that this reform measure becomes a permanent

structural feature of Ireland's budgetary framework. The statutory provisions of the Bill will be supplemented with a Circular from the Department of Public Expenditure & Reform which will set down the detailed operational rules for the expenditure ceilings, including the carry-over of current expenditure savings from one year into the next.

This *Expenditure Report 2013* provides an update on the ceilings for 2013 and 2014 that were set out last year taking account of pressures and adjustments. As announced in the CER, the Government has decided that a fresh comprehensive review of expenditure exercise should be conducted periodically to re-set the multi-year expenditure ceilings in line with emerging Government priorities and that it should be informed by new evaluations of which expenditure programmes are delivering value-for-money. It is anticipated that the next review process will commence during the course of 2013, to lay the foundations for new three-year multi-annual ceilings.

2.3 Evidence-based Expenditure Policy

The Public Spending Code

In last year's CER, the Government introduced a new Value-for-Money Code to ensure that public funds are used effectively, efficiently and are subject to ongoing rigorous scrutiny. Over the course of 2012, the code has been developed further into the *Public Spending Code* (see www.publicspendingcode.per.gov.ie) following detailed consultation with Departments and with the newly-established Public Service Evaluation Network.

In particular, a new module of the Code has been prepared outlining the detailed appraisal requirements which apply to current expenditure. This will ensure that both current and capital expenditure are subject to rigorous VFM appraisal in advance of public moneys being spent. In addition, the calculation of staffing overhead costs – a key variable in appraisals of public spending proposals – has been reviewed by the Central Expenditure Evaluation Unit, taking account of actual data regarding variable overheads across the civil service and imputed pension costs arising from actuarial review.

Critical Review of Public Spending and Public Policies

Last year's CER announced a streamlining of the processes for analytical review of expenditure, including changes to *Value-for-Money & Policy Reviews* (VFMPRs). In 2012, 8 comprehensive VFMPRs have been completed and, in July, the Government agreed a list of a further 17 topics to be reviewed by Government Departments in the 2012-13 programme.

Value for Money Policy Reviews Completed in 2012

Department of Agriculture, Food and the Marine – *Animal Welfare, Recording and Breeding Scheme for Suckler Herds*

Department of Agriculture, Food and the Marine – *Fisheries Decommissioning Schemes 2005-2008*

Department of Transport, Tourism & Sport – *Marine Survey Office*

Department of Environment, Community & Local Government – *Rental Accommodation Scheme*

Department of Environment, Community & Local Government – *CLAR / RAPID Leveraged Expenditure Approach*

Department of Health – *Disability Services*

Department of Defence – *Reserve Defence Force*

Office of the Revenue Commissioners – *Solicitor Enforcement Programme*

In addition, Focused Policy Assessments (FPAs) were introduced in 2012 as a new evaluation tool. These are sharper and more narrowly focused evaluations designed to answer specific issues of policy configuration and delivery, and they are designed to allow for the analytical momentum of last year's *Comprehensive Review of Expenditure* to be maintained and enhanced. Part III of this Expenditure Report gives an outline of the FPA work programme that is currently underway alongside other analytical outputs from the new Irish Government Economic & Evaluation Service (IGEES) – see next section.

Building Capacity: the Irish Government Economic & Evaluation Service (IGEES)

In 2012, the Government announced that an Irish Government Economic & Evaluation Service (IGEES) would be established to enhance the economic and evaluative capacity of the civil service, and to improve the analytical resources available in the design and formulation of policy. Recruitment of specialist staff, all trained to Masters degree level in economics at minimum, took place in the first half of 2012 and staff are now *in situ* and actively engaged on policy work. Initial recruitment has been concentrated on the three central areas – the Departments of Public Expenditure & Reform, Finance and the Taoiseach's Department – for the purposes of initial staff training and development; staff will be seconded onwards to other Departments during the course of 2013.

An Oversight Board has been convened to consider how best the IGEES can be developed and deployed in support of evidence-based policy formulation. One key objective of the Oversight Board, which includes external academic representation, will be to ensure that IGEES staff receive appropriate in-career training and development in their specialist skills areas, and that the analytical resource is applied consistently and effectively across the civil service.

The Public Service Evaluation Network

The Public Service Evaluation Network (PSEN) was established in 2012 and comprises civil servants who are engaged in policy-related analytical work and experts in economics and related areas from the universities and the other research organisations. The purpose of the PSEN is to provide a forum for those engaged in policy analysis to share experiences and expertise, to peer review analytical work and to facilitate the flow of information between the public service and external experts regarding evaluation, appraisal and policy analysis. In its initial year, the PSEN held a number of formal meetings that focused on a range of issues including: developing the Public Spending Code; experimental and non-experimental evaluations of policy; and the role of evidence and analysis in decision making, with presentations provided by staff from a variety of Government Departments, the ESRI and the UCD Geary Institute.

2.4 Performance budgeting and 'Ireland Stat'

The shift from a purely input-focused presentation of the Estimates of Expenditure to a more performance-focused approach was brought into effect in 2012. In February 2012, the *Revised Estimates Volume* was published in a restructured format with almost all Departments' and Offices' spending allocations grouped by strategic programme and accompanied by performance information - in particular, the actions taken to deliver upon specified objectives, and the measured impacts of those actions. This new approach brings a streamlining and clarity to a process that was previously spread across several documents and allows Dáil Committees to better understand what public service outputs and impacts are being delivered with public funds.

The performance budgeting approach has also been extended beyond the Estimates procedures to encompass a new public-facing web platform called *Ireland Stat* (see www.irelandstat.gov.ie). While still at the pilot stage of its development, the *Ireland Stat* initiative aims to present a whole-of-Government performance measurement system which will measure success in delivering on the Government's objectives, linking high level goals with inputs, outputs and impacts. Furthermore, it will allow the public to observe how well the Government and the system of public administration as a whole is delivering upon public service objectives and, as an online publication, will allow for a far richer and deeper level of information to be presented than is possible in printed form. A consultation process is underway on the usefulness of *Ireland Stat*, and this will inform whether the approach should be extended to all areas of public expenditure.

2.5 *Accountability to the Oireachtas*

In last year's CER, the Government laid the foundations for a new 'whole of year' budgetary process, allowing for open and constructive engagement by the Oireachtas with the Estimates discussions throughout the course of the year including discussions about the next year's Estimates; previously the Oireachtas simply considered expenditure allocations after they had been settled by Government and presented in the Book of Estimates. In January 2012, the Minister for Public Expenditure & Reform wrote to the chairpersons of all the relevant Oireachtas Committees inviting them to engage fully in this new exercise, and to bring their considered political perspectives to bear upon the task of deciding upon priorities for the 2013 Estimates. In the second half of 2012, meetings have accordingly taken place between Ministers and the relevant Committees concerning the prospective Estimates for 2013, framed within the context of the expenditure ceilings set out in the *Comprehensive Expenditure Report 2012-2014*. This is the first time that such an *ex ante* process of considering the Estimates has been undertaken in the Oireachtas, and arrangements are in train to ensure that the process becomes further embedded in the work of the various Committees during the course of 2013.

3 **Conclusion**

The *Comprehensive Expenditure Report 2012-2014* (CER) set out a suite of reforms to Ireland's national budgetary architecture. All of those reform measures have taken root in 2012 and have informed the task of preparing and settling the Estimates for 2013. However, the task of budgetary reform is not yet complete. The changes that have been introduced are transformational in nature and need to become more fully embedded into the culture and the processes of the various institutions – Government Departments, Oireachtas Committees and indeed the national media. Moreover, the further package of economic governance and procedural reforms that are being finalised at EU level will probably have implications for Ireland's budgetary calendar. In any event, Ireland now has a highly flexible, adaptable and effective policy-making system and we will be in a position to press ahead with the front wave of EU reforms as and when they are brought into effect.

