

PAC-R- 1331      Correspondence 3C.1

Meeting 120-

03/04/2014

Ms Niamh Maguire,  
Secretariat to the Committee of Public Accounts,  
Leinster House  
Dublin 2

31 March 2014

**Re: Update briefing material for our meeting next Thursday, 3<sup>rd</sup> April**

Dear Niamh,

Our meeting of the above date refers. I am pleased to enclose updates in relation as follows:

***Vote 11 (Office of the Minister for Public Expenditure and Reform) - Appropriation Accounts 2012***

***Vote 12 (Superannuation and Retired Allowances) - Appropriation Accounts 2012***

***Chapter 3– Financial Commitments under PPP***

***Chapter 4– Vote Accounting***

***Chapter 5– Vote Budget Management***

The Officers attending with me on the day will be as follows:

Mr Paul Quinn  
Ms Oonagh Buckley  
Ms Mary Austin  
Ms Annette Connolly  
Ms Helen Codd  
Ms Judith Brady

My opening address will follow.

Yours sincerely,



**Robert Watt**  
**Secretary General**

## **1. Vote 11 (Office of the Minister for Public Expenditure and Reform) – Appropriation Accounts 2012 and update to current position**

### **2012**

The allocation for the Department in the 2012 Estimates was €41.731m. The provisional outturn on the Vote for 2012 is €37.142m, leaving a surplus to be surrendered of €4.6m.

The saving compared to estimate in 2012 arose largely on Administrative Budget pay (€2.1m), arising from:

- the large number of retirements in February 2012; and
- the slower than anticipated appointment to key positions within the organisation, as we sought to ensure that the necessary skills were recruited for the respective positions.

A further €1.8m saving arose on the Peace/Interreg programme arising from the timing of funding drawdowns on cross-border Peace and Interreg initiatives. A large number of small projects are funded within these initiatives, which means that cash flows can vary quite significantly. This is only a temporary saving as we are committed to a pre-agreed level of funding on these projects over the multi-annual funding period.

### **2013**

The Vote allocation for the Department in the 2013 Estimates was €36.364m. The reduction compared to 2012 reflects the transfer of the PeoplePoint project function to a new Vote 18. This new Vote was established to capture the costs of all Shared Services projects and, in doing so, to provide greater transparency around the costs of these services.

The key new function within the 2013 Estimate for the Department was the re-tendering of the National Lottery license (€0.8m). The cost of this has been managed within existing resources, arising from a reduced funding requirement on the Peace/Interreg programme combined with a continued effort to reduce our cost base.

### **2014**

The 2014 Estimate of €35.898m reflects the transfer of the Central Procurement Office function to the new Vote for the Office of Government Procurement. The estimate for 2014 also includes a once-off provision for start-up costs for the Office of the National Lottery Regulator (€0.55m). This Office will be funded by the license operator following completion of the license negotiations.

### **Other information**

In the update provided to the committee last year, we set out the significant progress achieved by the Department since November 2011, when the Government published the Public Service Reform Plan. That plan incorporated more than 200 actions across 14 main areas of reform.

Progress on these initiatives continued in 2013 – the transitioning of HR transactional services to PeoplePoint is almost complete, the Office of Government Procurement has been established



and work has commenced on the transitioning of payroll to a tri-located payroll shared services operation. Each of these projects will contribute to substantial savings and efficiencies in the delivery of these services by end 2014.

A key focus for the Public Expenditure and Sectoral Policy area in 2013 was the transition to the EU budgetary calendar, which saw the earlier publication of the Budget in October and the Revised Estimates in December. In tandem with this, the Government is implementing wide-ranging reform of the State's budgetary architecture. Allied to this, the introduction of a multi-annual framework will open the way for structural, medium-term planning and prioritisation within each area.

My Department also initiated a number of other cross-Departmental projects including:

- A programme to renew and refresh the **vision for the Civil Service** in order to ensure the sector as a whole has the capacity, capability and commitment required to successfully meet the challenges it currently faces, and may face in future.
- Further reforms to the **Performance Management and Development System (PMDS)** to strengthen fairness and consistency in how performance is evaluated.
- A learning and development baselining exercise.

Projects with an outward focus also continue, including the ongoing programme of reforms in the areas of Statute Law, Freedom of Information and Protected Disclosures, together with participation in initiatives such as the Open Government Partnership.

## **2. Vote 12 (Superannuation and Retired Allowances) – Appropriation Accounts 2012 and update to current position**

### **2012**

The 2012 Appropriation Accounts for the Vote show:-

- a gross outturn of €520.5m compared to an estimate of €525.375m ,
- a net outturn of €432.5m compared to an estimate of €443.2m - giving a surplus of €10.7million for surrender to the Exchequer.

The original 2012 gross estimate was €500,375 million. This estimate was based on:-

- 1) existing pensions in payment on 31st December 2011;
- 2) provision for cessation of pensions in 2012

This resulted in the following:-

- 18,600 pensions in payment at the end of December 2011
- 1,400 officers estimated to retire in 2012
- 600 pensioners leaving the payroll in 2012
- A net estimated increase of 800 on the pension payroll by end 2012 - ie.19,400

It transpired that the level of retirements in 2012 significantly exceeded estimation. This trend resulted in an increased net level of pension in payment at end 2012 to circa 20,000 - over 600 in excess of the original 2012 net full end-year estimate of 19,400.

The substantial increase in the number of retirements in 2012 was due to the extension of the “grace period” – i.e. the period where retirement benefits would be calculated with reference to salaries at 31st December 2009 before the introduction of the pay reductions imposed with effect from 1st January 2010 under the provisions of the Financial Emergency Measures in the Public Interest (No 2) Act 2009 - from 31st December 2011 to 29th February 2012 as individuals postponed their retirement date from 2011 to 2012.

The original 2012 gross estimate of €500,375 million was supplemented through a Supplementary Estimate of €25 million. The gross outturn of €520.5 represents 99% of the revised gross estimate.

## **2013**

The Gross 2013 Estimate for the Vote 12 was €466.6m - a reduction of €53.9 million on the 2012 outturn.

The 2013 Appropriation Account for the Vote shows:-

- a gross outturn of €443,531 million compared to an estimate of €466.600 million ,
- a net outturn of €354,307m compared to an estimate of €384,600 – giving a surplus of €30,293 million for surrender to the Exchequer.

The key component of the lower gross outturn was the level of expenditure on Subhead A4 Additional Allowances Established (retirement lump sums) which ran well below estimation – due to lower levels of retirements, including (a) a significant reduction in the levels of Prison Officer retirement sand (b) a decrease in the levels of persons opting for Cost Neutral Early Retirement (from over 600 in 2012 to just over 70 in 2013)

## **2014**

The Gross 2014 Estimate for Vote 12 is €444.8m. This is only very slightly higher than the 2013 Gross Outturn of €443.531 million. The net Vote provision at €362.55m is some 2.3% over the 2013 Outturn of. €354.3m

The estimate assumes modest levels of voluntary retirements in 2014. In addition 2014 will see the full year impact of the increase in the level of Public Service Pension Reduction (PSPR) applied to higher levels of pension and the full year impact of aggregation.

## **3. Chapter 3 on Public Private Partnerships (PPPs)**

### **PPP Governance Stakeholders**

It is the role of DPER to facilitate the PPP process centrally by developing the general policy framework (including, where necessary, the legal framework) within which PPPs operate and by providing central guidance to Departments and other State Authorities in that context. A full suite of guidance has been published to facilitate the PPP process and is available on the Central PPP Unit’s website at [www.ppp.gov.ie](http://www.ppp.gov.ie).



## **Action taken on recommendations made in PPP 2012 Chapter**

The C&AG's Annual Report 2012 gave the following recommendation for DPER which has been fully complied with:

Recommendation 3.1 of the C&AG report: In view of the potential savings across all PPP projects, the Department of Public Expenditure and Reform should remind project sponsors of the importance of engaging in periodic benchmarking for contracted services where this is provided for in contracts.

Accounting Officer's Response: Agreed. My Department will communicate to the relevant departments the importance and benefits of conducting periodic benchmarking.

Update: On the 1st of October 2013 a letter was issued to each department and agency with responsibility for PPP projects, which reminded them of their obligations to conduct contract benchmarking exercises and the benefits of such.

## **Requests for further information at last PAC - 3rd October 2013**

Three PPP related requests for further information were made at the last PAC appearance:

1. A note on the costs to finance future local authority PPP commitments, sanctioned by the Department of Environment, Community & Local Government, which are not included in the Report of the C&AG. This note was provided by DECLG.
2. A note on the rates of interest that will be applied to the €4 billion earmarked for future PPP projects. This note was provided by the NDFA.
3. A copy of the Department of Public Expenditure and Reform's circular on cost savings arising from renegotiating PPPs that issued to Government Departments.

## **PPP Website**

The PPP website [www.ppp.gov.ie](http://www.ppp.gov.ie) is regularly updated. It contains;

- Current details on all 'live' and pipeline PPP projects. Project costs to end of 2012 and projected costs to project end are published for each project. These figures were provided to the Central PPP unit by the relevant Sanctioning Authorities. Any questions relating to project finance should be directed to the NDFA.
- Responses to Parliamentary Questions (PQs) PPP related PQ's.
- Links to relevant departments and agencies and contact details for the appropriate staff in each.

## **Operational PPPs to date**

Ireland has 17 operational PPPs. Expenditure on PPPs to the end of 2012 was €1,960m. Two additional PPPs (N11 and SB3) have reached financial close and are currently under construction.

Future financial commitments, as of 31/12/2012, including the two projects currently under construction, stood at €6,577m. Figures for the year end 31/12/13 are due to be submitted by Sanctioning Authorities in the coming weeks.

## **PPP Developments since 2011**

On the 12th of November 2012 the latest Bundle of PPP schools was signed off on by all partners and work commenced immediately on sites around the country. This will provide some 5,700 places for pupils in 8 new schools throughout the country. We will also be monitoring the number of jobs created on an on-going basis and have started this process on a pilot basis with the Schools Bundle 3 project.

Work has also begun on the N11/Newlands Cross Project, which was signed off on the 30th of May, to remove the bottleneck at Newlands Cross on the N7 Limerick/Cork/Waterford Road in Dublin, and upgrade the N11 between Arklow and Rathnew to a four lane dual carriageway.

## **4 & 5. Vote Accounting and Vote Budget Management**

With regard to government accounting policy, a scoping paper has been drafted by the Department of Public Expenditure and Reform outlining a range of issues and considerations involved in the transition to accrual accounting for the Appropriation Accounts. The Department is currently engaged in a stakeholder engagement process on this paper, and will be engaging with this Committee on the issue in due course.

However, the process of introducing accruals for the accounts of government department and offices has to take account of related developments in public sector accounting. These initiatives share the same underlying direction in terms of a focus on public sector accrual accounting based on common accounting standards and include:

- **EU harmonised accounting standards.** An initiative at EU level for the production of accruals based public sector accounts in accordance with common European public sector accounting standards (EPSAS).
- **IMF Fiscal Transparency Assessment Report** - At the request of the Secretaries General of the Department of Public Expenditure and Reform and the Department of Finance, an expert mission from the IMF conducted a review of fiscal reporting, fiscal forecasting and budgeting, and fiscal risk disclosure practices during March and April 2013, including a field visit in March. The recommendations of the Group are currently under consideration.
- The **Financial Management Shared Services** project, which will provide a shared service facility for Government Departments and Offices.

The Department, in a joint working group with the Office of the Comptroller and Auditor General, is reviewing the control and accountability framework for the administration of grant funding by public bodies and a revised circular will issue shortly.