

OPENING STATEMENT FOR PAC ON 15 MAY 2014

I thank the Chairman for allowing me to make this opening statement concerning the examination of the 2012 Appropriation Accounts for Vote 26, the National Training Fund Accounts, as well as Chapter 12 of the Comptroller's report on Contract Management in Education Public Private Partnerships, and Chapter 4 of the same report in relation to Vote Accounting matters.

I am joined by colleagues Pat Burke, Assistant Secretary General with responsibility for Industrial Relations and School Transport, Kevin Mc Carthy, Assistant Secretary General with responsibility for the Department's Planning and Building Unit, who is supported by Gary O Doherty Assistant Principal Officer, Brian Power, Principal Officer with responsibility for Higher Education – Equity of Access, Eamonn Moran, Finance Officer, who is supported by Blaithin Dowling Assistant Principal Officer, and by Niall Monks, Assistant Principal Officer who has responsibility for the National Training Fund.

As requested, the Department has supplied the Committee with briefing regarding the Department's expenditure for 2012, as well as more up to date details for 2013 and 2014. I will, therefore, keep these remarks brief.

Move to Performance Budgeting Chart of Accounts from 2013

As a result of a Government decision this Department restructured its Vote from 1 January 2013 to reflect the new Performance Budgeting approach to expenditure estimates. Expenditure under the restructured Vote from 2013 is now categorised across four programme areas, reflecting the four high-level goals of the Department. The new format replaces the seven main expenditure headings used in the Vote accounts up to 2012.

As a result of these significant changes to the structure of the Vote between 2012 and 2013 it is difficult to correlate exactly subhead expenditure for the 2012 Voted subheads with the new Performance Budgeting presentation of the Estimates. However, the briefing material supplied to the Committee seeks to match these expenditures as far as possible.

Expenditure Details

In relation to Voted expenditure the Department's gross outturn for 2012 was €8.6 billion, of which €410 million, or approximately 5%, related to capital expenditure. The provisional outturn for 2013 was €8.5 billion, of which again approximately 5% (€440 million) was capital expenditure. The bulk of voted current expenditure, 79%, is on pay and pensions. In addition, expenditure under the non-voted National Training Fund amounted to €341 million in 2012, while the provisional outturn for 2013 was €349 million.

Chapter 12 Contract Management in Education PPPs

The Comptroller's report contains two chapters relating to Public Private Partnerships. Chapter 3 examines overall financial commitments under PPPs, while chapter 12 considers specific issues relating to contract management in Department of Education and Skills PPP projects.

The Department welcomes the recommendations identified in Chapter 12 of the report. The recommendations are consistent with the policy direction being taken by the Department in relation to overall arrangements for the management of PPP contracts. A significant recent development in this regard has been the move in the course of 2012 to vest responsibility for management of PPP contracts with the National Development Finance Agency. This takes advantage of the core specialist expertise and skills that have been developed within the NDFA as the state agency responsible for supporting the Government's overall PPP programme.

Arrangements have been put in place to avail of the expertise of the NDFA through outsourcing contract management for existing and future PPP school projects and to avail of their support in managing issues relating to indexation, benchmarking and monitoring service performance. Ensuring that PPP companies provide quality infrastructure and services on a value for money basis is a paramount objective of PPP policy. Ongoing feedback from each of the PPP schools and from Cork Institute of Technology has been largely very positive in relation to the overall quality of infrastructure and services. The Department, with the assistance and support of the NDFA, will continue to work closely with all relevant stakeholders in ensuring that the objectives of the PPP programme in this regard continue to be delivered.

Good progress is being made on the planned PPP bundles referred to in the report. Construction has been recently completed on all of the schools in the latest PPP bundle - Schools Bundle 3. Schools Bundles 4 and 5 are in development, with tenders now received for Bundle 4 and the process of assessment of tenders underway. An ITN (invitation to negotiate) has recently been issued to shortlisted tenderers for the Grangegorman PPP development.

In the interest of enhancing transparency around the value for money process, the Department has recently published the Public Sector Benchmarks for Schools Bundles 1 and 2. It is understood that these are the first Public Service Benchmarks to be published under the Government's PPP programme.

Chapter 4 - Vote Accounting

Chapter 4 of the Comptroller's report deals with Vote accounting issues across a number of Government Departments. The chapter includes a section on funding for FÁS training and integration supports and arises from the fact that FAS (now SOLAS) receives funding from both the Department's Vote and from the National Training Fund. During 2012, expenditure pressures on the Vote led to the decision to place a hold on funding of FAS from the Vote and to replace this with funding from the NTF. The report recommended that transactions between the Vote and the Fund be more clearly shown in the annual accounts. Secondly, it considered that greater transparency could be achieved if payments in respect of specific services or programmes were issued from a single source.

The Department welcomed the report's recommendations and has sought in the draft 2013 NTF accounts to show more clearly transactions between the Vote and the NTF. The Department is also examining the second recommendation in the report, in conjunction with the Department of Public Expenditure and Reform, and in the context of the National Training Fund Act, which provides the legislative basis for the NTF. Both recommendations will also of course be discussed by the Department with staff from the office of the C&AG.

Together with my colleagues, I will be happy to deal with any issues arising from the Comptroller's report.

ENDS