

PAC Briefing on the Public Spending Code – March 2014

Overview of the Public Spending Code

- The Public Spending Code (available at <http://publicspendingcode.per.gov.ie>) is now in effect as the comprehensive set of expenditure appraisal, Value for Money requirements and related guidance covering all public expenditure.
- The Code **applies to both capital and current expenditure** and sets out to explain what is required of public service managers at different points of the expenditure lifecycle and advises how to fulfil those requirements.
- The new Code **replaces all previous guidelines, circulars and directions issued in relation to appraisal and Value for Money** e.g. the Capital Appraisal Guidelines 2005. The Code reworks, combines and updates the previous components of the VFM framework so that is easier to follow. It also has been enhanced through the addition of new guidance modules.
- The Code was developed in consultation with Departments and the Public Service Evaluation Network. The new rules and guidance will naturally be subject to ongoing review and development in partnership with Departments generally and with the Public Service Evaluation Network. Consultation and quality proofing will continue as new elements or amendments to the Code are introduced.
- The key challenge is to build capacity and encourage best practice. There has been improvement over the last decade and the C&AG has also played an important role in that. What we want to achieve with the new Code is to build on existing good practice, address areas that can be improved and keep up with best international norms across the board.

Objective of the Public Spending Code

- The Code is designed to ensure that the **State gets the best possible value for the resources at its disposal**. The aim of the new guidance is to improve how public money is allocated and managed.
- The Code focuses on **the quality and the substance of public expenditure**, and it complements the detailed *Public Financial Procedures* which deal principally with issues of financial accountability.

Roles of Departments

- Government Departments and their agencies are responsible for applying the new Code to expenditure within their ambit. **Managers with responsibility for public expenditure must ensure adherence to the Code.**
- The role of the Department of Public Expenditure and Reform is to **provide technical assistance, training and other expert advice** to help Departments in their application of the Code and in their developing the in-house capacity and skills sets required.

New Requirements

In addition to consolidating previous components of the expenditure appraisal and Value for Money Framework, the Code includes new requirements which mark important changes to existing provisions:

(i) Current Expenditure Requirements

The Code applies to Current Expenditure as well as to Capital Expenditure. There is a new module of the Public Spending Code dealing specifically with requirements and guidelines for *ex-ante* appraisal and planning of current expenditure (Section B06)

(ii) Thresholds and Submissions to the Department of Public Expenditure & Reform.

The threshold for conducting a Cost Benefit Analysis (CBA) or Cost Effectiveness Analysis (CEA) has been reduced from €30m to €20m. All economic appraisals for:

- Capital projects costing in excess of €20m
- Current expenditure programmes/proposals that are expected to cost over €20m (with an annual spend of at least €5m)

should be submitted to the Department of Public Expenditure and Reform prior to the Sanctioning Authority granting the Approval in Principle.

Upon receipt of a CBA or CEA, the Central Expenditure Evaluation Unit (CEEU) in the Department of Public Expenditure will examine it as regards technical compliance with the Public Spending Code and will provide written views on the appraisal to the Sponsoring Department. The CEEU may publish its review of a CBA or CEA on the Department of Public Expenditure website.

(iii) Quality Assurance

The Code replaces the existing spot check regime with a **new streamlined quality assurance process**. Government Departments are required to complete and publish an annual Quality Assurance Report, signed off by the Accounting Officer. This is the first year of this requirement and we are working with Departments to assist them in this matter and to refine the process for future years.