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Lead topic: Budget 2018 / Expenditure Policy	Sub-topic: Spending Review 2017	Contact: John Howlin Ext 7169
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FAST FACTS

- **Having considered the lessons of previous reviews and taking account of the changed economic and fiscal context the 2017 spending review has been re-designed.**
- **The process also begin earlier in the year than previous reviews to better facilitate the inclusion of analysis in the budget process.**
- **This is the first year of a three-year cycle of rolling reviews (to 2019) to cover all day-to-day spending. Each year will see a series of papers produced examining topics selected from across all Departments.**
- **The design of the review serves to reinforce the related budgetary and expenditure reforms made in recent years, including the medium-term expenditure framework (MTEF), the expanded Irish Government Economic and Evaluation Service (IGEES), the Public Spending Code and the performance budgeting initiative (the first Performance Report was published in April this year).**
- **The output of the spending review will be published prior to the Expenditure Report in October.**

Q&A'S

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

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. 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.

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.

How does this 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, it is proposed to advance the budgetary timetable to facilitate earlier engagement with Departments. While this is related to the review, it is intended that this will be a permanent move to a more 'whole-of-year' budget process in line with the EU Semester. 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.

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

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 the new Reform plan relate to the spending reviews being initiated by your Departments?

Reform is continuing to deliver savings and value for money across a range of specific areas such as shared services, procurement reform and property management.

While these savings free up expenditure, we need to learn the lessons of the past and spend in a smart and efficient manner.

Spending reviews can support better policy choices by broadening the Government's options. We must ensure that sufficient resources are available when considering new policies. We cannot rely on incremental expenditure increases fuelled by economic growth. A more dynamic approach to the allocation of all resources will result in better services for our citizens.