

PART III Evaluation and Reform

Spending Better

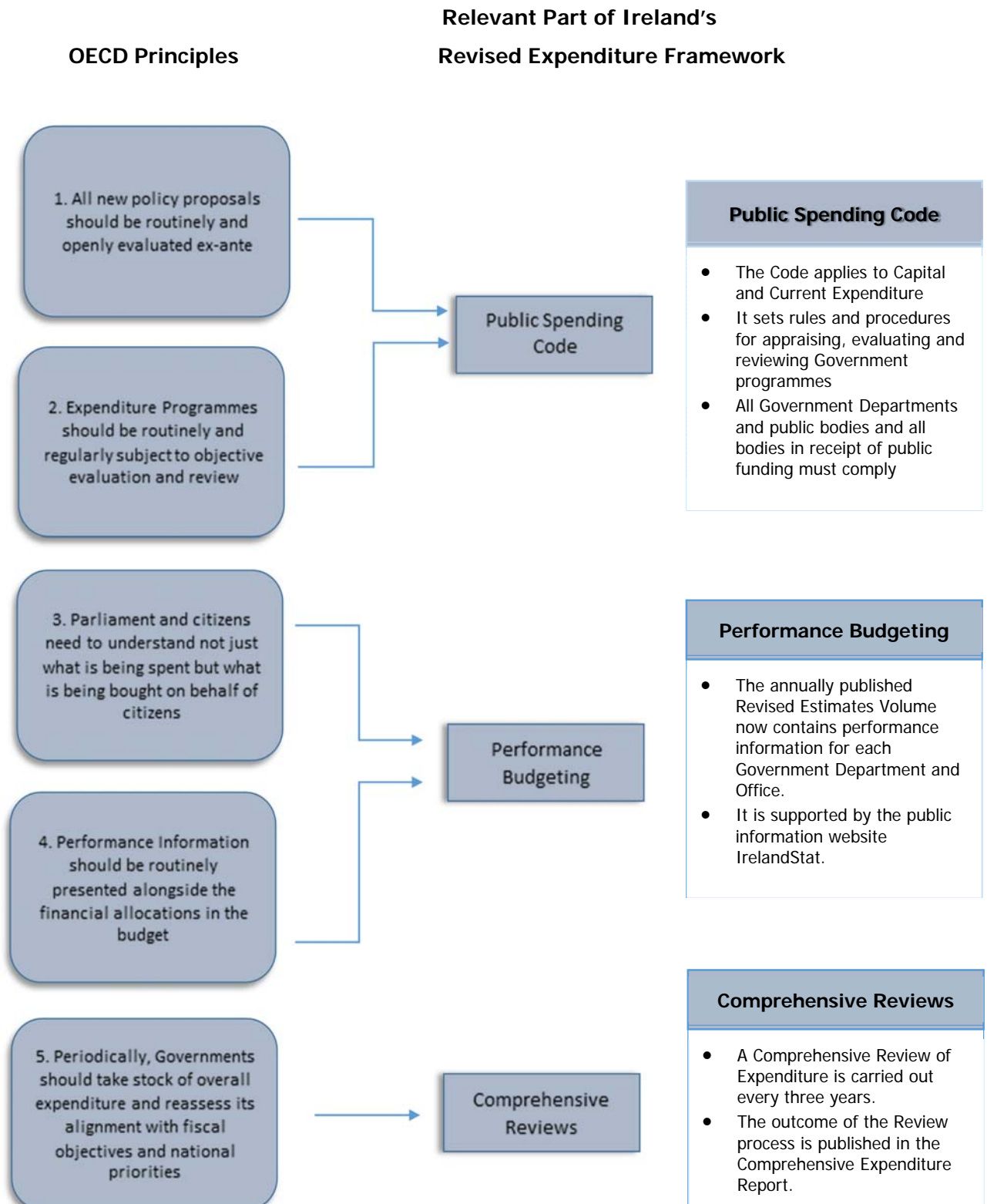
The expenditure allocations presented and explained in Part II show the broad range of public services that are delivered by Government Departments and their Agencies. Given the substantial level of spending that is being committed over the next three years there is an obligation on public bodies to ensure that the services they deliver meet the needs of our citizens and represent value for money for the taxpayer. In support of this, the Department of Public Expenditure and Reform has instigated a wide ranging programme of reforms that aims to improve the framework for public spending and operation, with a focus on strengthening the quality of evaluation and value for money assessments of public expenditure and enhancing the delivery of and access to public services.

Improving Evaluation and Value for Money

The 2011 Comprehensive Review of Expenditure proposed changes to the State's budgetary architecture to help improve the way in which public resources were allocated. The purpose was to put in place a framework that would support more evidence-based policy formulation and decision making and help ensure that public services in Ireland were delivered efficiently, effectively and on a sustainable financial basis. Much progress has been made, and it compares favourably with current international best practice. In 2013, the Organisation for Economic Cooperation and Development (OECD) published draft principles²⁴ that it proposed represent good practice in budgetary management and governance. Figure 3 overleaf shows how Ireland now compares against the OECD framework, focussing in particular on evaluation and value for money issues.

²⁴ OECD (2013), *Draft Principles of Budgetary Governance*, Paris

**Figure 3 Comparing Ireland against the Draft OECD Budgetary Principles:
Evaluation and Value for Money Theme**



The new Public Spending Code, the Performance Budgeting Initiative and the carrying out of regular Comprehensive Expenditure Reviews mean that Ireland already has put in place structures and procedures for the evaluation and management of public expenditure that capture all of the best practice elements proposed by the OECD.

Public Spending Code: The approach to evaluating current and capital expenditure has been substantially revised and formalised in the new Public Spending Code, issued in Autumn 2013. The new Code contains the rules, procedures and guidance to ensure that expenditure appraisal and Value for Money standards are upheld across the public service. The Public Spending Code (available at <http://publicspendingcode.per.gov.ie>) brings together best practice in evaluation and appraisal.

Performance Budgeting Initiative: This initiative is focused on improving the quality of information on how Government programmes are performing against stated goals. It is about bringing more clarity to the assessments of public services and how they are impacting on the lives of citizens and Irish society more generally. The annual Revised Estimates Volume, which is published towards the end of the year, now presents information on the resources, actions and achievements of each Government Department and Office. In addition, the Ireland Stat website (www.Irelandstat.Gov.ie) presents detailed performance information and statistics across a range of Government programmes.

Comprehensive Expenditure Reviews: Along with the Netherlands, the UK and Canada, Ireland is one of a leading group of countries which have introduced Spending Reviews as core components of budget preparation. These exercises generally aim to identify savings, to inform the setting of revised expenditure ceilings and to establish the fiscal headroom to facilitate new spending priorities. In Ireland's case, Comprehensive Reviews of Expenditure are now conducted every 3 years, subject to the agreement of Government. This systematic examination and review of baseline expenditure helps avoid incrementalism and supports budget discipline.

The challenge for the period ahead is to ensure that this new expenditure framework remains relevant and effective.

Improving Delivery and Access to Public Services

Since 2011, significant reforms have been introduced in order to deliver a more efficient, responsive and sustainable Public Service.

The cost of the Public Service has been radically reduced to drive better value for money for taxpayers through the implementation of the Croke Park and Haddington Road Agreements. Other reforms, such as improved procurement and property management practices have also yielded considerable cost savings. There has been a rationalisation of the array of Non-Commercial State Agencies and the introduction of shared services in the Civil Service (e.g. PeoplePoint) and other sectors in the Public Service. Other new ways of organising and working have been introduced. In terms of day-to-day operations, the Government has introduced reforms that support initiatives to improve leadership and performance as well as new sick leave and annual leave arrangements.

The needs of customers have been placed at the heart of public service design and delivery. These initiatives have improved services for citizens and business customers and include, for example, the introduction of the new employment support Intreo offices, the roll-out of the Public Services Card, longer office opening hours and greater availability of public information and transactional services.

The use of new and innovative service delivery channels has also been leveraged so that now over 400 services are available on www.gov.ie and the eGovernment Strategy and improved online services (e.g. fixyourstreet.ie, myplan.ie, landdirect.ie and localgov.ie) are being progressed and championed by the newly establishment of the Office of the Government Chief Information Officer.

The Government is committed to continuing to reform the Public Service. In January of this year it published its new *Public Service Reform Plan 2014-2016*. This new Reform Plan places a greater emphasis on achieving better outcomes for service users, while maintaining a focus on ensuring efficiency. By delivering more openness and transparency the Reform Plan will rebuild trust in government and in public services. A key element of the reform agenda is to develop innovative ways of delivering services and to leverage new technologies and the benefits of digitisation and open-data.

Individual Departments and Offices are implementing their own organisational and sectoral reform programmes, and reporting on progress through their Integrated Reform Delivery Plans. In addition, the Government will soon publish a Civil Service Renewal Plan, which will set out a vision and strategy to frame the development of the Civil Service.

Conclusion

A commitment to and focus on continuous improvement across the Public Service is critical for ensuring public services are delivered to a high standard and that public expenditure is managed effectively and subject to regular review. The building blocks to achieve this are now in place.

Building Evaluation Capacity and Output

In 2012, the Government decided to establish the Irish Government Economic and Evaluation Service (IGEES) to enhance the evaluative and economic capacity of the Civil Service. The goals of Service are to:

- provide an integrated, cross-Government service that supports better policy formulation and implementation in the civil service through economic analysis and evaluation;
- play a lead role in evaluating the effectiveness and efficiency of existing government programmes and policy interventions, and in contributing to the better design and targeting of new programmes and policies; and
- facilitate an open policy dialogue with academics and other stakeholders

This new and growing capacity will enhance the availability of skills and expertise in policy analysis which are needed to develop a good and sustainable evaluation system. It is also a very practical way to make progress in furthering a culture of evaluation across the Civil Service.

The Department of Public Expenditure and Reform will formally agree topics for a new round of expenditure evaluations before the end of the year, and it is expect that IGEES will play a central role in this. The evaluations will examine a range of Government programmes and will help build up a stock of analysis that can inform the next Comprehensive Review of Expenditure. Topic selection for the final programme of reviews will also be informed by:

- Informational gaps identified in previous comprehensive reviews
- Relevance for the next spending review
- Materiality of expenditure i.e. significant areas of expenditure
- Scope for efficiency and/or effectiveness improvement
- Strategic importance of the programme
- Time elapsed since previous evaluation
- Feasibility and evaluability

An indicative list of topics is presented below. The final list of topics will be subject to consultation with Departments and Government.

**Indicative topics for Value for Money and Focused Policy Assessment Reviews
2015 – 2017**

Department of Foreign Affairs and Trade

- Bilateral mission network in the USA.
- Climate Change and Development in International Development Aid.

Department of the Environment, Community and Local Government

- Social Inclusion and Community Activation.
- National Regeneration Programme.

Department of Transport, Tourism and Sport

- Roads maintenance.
- Sustainable Transport in Regional Cities.
- Sports Capital Grants.

Department of Arts, Heritage and the Gaeltacht

- Transport services to the islands.
- Turf compensation scheme.
- Cultural and economic return from Culture Ireland international showcase.

President's Establishment

- Centenarians' Bounty.
- Procurement.
- President's Travel.

Shared Services

- Peoplepoint transactional HR services.
- Payroll Shared Services.

Office of the Comptroller and Auditor General

- Review of selected areas in the Audit and Reporting Programme.

There has been a strong record of delivering evaluations across sectoral policy areas such as agriculture and transport in recent years. Other Departments such as Foreign Affairs and Trade; Transport, Tourism and Sport; and Defence have also commenced FPAs as part of their evaluation output. It will be important to expand the coverage of evaluation to focus on those spending areas where pressures such as the demographic challenge will place significant future demands on public services (e.g. health, children and education), where greater effort is required to ensure that the maximum benefit is being secured from significant investments already made (e.g. enterprise supports), and in areas of emerging needs (e.g. social housing supports and climate change). The additional capacity of IGEES should facilitate the delivery of quality evaluations across these areas.

IGEES Expenditure Evaluations and Reviews

As part of the Comprehensive Review of Expenditure 2014, the Central Expenditure Evaluation Unit in the Department of Public Expenditure and Reform produced a small number of evaluation and analysis papers on cross cutting public expenditure issues. Abstracts of these are presented below. The full versions will be made available on the IGEES website at <http://igees.gov.ie/>

Public Investment in Research & Development

Public investment in R&D continues to be prioritised. State expenditure on R&D grew by almost 180% in the period 2001 to 2008, and has since fallen back only modestly by 18% during a period of sizable fiscal adjustment. Indeed, the level of State funding for R&D stood at almost €800m in 2013, a figure comparable to 2006.

The fundamental question is what type of R&D investment and what level of investment (public and private) offers the best returns for the economy and for society. This paper is primarily concerned with an overarching assessment of total public expenditure on R&D, with a focus on expenditure trends over the last decade. It sets out the scale of the State expenditure support for R&D and looks at the range of public bodies involved in the funding.

Behavioural Economics

Behavioural economics examines why people's actions deviate from the predications of standard economic theory. This paper explains the theoretical and research-based background to behavioural economics and discusses some practical applications in the area of public policy making and public service delivery. In doing so, it draws on examples of best international practices and makes some recommendations for applying these in Ireland. It also highlights existing good practices and initiatives underway in parts of the Irish Public Service.

Improving efficiencies and outcomes with limited resources is a central theme of the Comprehensive Review of Expenditure, and behavioural economics can be used to contribute to better outcomes given expenditure parameters. This paper proposes that behavioural economics can improve new policy development, enhance the delivery of existing policy and

level, it has application across public services, including in the area of debt management and revenue collection, and at a policy level it can inform policy development in areas such as pensions and in health.

Future Expenditure Risks associated with Climate Change/Climate Finance

This paper discusses how responding to climate change will give rise to ongoing expenditure pressures in terms of both adaptation costs (e.g. flood defences) and mitigation (e.g. energy efficiency/renewable energy policy measures). In addition, if Ireland cannot close the gap to our binding EU 2020 targets for reducing greenhouse gas emissions we will face compliance costs. Based on the current trajectory, the first incidence of significant compliance cost is anticipated to arise in 2021. There are also climate related costs in the area of international climate finance, to enable developing countries to adapt to or mitigate climate change, to which Ireland contributes.

The Cost of the Public Service

The period since 2008 has seen significant changes in the size and cost of the Public Service. This paper explains these changes by providing an overview of the policy measures that have been taken on public service pay, pensions and numbers, and provides an analysis of their impacts.

The cost of the Exchequer pay bill has reduced from a peak of €17.4 billion at the onset of the recession to €14.1 billion in 2013. This almost 20% reduction in the pay cost is delivering an annual saving of €3.3 billion for the Exchequer. Counterfactual analysis shows that if successive Governments had not intervened the total Exchequer cost of public service pay and pensions for 2013 could have been in the order of €24bn – some €7 billion higher than the actual cost.

The industrial relations process has also yielded structural reforms in work practices and conditions – which may in the long term have a greater legacy than the pay cuts by enabling a change to a more effective, adaptive and productive public service. A phased reduction in staffing levels has progressed hand in hand with reform of the public service. Other changes

to employment conditions introduced over the period have included standardisation of annual leave, modernisation of sick leave policy and an increase in number of hours worked per employee. Throughout this period, the protection of frontline services has been a key consideration.

The Early Childhood Care and Education (ECCE) Scheme

The *Early Childhood Care and Education* (ECCE) scheme provides one free pre-school year for all children in the State before they start primary school. There are about 65,000 children benefitting from this scheme (which is equivalent to 95% of eligible children), and the State pays a capitation rate for each. Expenditure on the scheme is €175 million in 2014.

The paper examines issues around the ECCE scheme's effectiveness in the implementation of the *National Strategy to Improve Literacy and Numeracy among Children and Young People, 2011-2020*. It concludes that good progress is being made, particularly regarding the qualifications of the people delivering the programme, and makes a number of recommendations related to the collection of performance data and enhancing the monitoring of the performance of the scheme overall.