

PEM PAL 2013 BCoP Event

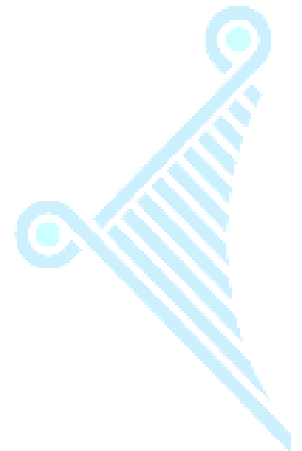
Overview of Comprehensive Review of Expenditure, 2012 to 2014

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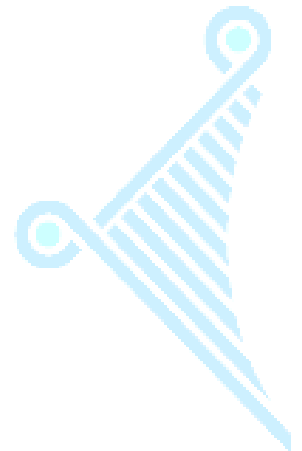
November 2013

Outline of Presentation

1. Background to Comprehensive Review of Expenditure (CRE) process
2. Objectives & main features of the review
3. Main results
4. Lessons Learned
5. Next steps



1. Background

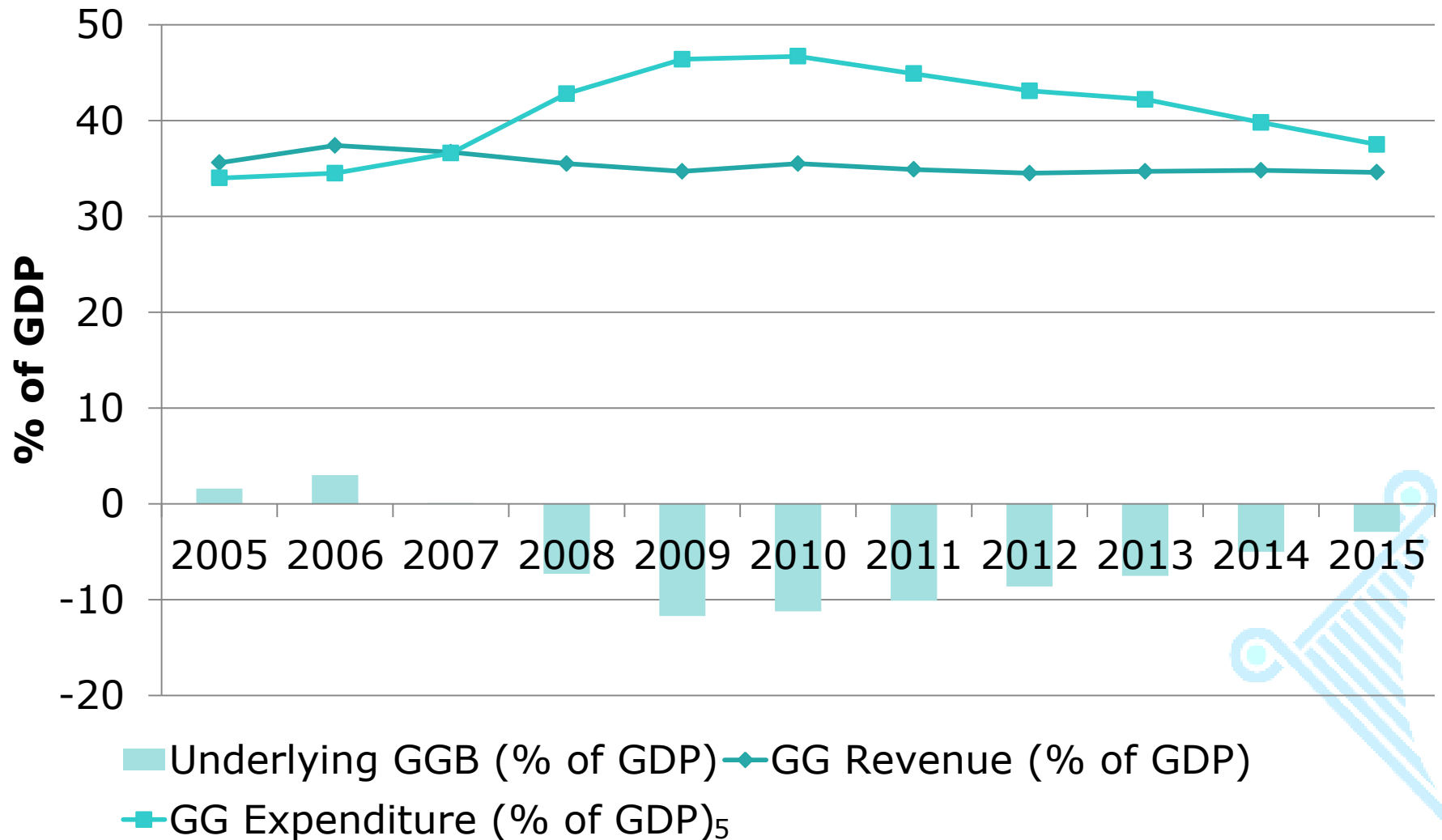


1. Background

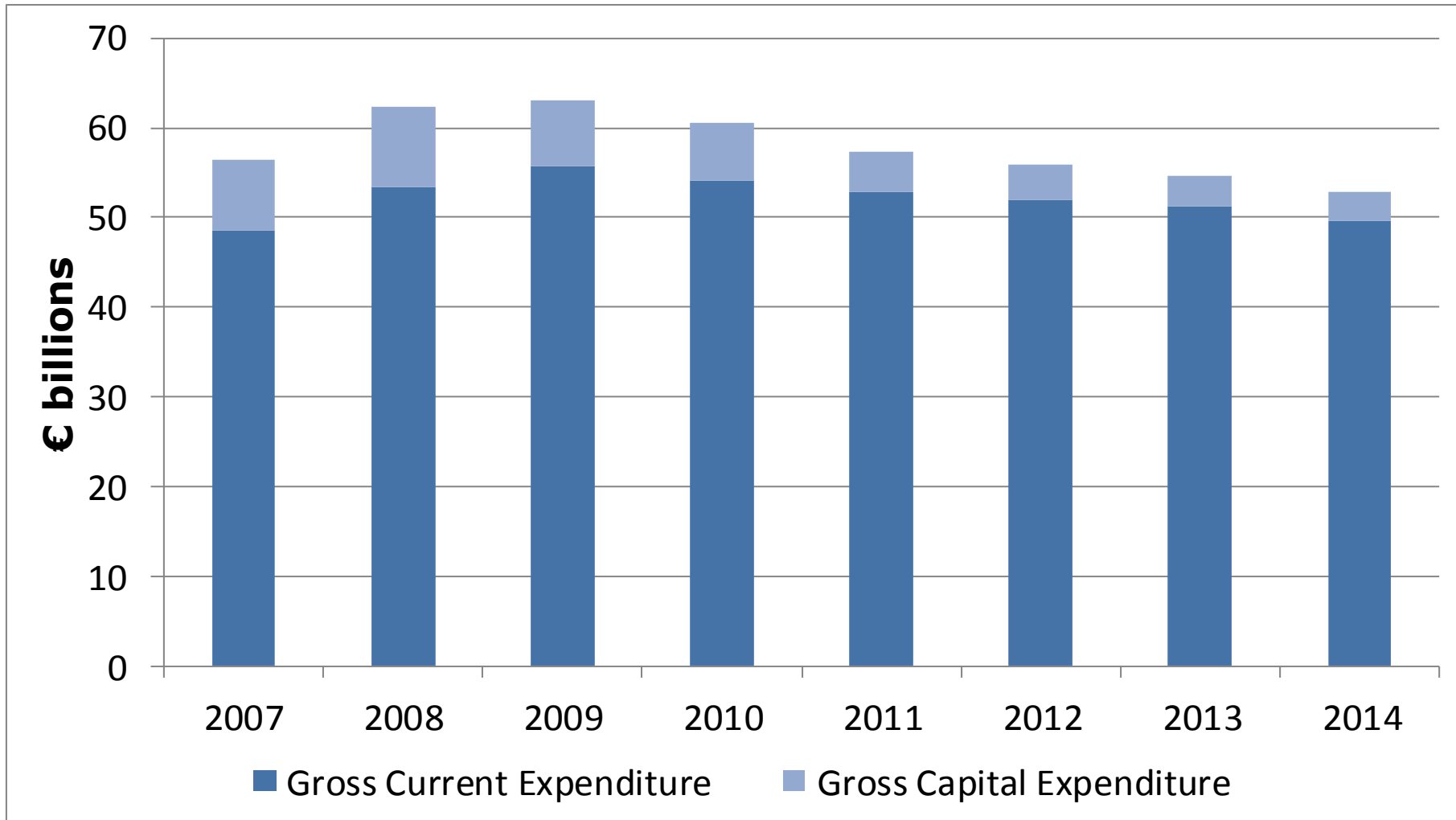
- CRE undertaken at a time of unprecedented fiscal consolidation
- Substantial policy changes and savings measures already imposed
- Requirement to undertake a strategic review of the various expenditure areas in order to reprioritise and identify savings



Budgetary/consolidation pressure

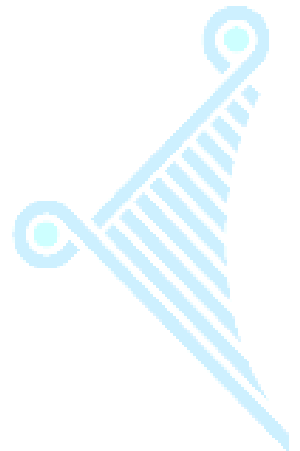


Expenditure profile, 2007-2014



Other context

- Various analyses of expenditure undertaken
- Progress on forecasting expenditure drivers
- EU/IMF Assistance programme commitments
 - Roll-out of Medium Term Expenditure Framework
 - Establishment of independent Budget Advisory Council
 - Fiscal Responsibility Law to provide for the sound management of the public finances
- Budgetary/consolidation pressures
- New government with new programme of commitments

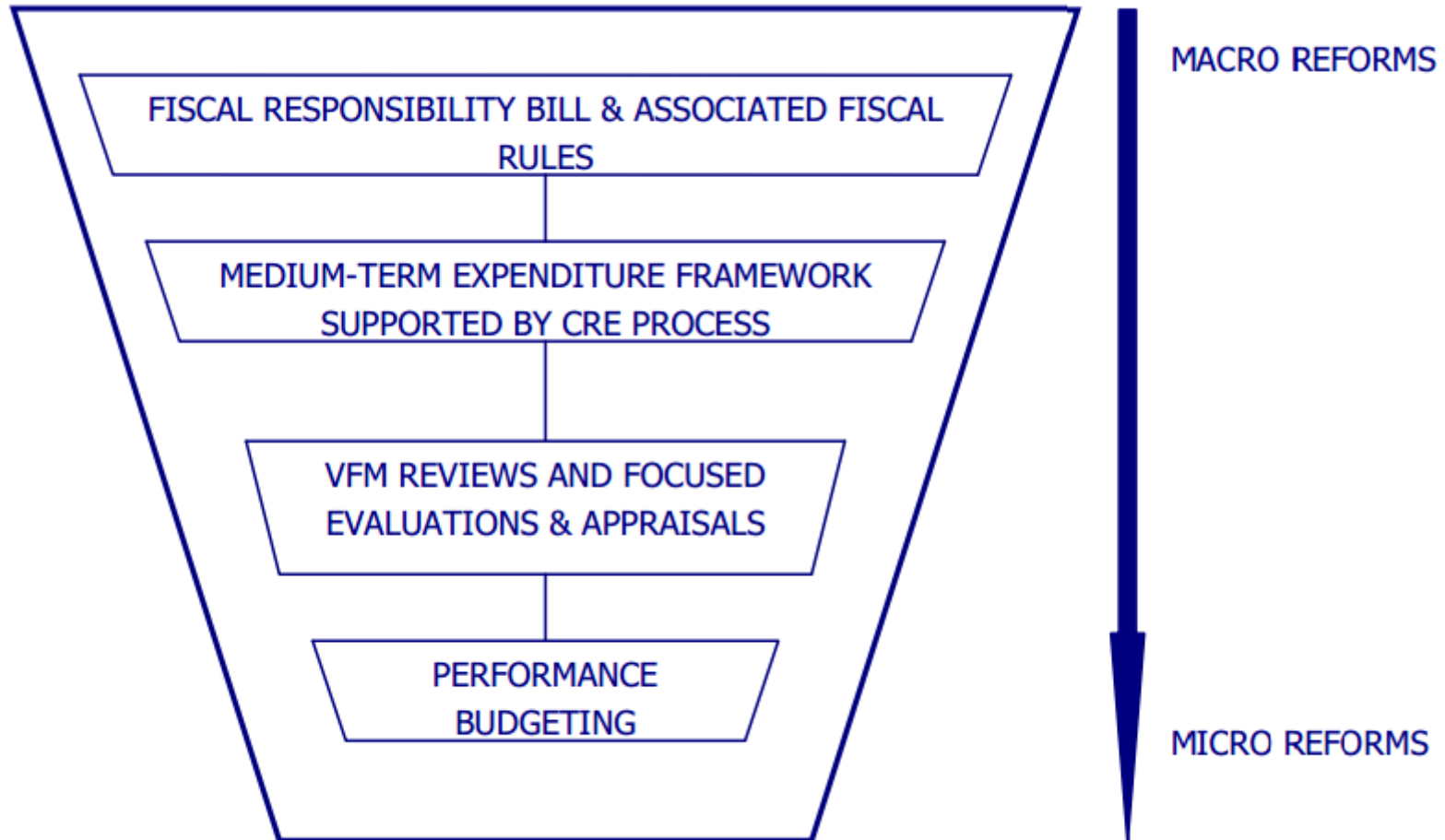


Multiple Analyses already undertaken

- Round of administrative efficiency measures in 2008
- Special Group “McCarthy” Report
- National Recovery Plan, 2011

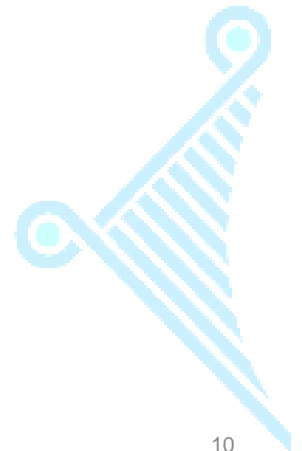


Key budgetary reform measures

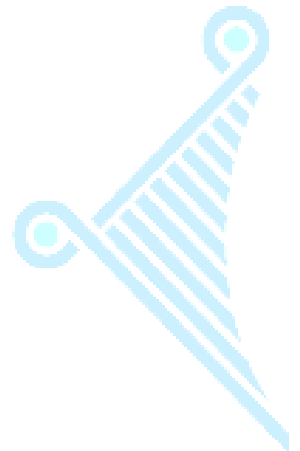


Medium Term Expenditure Framework

- Enabling legislation in Fiscal Responsibility Act and Ministers & Secretaries (Amendment) Bill
- Current expenditure ceilings must be enforced
- Ensures delivery of expenditure part of overall fiscal strategy



2. Objectives and main features of Comprehensive review of Expenditure



2. International approaches

○ UK

- Comprehensive Spending Review - pragmatic negotiating approach that requires each line Department to prioritise among its programmes
- specify objectives and performance criteria

○ Canada

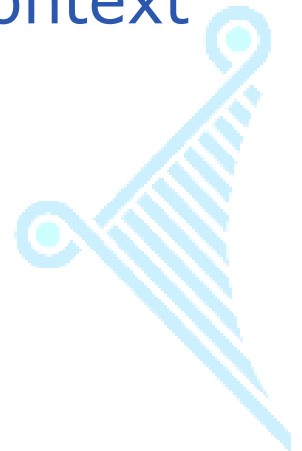
- Initiated "Program Review" to tackle large deficit in the 90s
- Carried out tests on their programmes using rationale, efficiency, affordability
- A "Strategic Review" process, involving the rigorous evaluation – 4 year cycle

○ Netherlands

- Establishment of a set of 20 working groups across a range of thematic areas.
- Each working group was chaired by a current or former senior official from a *different* policy area in order to promote 'creative and detached thinking'
- Approaches used to pursue savings include simpler regulations, streamlined organisations, reviewing programme effectiveness and efficiency, new funding principles

Objectives of the CRE, 2011 to 2014

- To meet the overall fiscal consolidation objectives in terms of both spending and numbers reduction targets
- To re-align spending with the Programme for Government priorities
- To consider new ways of achieving Government objectives in a more efficient way in the context of public sector reform.



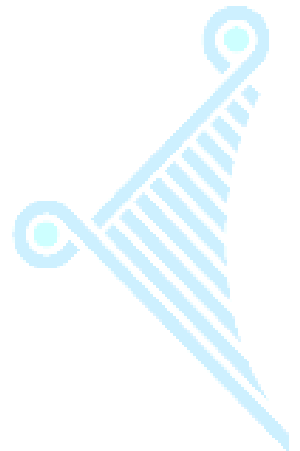
Process

- Letter from Secretary General of Department of Public Expenditure and Reform to all departments
- Seminars, consultations, workshops held with Departments
- Two separate streams for capital and current expenditure
- Reports received by Vote section from each Department
 - Value for Money templates supplied
 - Dialogue between central and line departments
- Separate set of cross cutting reports
- Final report prepared by vote sections and central unit in DPER



Methodology CRE current

- Line by line assessment of each programme based on following criteria
- A standard approach recommended to aid prioritisation based on a VFM template
- Other issues could also be considered i.e.
 - Agency rationalisation
 - Shared services
 - E-government
 - Limiting demand schemes
 - Abolition of schemes
 - User charges
 - External sourcing



Methodology – VFM Template

VFM Test 1 Rationale, Objectives, Relevance

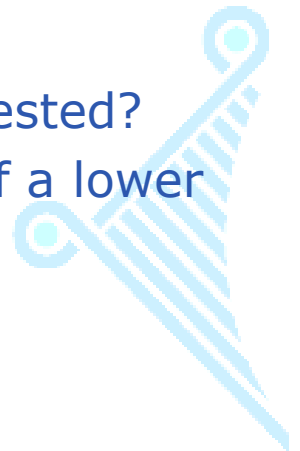
- What are the objectives of the programme? Is there a valid rationale for undertaking the programme? Is the policy consistent with the Programme for Government?

VFM Test 2 Effectiveness

- Is the programme achieving its objectives?

VFM Test 3 Efficiency

- Is the maximum being delivered with the resources invested?
- How can greater efficiency be achieved in the context of a lower level of expenditure?



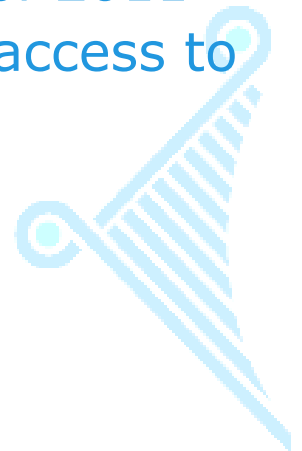
Timeline

- 6 month timeframe
- Completed in time to feed into budget negotiation
 - October 2011 for Budget in December 2011
- Departments given approx. 2 months to compile reports
- Review process undertaken centrally



Capital versus current expenditure

- Different approach used for capital
- Reduction in capital expenditure during recession years
 - Reorientation of spend
 - Less capacity constraints in the economy
- Capital review was conducted centrally with submissions from various departments and stakeholders
- Departments asked to:
 - Prioritise projects if allocation was cut to 70% of 2011
 - Indicate what they would prioritise if they had access to the remaining 30%
- Final report:
 - Assessed existing capacity
 - Multi criteria approach for reprioritisation

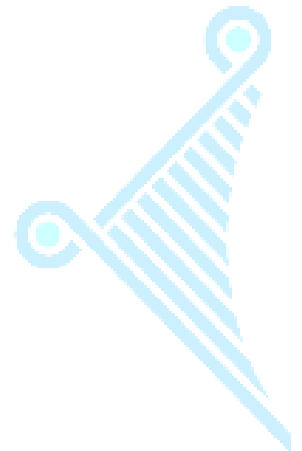


Cross-cutting reviews

- Number of thematic evaluations undertaken centrally by CEEU
- Topics included
 - Labour market activation and training
 - Social housing supports
 - Publicly funded local transport schemes
 - Enterprise supports
 - Rationalising multiple sources of funding for the not-for-profit sector
 - Legacy expenditure programmes & proposed policy reforms

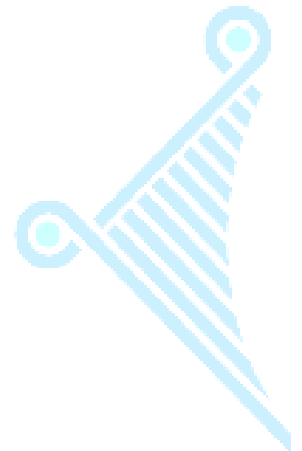


3. Main Results



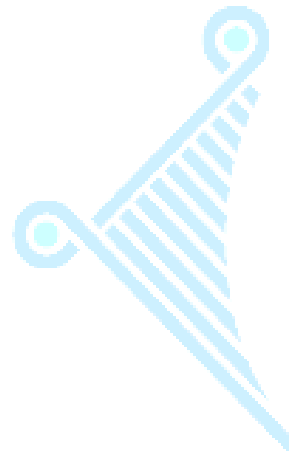
Structure of Comprehensive Expenditure Report

- 4 parts to final published CRE report on current expenditure
 - Background & focusing priorities
 - Expenditure allocations 2012-2014 by department
 - Reform of Public Expenditure Framework
 - Medium Term Expenditure Framework
 - Public Spending Code
 - Performance Budgeting
 - Detailed Estimates for Public Services



Results - Current

- Main spending measures outlined by department
- Tailored approach for different departments
 - Demand-led schemes require special consideration
 - Different VFM issues in different Departments



Examples of measures for large spend departments

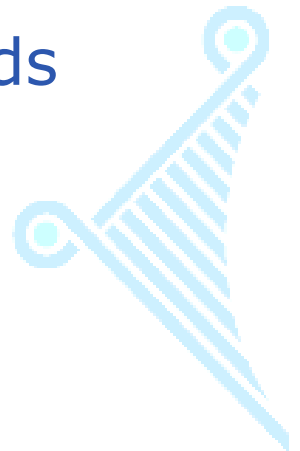
Department	Main savings measures identified
Health	<ul style="list-style-type: none">• Service efficiencies• Increased generation and collection of private income, e.g. increased charges for private beds• Securing price reductions for patented drugs• Reductions in capitation fees paid to doctors pharmacists, dentists etc.• Changes to income thresholds for over 70s medical card and Drug Payment Scheme• Procurement reform
Social Protection	<ul style="list-style-type: none">• Reduction in payment rates• Changes to eligibility• Introduction or changes to means testing

Summary of measures for large spend departments (cont'd)

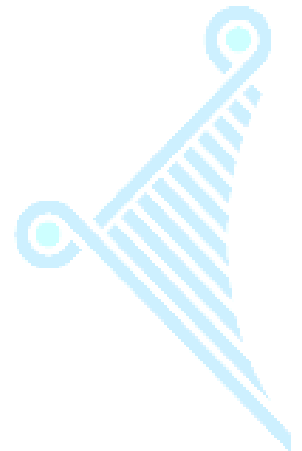
Department	Main savings measures identified
Education	<ul style="list-style-type: none">• 1-point increase in pupil-teacher ratio (PTR) for fee-charging post-primary schools• Adjustment to staffing schedules• Reduction in capitation grants for schools• reduction in core funding for higher education bodies• Amend grants system for post-graduate studies• reduction in rate of student maintenance grant
Justice	<ul style="list-style-type: none">• Payroll and pensions savings including overtime, travel and subsistence and the maintenance budget for police stations• Support work of the police by civilian staff and police Reserve• Courts Service administrative savings

Structure of CRE - Capital

1. Fiscal context
 2. Investment context (capacity and constraints)
 3. Re-framing capital investment priorities
 4. Alternative sources of funding
- Broad sectoral approach taken
 - Main findings – reframe investment towards enterprise, education and health



4. Lessons learned



Lessons learned

- Clear, manageable timely process required with a focus on areas with large levels of expenditure
- Openness to radical, service-wide reforms
- Savings options must be specific & substantive
- Important to develop buy-in at departmental level at the beginning
 - Full, proactive engagement required
 - Flexibility is necessary
- Quality of input – trained evaluators preferable
- Cross-cutting issues add value

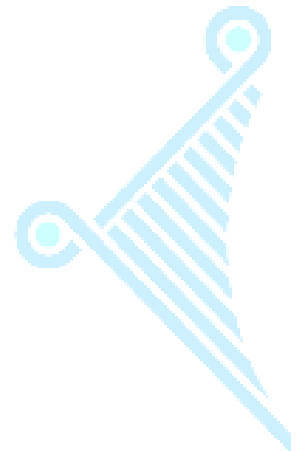


Lessons learned

- Top management support is crucial e.g. proposal launched by head of this department
- Government support important
- Clear communication of objectives is very important



5. Next Steps



Next steps

- New spending review in 2014
- Different context
 - Public sector reform in place for some years
 - New pay measures introduced (national pay agreement in place)
 - Agency rationalisation well advanced
- Need to normalise an on-going review process
- Need to analyse pressures on expenditure ceilings
 - Demographic analysis
 - Risk analysis



Enablers: Culture and Structures

- Roll-out of Public Spending Code
 - Applies to both current and capital expenditure
- Improve analytical output
 - Value for Money reviews, Focused Policy Assessments
 - Building up stock of evaluation reports to feed into future reviews of expenditure
- New Irish Government Economic Service
- Setting up evaluation units in departments
 - To include economists, statisticians, policy analyst working together

