TAIEX SRSP Workshop on Policy Coordination and Performance Assessment of Public Policies



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An Roinn Caiteachais
Phoiblí agus Athchóirithe
Department of Public
Expenditure and Reform

The Spending Review Process in Ireland

TAIEX SRSP Workshop on Policy Coordination and Performance Assessment of Public Policies

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Irish Spending Reviews

Background and Context

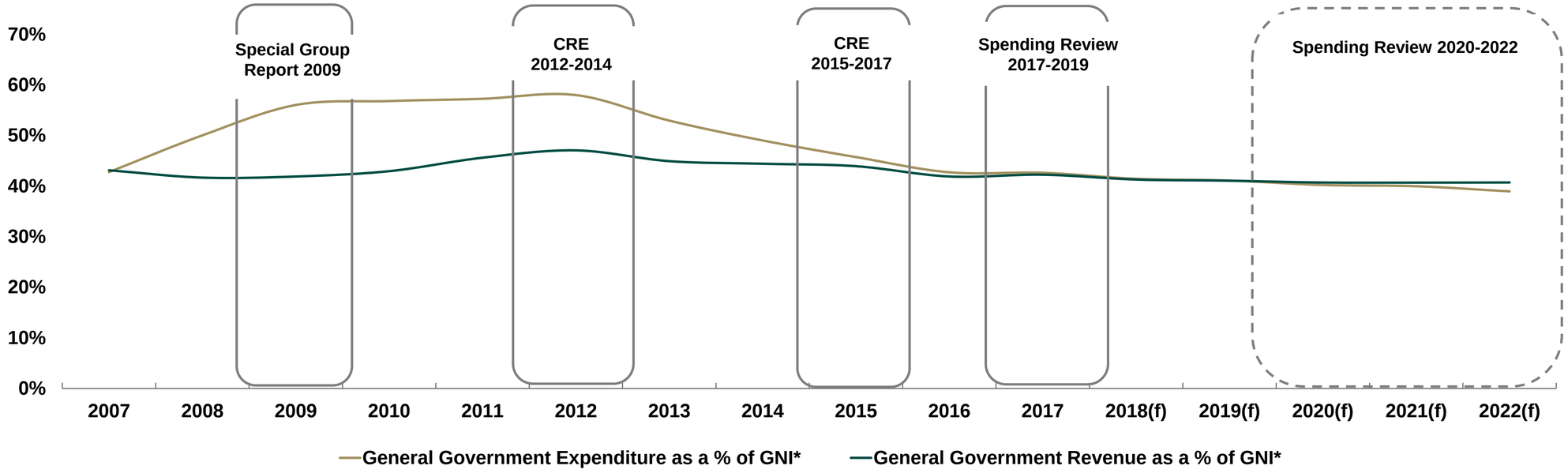
Irish Spending Reviews – History

- Ireland aligns with European-wide adoption of spending review following the Global Financial Crisis.

- For initial spending reviews, spending cuts were required, more recently spending reviews have been used to promote spending efficiency and effectiveness in the context of fiscal space.

- In total, there have been four spending reviews since 2009 with a fifth round now commencing:
  1. The Special Group Report 2009
  2. The Comprehensive Review of Expenditure (CRE) 2012-2014
  3. The Comprehensive Review of Expenditure (CRE) 2015-2017
  4. The Spending Review 2017-2019
  5. The Spending Review 2020-2022

Economic context matters



- Early spending reviews focussed on deficit reduction, cutting expenditure to meet fiscal targets.
- More recent reviews have focus on re-prioritisation within an increasing expenditure base. Focus going forward is to place evidence at the heart of decision making in the context of the Budget as well as across the policy life cycle.
- This represents a broadening of approach that can be seen across a number of other OECD countries.

Special Group Report 2009

- Beginning in 2009, spending reviews were carried out to reduce government expenditure, meet fiscal targets and promote stable expenditure policy.

- Post-GFC, Irish economy rapidly shrank and large fiscal deficit emerged:
  - *Nominal GDP fell by 4.8% in 2008 and 9.5% in 2009;*
  - *Surplus of 3% of GDP in 2006 turned to underlying deficit of 11% of GDP in 2009 and 2010; and*
  - *Unemployment rose from 4.6% in 2007 to 12% in 2009 (peaked at 15% in early-2012).*

- Special Group Report set Irish precedent for intensive reviews which targeted large-scale savings to meet fiscal targets.

- The Group was comprised of external experts, chaired by Colm McCarthy (UCD), with a Dept. of Finance secretariat.

- The 2009 review exposed a lack of data and a base of incomplete information. Despite this, the Special Group detailing potential efficiencies and proposed savings options of €5.3 billion.

- Of the Special Group Report's 271 savings recommendations across all departments, 42 were implemented in full and 103 in part.

- The estimated expenditure savings of these implementations amounted to €1.7 billion.

Comprehensive Reviews of Expenditure (CRE)

- Major consolidation post-2009 facilitated the establishment of the CREs.
- This follow-up to the Special Group Report established the current Irish standard of ongoing spending reviews.
- Two CREs, 2012 to 2014 and 2015 to 2017, further integrated spending reviews into the reformed budgetary framework.
- While assisting Ireland to achieve fiscal targets, the CREs promoted enhanced efficiency and effectiveness of expenditure rather than focussing solely on expenditure cuts and numbers reductions.
- CREs also served to build a significant base of spending data/analysis for future reference, and to promote a culture of evaluation within spending departments.

Spending review in a ‘normal’ economic environment

Comparison of Key Indicators, Crisis and Post Crisis		
	Average 2009-2011	2018
Gross Voted Government Expenditure Growth	-2.7%	7.5%
General Government Balance as a % of GDP	-20%	-0.1%
General Government Debt as a % of GDP	86%	64%
General Government Debt as a % of GNI Modified	113%	105%
Numbers in Employment	1,919,000	2,281,000
Unemployment Rate	15.0%	5.6%
Nominal GDP Growth Rate	-2.9%	8.3%
Nominal GNI Modified Growth Rate	-5.0%	6.1%

Spending Review 2017-2019

Characteristics

- 3 year review cycle aiming to cover a third of current expenditure each year.
- Supported and signed off at Ministerial Level and agreed by Government.
- Managed by a senior level steering group (and subgroups when needed) in the Department of Public Expenditure and Reform which is supported by a dedicated Spending Review Secretariat.
- Transparent approach with all analysis published (as staff papers, not necessarily representing the views of the relevant Minister).
- Process was aligned with the annual Budget process with most papers published in July each year ahead of Budget negotiations in September/October.

Objectives

- Create a larger stock of relevant analysis and evaluation across all Departments and Offices, and maintain momentum over a three year period.

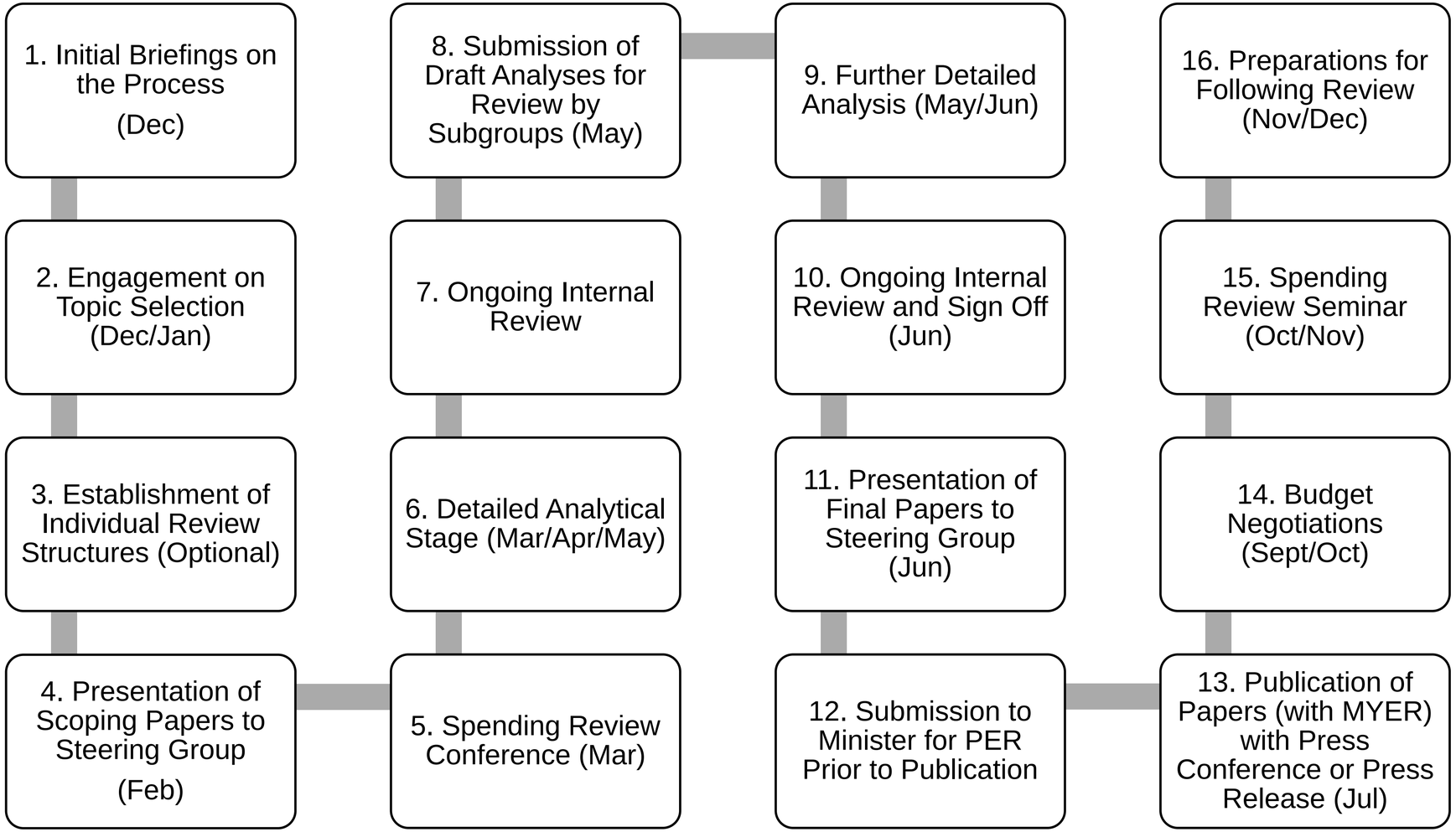
- Assess efficiency and effectiveness of expenditure programmes and identify areas of expenditure that require ongoing analysis if issues are emerging.

- Ensure that the spending review is more firmly embedded within the budgetary process.

- Provide the evidence base for reform efforts across Departments and the wider public service.

- Spotlight areas of innovation and good practice, both in programme design and service delivery, that will be of wider interest and applicability.

Timeline


1. Initial Briefings on the Process (Dec)
2. Engagement on Topic Selection (Dec/Jan)
3. Establishment of Individual Review Structures (Optional)
4. Presentation of Scoping Papers to Steering Group (Feb)
5. Spending Review Conference (Mar)
6. Detailed Analytical Stage (Mar/Apr/May)
7. Ongoing Internal Review
8. Submission of Draft Analyses for Review by Subgroups (May)
9. Further Detailed Analysis (May/Jun)
10. Ongoing Internal Review and Sign Off (Jun)
11. Presentation of Final Papers to Steering Group (Jun)
12. Submission to Minister for PER Prior to Publication
13. Publication of Papers (with MYER) with Press Conference or Press Release (Jul)
14. Budget Negotiations (Sept/Oct)
15. Spending Review Seminar (Oct/Nov)
16. Preparations for Following Review (Nov/Dec)

Roles and Responsibilities – Analytical Phase

- Governance and oversight – steering group, subgroups and secretariat.

- All reports are produced internally (no consultants) and can be authored:
  - Centrally within the Department of Public Expenditure and Reform;
  - By policy Departments; or
  - Produced jointly.

- Level of engagement varies as a result, but, in general, there is always some level of engagement throughout the process.

- In some cases, to guide the analysis, a steering group is formed with representation across both Departments (exception rather than norm).

Role of the Irish Government Economic and Evaluation Service (IGEES)

- A key post-crisis public service reform was the establishment of the Irish Government Economic and Evaluation Service (IGEES) in 2012.

- Initially centralised in the Department of Public Expenditure and Reform, IGEES units are now in all policy departments and provide economic services, including producing and reviewing business cases, undertaking policy analysis, spending review papers and other evaluations.

- IGEES economists and analysts have significant involvement in the spending review process including in topic selection, producing reports and presenting analysis internally and externally.

Role of Department of Public Expenditure and Reform

- Key role for Vote (Sectoral) Sections and IGEES

- Vote (Sectoral) Sections:
  - Sign off on selection of topics by end-January;
  - Liaise with policy Departments in developing evidence base, providing data and producing and/or providing comments/observations on papers;
  - If necessary, liaise with Central IGEES in DPER for internal consultancy; and
  - Produce analysis based on available data/evidence which is presented to the Steering Group at both the evidence gathering and final drafting phases.

- Central IGEES Unit:
  - Support through internal consultancy (for smaller Vote Sections); and
  - Embedding skillsets within Vote Sections.

Role of Policy Departments

- Engage in the process.
- Collaborative approach but not one-size-fits-all.
- Enhanced role for Finance Officers and departmental IGEES units.
- Sharing of data / information.
- Existing and planned analysis by Departments will also play a key role.

Methodology

- Methodological approach draws from Ireland's longstanding Value for Money Review (VFMR) Framework.
- VFMRs assess rationale, efficiency, effectiveness, impact and continued relevant.
- Savings targets?
  - Review context
  - Scope
  - Timeline
  - Generating evidence for a more comprehensive review

Spending Review 2019: [Paper Title]	
Group Members and Author(s)	[Names and roles]
Context/Rationale	**Context for examining this area of expenditure:** • Provide a description of the existing program (include details of when it was introduced and recent amendments if applicable). • What is the public policy rationale? • What are the programme objectives, outputs and impact on change? *Background (if required)* • Have there been any previous program evaluations undertaken? If so, what where the recommendations and were they implemented. **Benchmarking, trends, and pressures:** • Outline recent trends in program expenditure and drivers; • Provide details of short and medium-term cost pressures; and • Summarise relevant benchmarking of program parameters and outcomes.
Objectives	**List out some of the key questions to be asked in the programme review** The questions might focus on some of the following listed below, but other objectives can be considered: a. *Alignment:* • Is the program aligned with Government or Departmental strategic policy priorities? b. *Effectiveness and Impact:* • How well does the program meet the policy objectives? • Is the programme achieving the desired impact? • Are there other means to achieving these objectives? c. *Efficiency:* • Can specific steps be taken to improve cost effectiveness? • Is there scope to improve service delivery or simplify administrative arrangements? d. *Sustainability:* • Is the programme sustainable in the long-run?
Methodology	Desk based, survey, quantitative vs. qualitative; Techniques used (trend analysis, international benchmarking, CBA, counterfactual etc.)
Data	• Data sources (Public national and international datasets, Government published data, administrative etc.) • Data Limitations (if any) • Data sharing between vote and line department (if any)
Deliverable	Output of the review (full review (20/25 pages) or analytical note (8/12 pages)); list of possible reprioritisation measures etc.)
Timeline	• Late January – preliminary analysis and submission of scoping templates; • Feb/March – present scoping templates to steering group; • April 30th – preliminary draft of papers; • May 31st – Submit final draft to Spending Review Steering Group; • June – Meet with steering group and sub-groups for quality and consistency assurance.

Coverage

- Initial aim of the process was to assess all current expenditure (approx. €55bn - €60bn) over a three year period (one third in each year).

- Key sectors to be covered included health, education, justice and policing, social welfare expenditure, pay bill expenditure including staffing / workforce planning.

- The one third requirement was applied flexibly to promote engagement from policy Departments and to provide scope for revisiting important areas of expenditure.

- Some elements of capital expenditure were also reviewed, i.e. ongoing capital grants to companies, etc.

Selection of Published Papers – Spending Review 2017-2019

2017

An Assessment of the Rationale, Efficiency and Targeting of Supports in Enterprise Ireland

Analysis of Current Expenditure on Housing Supports

Special Educational Needs Provision

Further Education and Training & Employment Supports Overview Paper

Public Service Obligation (PSO) Funding for Public Transport

Challenges to Investment in Policing: A Public Expenditure Perspective

Future Sustainability of Pharmaceutical Expenditure

Review of Capital Expenditure on Research, Development and Innovation (2000 – 2016)

Disability – Supports and Services (Cross-Vote paper)

Equality Budgeting Framework Paper

2018

Efficiency and Digitalisation within the Office of the Revenue Commissioners

HSE Staff Trend Analysis, 2014-2017

Review of Overtime Expenditure in An Garda Síochána

Pay Expenditure Drivers at Primary and Second Level

Understanding the funding needs of the third level sector

An Analysis of Older People Services Spend and Activity, 2014-2017

Public Employment Services - Mapping Activation

An Analysis of Replacement Rates

Analysis of IDA Ireland Expenditure

Analysis of Enterprise Supports and the Labour Market

Analysis of OPW Spending on State Rents

Review of Recent Evaluations by DTTaS

Implementation of recommendations made as part of the VFM and Policy Review undertaken in regard to the Arts Council (DCHG)

Analysis of Hospital Inputs and Outputs, 2014-2017

Nursing and Midwifery Expenditure

Projected Retirements From the Civil Service from 2019 to 2028

2019

Direct Provision: Overview of Current Accommodation Expenditure

Review of Carers Supports

Analysis of Science Foundation Ireland Research Grants

The Green, Low-Carbon, Agri-Environment Scheme

Evaluating the Regional Airports Programme

Personal Incentives for Electric Vehicle purchase

Social Impact Assessment: Acute Mental Health Services

Emergency Departments: Trends 2014-2017

Public Service Employment & Expenditure Modelling

Budgetary Impact of Changing Demographics 2020 to 2030

Towards a Framework for Multi-Annual Budgeting: Considerations for An Garda Síochána

Review of the Arts and Culture Capital Enhancement Support Scheme (Access II)

Implementation

- The economic context and the design of the 2017-2019 process limited the degree to which implementation has been a key focus, i.e. no explicit requirement to set out savings targets.

- The process focussed more on (1) generating large evidence base (nearly 80 papers published), (2) aligning publication to the budget process and (3) increasing engagement from policy Departments in each year.

- Spending Review Secretariat currently producing an implementation report, to include a survey of key stakeholders, which will provide more learnings, good and bad.

Spending Review 2017-2019 - High Level Outcomes

Positives

- Significant increase in the level of analysis and evaluation being produced
- Increase in engagement across line Departments – 11 different Depts. and Agencies now doing papers
- Alignment with the budget cycle and the use of data and evidence within same
- Enhanced role for IGEES across the Civil Service

Areas for Further Development (reflecting external review)

- Strengthen the policy relevance and impact of the analysis
- Broaden governance to include more line Departments
- Engage line Departments to undertake more reviews
- Enhance communication with decision makers
- Increase follow up and monitoring of analysis
- Strengthen links to reform agenda and the performance budgeting initiative

Conduct of Spending Reviews – Points to Consider

- Economic and fiscal context influences the nature of spending reviews.
- Political engagement / backing is a pre-requisite.
- Aligning / integrating the process into budget cycle is important – provides an audience for the analysis, aids topic selection and enhances the process.
- Early and continued engagement / communication with all stakeholders is also key – governance, timelines, roles and responsibilities, methodologies.
- Implementation – an important but challenging piece, early consideration is important.
- Ex-post review to support ongoing reform of the process.

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