

COMPREHENSIVE REVIEW OF EXPENDITURE

18th August 2011

Contents

1. Introduction and Executive Summary

- 1.1 Background to the formation of the Department.....3
- 1.2 Structure of the Department and Budget Estimate 2011.....4
- 1.3 Conclusions of the Review and Summary of Costs Savings
proposed.....6

2. Performance Budgeting

- 2.1 Background to Performance Budgeting.....8
- 2.2 Strategic Plan and Core priorities of the Department.....9
- 2.3 Strategic Programmes – Key Outputs and Impact Indicators.....11

3. Costs

- 3.1 Summary of Costs.....14
- 3.2 Paybill & Staffing.....15
- 3.3 Non-pay Administrative Budget.....17
- 3.4 Programme Expenditure.....24

4. Further Information.....81

Section 1 - Introduction and Executive Summary

1.1 Background

Establishment of the Office of the Minister for Public Expenditure & Reform

The establishment of the Department of Public Expenditure and Reform, with Mr Brendan Howlin TD as Minister, was announced on the 9th March 2011, the day the present Government took office. The new Department is comprised of the Sectoral Policy and Public Service Management Divisions of the Department of Finance with units assigned from the Public Service Modernisation Division of the Department of the Taoiseach.

Legislative Framework

The planning for the establishment of the Department commenced immediately after the announcement on 9th March. This culminated in the development of the Ministers and Secretaries (Amendment) Act 2011 which came into operation on 6 July 2011. This legislation provides for the formal establishment of the Department of Public Expenditure and Reform and for the transfer of certain functions from the Minister for Finance to the Minister for Public Expenditure and Reform.

As a result, the Minister for Public Expenditure and Reform now has responsibility for the management of gross voted expenditure, the annual estimates process, general sanctioning powers in relation to expenditure and policy matters relating to the appraisal, review and evaluation of expenditure, while the Minister for Finance retains responsibility for overall budgetary parameters. In addition, the Minister for Public Expenditure and Reform has responsibility for public service management and reform, including industrial relations and public service modernisation.

Purpose and Mission of the Department for Public Expenditure & Reform

The Department's Mission Statement is:

“To achieve the Government's social and economic goals by ensuring the effective management of taxpayers' money and the delivery of quality public services that meet the needs of citizens”.

In particular, the Government is committed to the fundamental review, reform and overhaul of all aspects of Government and administration in Ireland. The Government is determined to modernise, renew and transform the way in which services are delivered. Accordingly, functions and responsibility in relation to reform and modernisation of the public service have now been placed on a statutory basis.

The establishment of the Department of Public Expenditure and Reform reinforces the political and economic importance attached to delivering on the broad reform agenda coupled with the role which the Government believes a streamlined and high performing Public Service can play in the national recovery. Accordingly, the mission of the Department of Public Expenditure and Reform is to achieve the Government's social and economic goals by ensuring the effective management of taxpayers' money and the delivery of quality public services that meet the needs of citizens.

1.2 Structure of the Department and 2011 Budget Estimate

As presented by the Minister for Public Expenditure and Reform Brendan Howlin to the Oireachtas Committee on Finance, Public Expenditure and Reform on 12th July 2011, the Summary 2011 Budget Estimate, which includes the provisional outturn for 2010, for the Department's two programmes, Public Expenditure and Sectoral Policy and Public Services Management Policy, is:

PROGRAMME EXPENDITURE	2010 Provisional Outturn			2011 Estimate			Change 2011 over 2010
	Current	Capital	Total	Current	Capital	Total	
	€000	€000	€000	€000	€000	€000	%
A - PUBLIC EXPENDITURE & SECTORAL POLICY	17,804	188	17,992	17,534	301	17,835	-1%
B - PUBLIC SERVICE MANAGEMENT POLICY (b) (e) ..	18,877	89	18,966	22,444	200	22,644	19%
Gross Total :-	36,681	277	36,958	39,978	501	40,479	10%

The detail of these costs is set out at Section 2.

Strategic Programmes

The Department has been structured around the following two Strategic Programmes and associated High Level Goals:

- **Public Expenditure and Sectoral Policy Programme;**

... to manage public expenditure policies to support the Government's economic, social and public service reform objectives and thereby to contain debt levels.

- **Public Services Management Programme**

...to formulate and promote policies which drive efficiency, effectiveness and reform across the public service, which support national income and pensions development (with particular reference to the public service) and which are consistent with budgetary sustainability, competitiveness and high standards of service delivery.

Given the background to the establishment of the Department, its functions are closely related to that of the Department of Finance (the staff of the two Departments constitute a common pool and the two Departments are involved in the provision of shared services to each other). The Department of Finance provides shared services to the Department of Public Expenditure and Reform in the areas of Corporate Services (Human Resource Management, facilities management and a compliance regime), financial and accounting management, payroll and internal audit. The Department of Public Expenditure and Reform provides a shared service to the Department of Finance in terms of ICT services.

1.3 Conclusions of the Review

The following initial savings have been identified:

Subheads		2011 Estimate €000	2012 ELS €000	Proposed Savings €000
Administrative Budget Pay		21,573	20,873	0
Administrative Budget Non-pay		1,051	1,143	50
Programme Budgets:				
A.3	ESRI (Grant in Aid)	2,700	2,700	0
A.4	Structural Funds Technical Assistance and Other Costs <i>Of which pay</i>	905 690	905 690	75
A.5	Technical Assistance Costs of Regional Assemblies (Grant in Aid)	740	740	50
A.6	Peace/INTERREG Programmes	4,040	6,823	928
A.7	Special EU Programmes Body (SEUPB) <i>Of which pay</i>	1,247 731	1,247 731	37
A.8	Ireland/Wales and Transnational INTERREG	385	385	0
A.9	Procurement Management Reform	140	140	140
A.10	Consultancy	16	16	0
B.3	Institute of Public Administration (IPA)	3,000	3,000	500
B.4	Gaeleagras <i>Of which pay</i>	120 95	120 95	75
B.5	Civil Service Arbitration and Appeals	65	65	30
B.6	Review Body on Higher Remuneration in the Public Sector	1	1	0
B.7	Public Service Benchmarking Body	1	1	0
B.8	Committee for Performance Awards	1	1	0
B.9	CMOD	1,530	1,530	150
B.10	Change Management Fund <i>Of which pay</i>	2,780 870	2,780 870	1,103
B.11	CS Childcare Initiative	25	25	0
B.12	Consultancy	159	100	0
Savings requested under 2012 ELS – not yet identified(* see over)			-1,931	-1,931
Total <i>Of which pay</i>		40,479 23,959	40,644 23,259	1,207

*Note: €1.931m of savings requested under 2012 ELS could not be identified at the time and savings now identified will have to first meet this shortfall – see overleaf

It is important to note that in preparing the ELS allocations on Vote 42 for 2012, during mid-2010, the requisite level of savings were not identified and the shortfall was entered as an unidentified saving (€1.931m as set out in the above table).

The savings now proposed must therefore be applied to meet that shortfall before any contribution is made to the additional expenditure targets. Accordingly, while a total of €3.138m of savings were identified during the course of this review, €1.931m of these savings have been used to meet the original ELS target, leaving net savings of €1.207m.

Section 2 - Performance Budgeting

2.1 Background to Performance Budgeting

Vote 42 participated in a pilot approach to Performance Budgeting for the purposes of the 2011 Estimates process. The aim of this process is to sharpen the focus on performance at the Organisational level.

The existing process of resource allocation is heavily focused on financial inputs (*'how much money is being spent?'*), rather than on outputs and impacts (*'what is being achieved and delivered with this money?'*). While reforms such as the introduction of Annual Output Statements have improved the expenditure framework, there is much scope for further progress.

The introduction of a new system of 'performance budgeting' is expected to bring a sharper focus on the actual outputs and outcomes delivered with scarce public resources. This new format will align resources with the High Level Goals in the Statement of Strategy and the Programmes set out in the Annual Output Statement. The information has been supplemented with certain performance information – the inputs (costs), outputs and impact indicators associated with each Programme.

This new Estimates structure is intended to strengthen the type of useful information available to Dáil Committees, and help to develop a stronger focus on the performance of all organisations, including this Department, in keeping with the Government's agenda.

2.2 Strategic Plan and Core Priorities of the Department

The Department is in the process of developing a strategic plan to ensure that it delivers on its Mission Statement during the period of the Programme for Government. The following core priorities will underpin the Department's strategic plan:

1. Achievement of the Government's fiscal targets,
2. Public service reform, and
3. Political reform.

Priority (1) will be delivered through the Public Expenditure and Sectoral Policy Programme and priorities (2) and (3) will be delivered through the Public Services Management Programme.

The Department has identified key objectives which must be achieved under each core priority as follows:

Core Priority 1: Achievement of Fiscal Targets

- The achievement of the fiscal targets in line with the EU/IMF Programme of Support, including meeting targets for 2011 and preparing for the 2012 Budget.
- The Comprehensive Review of Expenditure (CRE) will prepare the groundwork for discussions on 2012 spending and beyond. The review is underway in all Departments in accordance with the timetable set out by the Government. The CRE exercise is complemented by the Capital Expenditure Review.
- Reductions in the numbers employed in the public service are a key element of spending policy. Reductions need to be considered as part of the Croke Park Agreement and the implementation of a more ambitious programme of public sector reform.

- Emerging pressures on spending in 2011 which the Government will need to manage in the coming months.

Core Priority 2: Public Service Reform

- Reforming the public service to provide better services with lower resources.
- Developing a draft implementation plan which will set out how the Department intends to reform the public service and meet the Programme for Government commitments.
- Reducing numbers in line with the Government Programme while continuing to provide key front-line services.
- Drafting an implementation plan which will outline the priority actions and timelines for reform in a broad range of areas including leadership, performance, redeployment, eGovernment, shared services, legislative change etc, as well as setting out how implementation should be driven and monitored.
- Making more services available online through a new eGovernment strategy, improving openness through the online publication of public service data, better sharing of data between public bodies and driving the greater use of shared services across all sectors of the Public Service.
- Finalising the legislation for a new single Public Service pension scheme, this measure, which brings public service pension terms more into line with the private sector, is a major marker of longer-term reform.

Core Priority 3: Political Reform

- Supporting the Government's commitment to a programme of political reform which will achieve wide-ranging and permanent changes in governance.
- Key priority elements have been designed as measures to improve the Oireachtas powers of inquiry and scrutiny, to protect whistleblowers providing information in the public interest, and steps will be taken to extend the scope of Freedom of Information legislation.

- The Department will develop proposals to reform areas identified in the Programme for Government, such as reform of PQ system, Ombudsman legislation, and ethics rules.

2.3 Strategic Programmes – Key Outputs and Impact Indicators

In order to achieve the above mentioned objectives, the Department has been structured around two Strategic Programmes: the Public Expenditure and Sectoral Policy Programme and the Public Service Management Programme. The resources and Key Outputs associated with each of these programmes are set out below.

Public Expenditure and Sectoral Policy

The resources associated with this programme are as follows:

Numbers			2010 Provisional Outturn			2011 Estimate		
			Current	Capital	Total	Current	Capital	Total
2010	2011		€000	€000	€000	€000	€000	€000
108	126	A.1 - ADMINISTRATION - PAY	8,113	-	8,113	7,550	-	7,550
		A.2 - ADMINISTRATION - NON-PAY	87	-	87	112	-	112
		A.3 - ECONOMIC AND SOCIAL RESEARCH INSTITUTE - ADMINISTRATION AND GENERAL EXPENSES (GRANT-IN-AID)	3,075	-	3,075	2,700	-	2,700
10	10	A.4 - STRUCTURAL FUNDS TECHNICAL ASSISTANCE & OTHER COSTS	892	-	892	905	-	905
		A.5 - TECHNICAL ASSISTANCE COSTS OF REGIONAL ASSEMBLIES (GRANT-IN-AID)	670	-	670	740	-	740
		A.6 - PEACE PROGRAMME/NORTHERN IRELAND INTERREG	3,403	178	3,581	3,776	264	4,040
62	65	A.7 - SPECIAL EU PROGRAMMES BODY (a)	1,112	10	1,122	1,210	37	1,247
		A.8 - IRELAND/WALES AND TRANSNATIONAL INTERREG	436	-	436	385	-	385
		A.9 - PROCUREMENT MANAGEMENT REFORM	-	-	-	140	-	140
		A.10 - CONSULTANCY & OTHER SERVICES	16	-	16	16	-	16
		Programme Total:-	17,804	188	17,992	17,534	301	17,835
		<i>of which pay:-</i>	9,658	-	9,658	8,971	-	8,971
180	201							

The Key Outputs for the Public Expenditure and Sectoral Policy Programme include:

- The provision of advice on sustainable current and capital public expenditure policy at aggregate and sector-specific levels, consistent with the Government's medium-term fiscal strategy; and production of annual Estimates;

- The development and implementation of policies to reduce public service numbers consistent with the delivery of Government objectives, including those objectives covered under the Croke Park Agreement; and
- The promotion of a stronger focus on value-for-money and performance information, including greater integration with resource allocation processes, in line with the Government Programme.
- Manage EU co-funded structural fund programmes; foster North South economic co-operation through North/South programmes and support Minister in NSMC; promote Ireland's interest in the debate on future EU Cohesion policy

Public Services Management Policy

The resources associated with this programme are as follows:

Financial & Human Resource Inputs			2010 Provisional Outturn			2011 Estimate		
			Current	Capital	Total	Current	Capital	Total
Numbers			€000	€000	€000	€000	€000	€000
2010	2011							
169	175	B.1 - ADMINISTRATION - PAY (a)	12,368	-	12,368	14,023	-	14,023
		B.2 - ADMINISTRATION - NON-PAY (a)	1,332	-	1,332	939	-	939
		B.3 - INSTITUTE OF PUBLIC ADMINISTRATION (GRANT-IN-AID)	3,400	-	3,400	3,000	-	3,000
1	1	B.4 - GAELEAGRAS NA SEIRBHÍSE POIBLÍ	233	-	233	120	-	120
		B.5 - CIVIL SERVICE ARBITRATION & APPEALS PROCEDURE	32	-	32	65	-	65
		B.6 - REVIEW BODY OF HIGHER REMUNERATION IN THE PUBLIC SERVICE	48	-	48	1	-	1
		B.7 - PUBLIC SERVICE BENCHMARKING BODY	-	-	-	1	-	1
		B.8 - COMMITTEE FOR PERFORMANCE AWARDS	-	-	-	1	-	1
		B.9 - CENTRE FOR MANAGEMENT & ORGANISATION DEVELOPMENT	1,034	89	1,123	1,330	200	1,530
-	11	B.10 - CHANGE MANAGEMENT FUND	324	-	324	2,780	-	2,780
		B.11 - CIVIL SERVICE CHILDCARE INITIATIVE	45	-	45	25	-	25
		B.12 - CONSULTANCY & OTHER SERVICES	61	-	61	159	-	159
Programme Total:-			18,877	89	18,966	22,444	200	22,644
of which pay:-			12,556	-	12,556	14,988	-	14,988
170	187							

The Key Outputs include:

- The development and implementation of policies to minimise the overall Public Service pay bill, maintain industrial relations stability in the Public Service and provide general advice on national incomes policy issues and conditions of employment with a view to enhancing competitiveness.

- Management of staffing levels and administrative budgets in the Civil Service in accordance with Government policy.
- The development and delivery of a sustainable and coherent public service pension policy consistent with national pensions and budgetary policy.
- The delivery of a comprehensive programme for the reform of the Public Service, in line with commitments in the Programme for Government and in the context of the Public Service Agreement.
- The delivery of the Government ICT and eGovernment programme, to research, pilot and implement appropriate strategies, policies, technology architectures and procurement approaches for ICT across the Civil and Public Service and to provide ICT facilities and services for the Department and the Department of Finance.

Section 3 - Costs

3.1 Summary of Costs

As previously outlined, the costs associated with the provision of the two Strategic Programmes by the Department in 2011 as provided in the Estimates for 2011 are:

PROGRAMME EXPENDITURE	2010 Provisional Outturn			2011 Estimate			Change 2011 over 2010
	Current	Capital	Total	Current	Capital	Total	
	€000	€000	€000	€000	€000	€000	%
A - PUBLIC EXPENDITURE & SECTORAL POLICY	17,804	188	17,992	17,534	301	17,835	-1%
B - PUBLIC SERVICE MANAGEMENT POLICY (b) (e) ..	18,877	89	18,966	22,444	200	22,644	19%
Gross Total :-	36,681	277	36,958	39,978	501	40,479	10%

As some 60% of these costs are pay-related, an alternative way of summarising the above costs is as follows:

Category	€000	%
Administrative Budget pay	21,573	53%
Administrative Budget non-pay	1,051	3%
Programme Budget	17,855	44%
<i>Of which pay</i>	2,386	6%
Total	40,479	100%
<i>Of which pay</i>	23,959	59%

The large proportion of costs associated with pay is a key factor in considering cost saving options available. This is particularly important given the requirement that the Department is expected to up-skill staff and drive the necessary reforms required in order to achieve an efficient and high-performing Public Service in addition to ensuring expenditure management and control.

3.2 Paybill and Staffing

Pay costs arise across both Administrative and Programme Cost Subheads for the Department which is covered by Vote 42 in the REV for 2011. In order to facilitate trend comparatives over recent years, the combined payroll cost for Votes 6 (Department of Finance) and 42 since 2008 are as shown below.

As the table below shows, both the overall and Administrative Budget paybills have decreased since 2008, although costs have increased in the 2011 as a result of external skills recruitment.

	2008 €000	2009 €000	2010 €000	2011 €000 (combined Votes)	% Change from 2008
Administrative Budget	41,170	40,454	34,941	36,892	-10%
Gaelagras	284	358	188	95	
NDP & ERDF	920	847	809	690	
Fiscal Advisory Council			0	145	
Banking Inquiry Change Management Fund	0	0	0	870	
TOTAL	42,374	41,659	36,009	38,807	-8%

**Excludes costs of functions transferred during 2011 in order to compare like with like.*

Staff numbers have decreased across the Department and the Department of Finance by 9% since 2008:

	2008 Staff No's	2009 Staff No's	2010 Staff No's	2011 Staff No's	% Reduction 2007-2011
Staff Numbers	607	563	564	605	
Adjusted staff Numbers	607	563	564	553*	-9%

**excludes SEUPB Agency staff*

*** In order to compare like with like, the 2011 numbers exclude 52 staff in relation to functions that transferred in during 2011*

For 2011, the estimated provision for the Department of Public Expenditure and Reform for salaries, wages and allowances is €21.573m – some €1.092m or 5% higher than the provision outturn for 2010 which was €20.481m. Some €680,000 of the increase for 2011 over the 2010 outturn can be attributed to the Employee Assistance Service which will be centralised in the Department from mid-2011; another €730,000 relates to a non-recurring Administrative Budget saving carryover. If these items are excluded, the 2011 estimate would be €20.163m - €0.318m (1.6%) less than the 2010 outturn.

Centralisation of the Employee Assistance Service costs involved a transfer of a proportion of the salary costs from all Departments/Offices to the Department to cover the centralised Employee Assistance Service – this has resulted in a reduction in the costs for those Departments/Offices and an increase for the Department within the overall Exchequer-neutral approach. More centralising of these services over the next few years will increase the expenditure of this Vote while leading to savings across the system as a whole.

ECF and Paybill numbers for the Department of Public Expenditure and Reform and the Department of Finance are set out in the table below.

	Numbers	Paybill
Opening allocation for 2012	610	37,376
<i>Of which SEUPB</i>	65	735
Add functions transferred in during 2012:		
Employee Assistance Service	23	1,335
Taoiseach	26	1,691
Civilian Drivers	4	200
CEGA	3	145
Fiscal Advisory Council	4	290
Total	670	41,037
Of which the Department of Public Expenditure and Reform	385	23,297

The estimated ECF for the Department of Public Expenditure and Reform for the four years under review is as follows:

	2012	2013	2014	2015
ECF	385	382	378	378
<i>Of which SEUPB*</i>	65	65	65	65
Paybill	23,263	23,012	22,831	22,831
<i>Of which SEUPB</i>	735	735	735	735

*62 staff and 3 pensioners

Based on current staffing levels and age-related retirements (13 over the 2012-2014 period), it is envisaged that the Department will meet ECF targets and generate paybill savings as set-out. Retirements could lead to further pay savings.

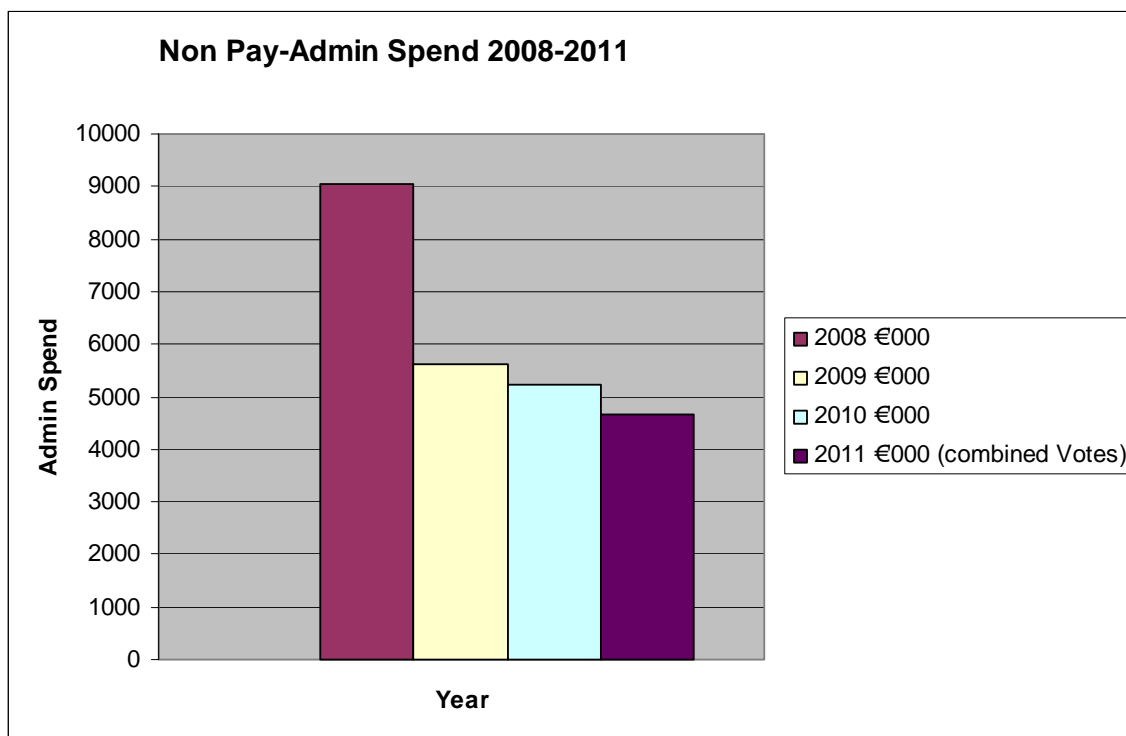
A key further area of potential savings on paybill in the above scenario is on the Change Management Programme paybill allocation where we have an ECF of 11 staff and €870k paybill. If some of these posts are not filled then there is potential for saving.

3.3 Non-pay Administrative Budget

The table overleaf shows trend figures for the combined non-Pay Administrative Budget for both the Department of Finance and the Department of Public Expenditure and Reform since 2007.

The table clearly shows that there has been a substantial decrease in the non-pay element of the Administrative Budget since 2008 – an overall decrease of €4.277m or 48%.

	2008 €000	2009 €000	2010 €000	2011 €000	% Change from 2008
Non Pay Administrative Budget	9,045	5,625	5,228	4,662	-48%
Of which Department of Public Expenditure and Reform				1,051	



The non-pay administrative budget for the Department for 2011 is comprised of:

Administrative Subhead		2011 Estimate €000	2012 ELS €000
(ii)	Travel & Sub	262	354
(iii)	Incidental Expenses	152	152
(iv)	Postal & Telecoms	75	75
(v)	Office Equipment	555	555
(vi)	Premises Maintenance	0	0
(vii)	Consultancy	7	7
		1,051	1,143

A saving in respect of these non-pay Administrative subheads is proposed at the end of this section and further savings will be pursued as a priority.

Subhead Administration (ii) – Travel and Subsistence

This subhead provides for travel and subsistence expenditure incurred by Civil Servants, the Minister and the Minister of State of the Department while on Departmental business.

For 2011, the estimated provision for the Department is for €262,000 – 24.9% of the overall provision under the Administration Subhead. The 2011 estimate is €81,000 or 45% higher than the provision outturn for 2010 which was €181,000. However it should be noted that the 2011 estimate includes an additional €106,000 in respect of travel and subsistence for the Employee Assistance Service which will be centralised in the Department from mid-2011. Excluding this item, the estimate should have been expected to be in the order of €156,000 – some €25,000 or 13.8% less than the provisional outturn for 2010.

The provision on this subhead has decreased by more than 50% from a high of €1.316m in 2005 to a combined total of €568,000 for the combined Department of Finance and Department of Public Expenditure in 2011.

Travel costs include provision for travel costs associated with the EU/ECB/IMP programme of financial support, Civilian Drivers, EU Programmes and (new this year) the Employee Assistance Service which has been centralised in this Department with effect from July. In terms of the latter, the centralisation of these costs involved a transfer of a proportion of the travel and subsistence costs from all Departments/Offices to the Department to cover the centralised Employee Assistance Service – this has resulted in a slight reduction in the costs for those Departments/Offices and an increase for the Department

As with all administration sub-heads, the Department is examining all expenditure, including the travel and subsistence expenditure of the newly centralised Employee Assistance Service. All scope for economies is being explored.

Subhead Administration (iii) – Training and Development and Incidental Expenses

The main items of expenditure under this subhead are staff training and development, official entertainment, security, cleaning, subscriptions and sundry running costs of the Department. Staff training includes specialist training, post-entry academic training courses and attendance at conferences and seminars.

For 2011, the estimated provision for the Department is €152,000 – 14.5% of the overall provision under the Administration Subhead. The 2011 estimate is €126,000 or 45% less than the provision outturn for 2010 which was €278,000.

The 2011 estimate represents a decrease on the 2010 provisional outturn and reflects the direct allocation of training budget to the Department of Finance on Vote 6 (previously the budget for both Departments was shown under the Public Service Management Programme). The provision on this subhead has decreased by 32% compared to 2005 levels.

The analysis of the budget for 2011 for both Departments and comparison to 2010 pre-split outturn is as follows:

Category	2010 Provisional pre-split Outturn	2011 Estimate Finance €000	2011 Estimate PER €000
Entertainment & Catering	20	21	9
Staff Training & Development	173	151	98
Security, uniforms, miscellaneous*	765	625	45
Grand Total	958	797	152

*Spend in 2010 under this category includes:

- membership renewals, primarily professional subscriptions; and
- Other Miscellaneous Incidental Expenses

The Department proposes to critically examine all expenditure on this subhead to identify potential savings.

Subhead Administration (IV) – Postal and Telecommunications Service

This subhead provides for the inter-building telecommunications links costs of the Department of Public Expenditure and Reform and the Department of Finance.

For 2011, the estimated provision for the Department is €75,000 – 7.1% of the overall provision under the Administration Subhead. The 2011 estimate is €9,000 or 14% more than the provision outturn for 2010 which was €66,000.

Costs have decreased substantially by 45% from a high in 2006. Substantial savings have been achieved over the past few years through re-tendering of contracts and downward pressure on prices as a result of market competition.

The Department proposes to critically examine all expenditure on this subhead to identify potential savings.

Subhead Administration (v) – Office Equipment and External IT Services

This subhead provides for the purchase, maintenance, upgrade and enhancement of computer related hardware, software and IT consumables and the costs associated with the printing of various publications for the Department.

For 2011, the estimated provision for the Department is €555,000 – 52.8% of the overall provision under the Administration Subhead. The 2011 estimate is €332,000 or 37% less than the provision outturn for 2010 which was €887,000.

The provision in this area has decreased by almost 60% since 2006.

The 2010 spend included:

- Hardware/software €0.410m
- Computer maintenance and support €0.400m
- IT Consumables and other €0.077m

Hardware/Software costs were inflated by the essential replacement of desktop hardware. Some 500 PCs were replaced during the year accounting for most of this spend. This requirement will not recur for a number of years.

The Department proposes to examine all expenditure on this subhead to identify potential savings. We are confident that further savings will accrue.

Subhead Administration (vi) – Office Premises Expenses

There is no allocation for this subhead as the office premises costs are captured on the Department of Finance Vote and are apportioned to this Vote through the Allied Services statement.

Subhead Administration (vii) – Consultancy and other Services

This subhead provides for the cost of miscellaneous consultancies of an administrative nature required for training, studies, research and support services for some Departmental functions. Costs on this subhead are small so any savings achieved will not be significant.

For 2011, the estimated provision for the Department is €75,000 – 7.1% of the overall provision under the Administration Subhead. The 2011 estimate is €9,000 or 14% more than the provision outturn for 2010 which was €66,000.

The Department is examining all expenditure on this subhead to identify potential savings.

Overall Administration (non-pay)

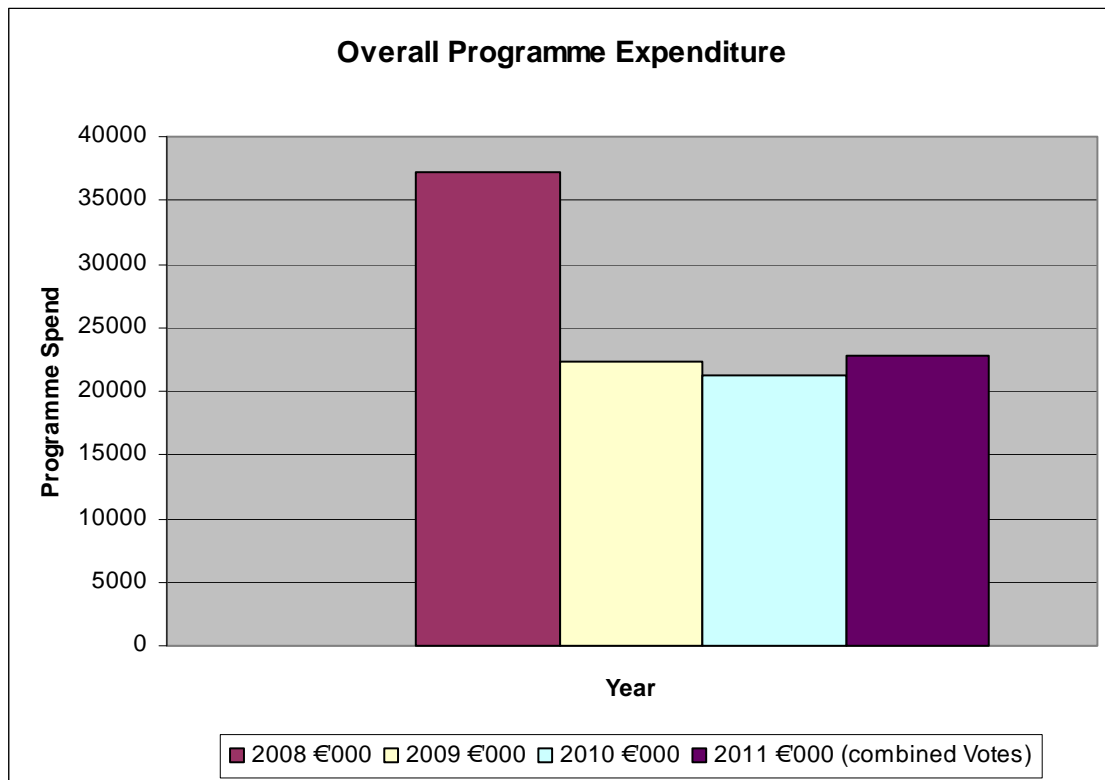
In overall terms, the estimated provision on these subheads is minimal and at best we would propose that savings of €25,000 might be achieved on each of the subheads for Travel & Subsistence (ii) and Office Equipment and External IT services (v).

We will however critically examine all expenditure, and in particular the travel and subsistence expenditure of the newly centralised Employee Assistance Service, to identify potential savings.

3.4 Programme Expenditure

The table below shows combined figures for this Department and for the Department of Finance for 2008-2011. The table shows that there has been a steady decrease in the programme budgets since a high of 2008. The overall decrease from 2008 to 2011 is €15.998m which represents a decrease of 39%.

	2008 €000	2009 €000	2010 €000	2011 €000 (combined Votes)	% Change from 2008
Overall Program Spend	37,259	22,324	21,261	22,745	-39%
Of which the Department of Public Expenditure and Reform				17,855	



There are two expenditure programmes in the Department of Public Expenditure and Reform:

- Public Expenditure and Sectoral Policy Programme
- Public Services Management Policy Programme

Administrative costs have been dealt with in the above section while the following section sets out the Programme Costs associated with each Strategic Objective of the Department.

Public Expenditure and Sectoral Policy

The table below shows the Programme Budgets of the Department for 2011, the 2012 existing level of service allocation and the proposed savings in the context of the Comprehensive Expenditure Review.

PESP Programme Subheads		2011 Estimate €000	2012 ELS €000	Proposed Savings €000
A.3	ESRI (Grant in Aid)	2,700	2,700	0
A.4	Structural Funds Technical Assistance and Other Costs <i>Of which pay</i>	905 690	905 690	75
A.5	Technical Assistance Costs of Regional Assemblies (Grant in Aid)	740	740	50
A.6	Peace/INTERREG Programmes	4,040	6,823	928
A.7	Special EU Programmes Body (SEUPB)	1,247	1,247	37
A.8	Ireland/Wales and Transnational INTERREG	385	385	0
A.9	Procurement Management Reform	140	140	140
A.10	Consultancy	16	16	0
Total		10,173	12,956	1,230

The 2011 estimate of €10.173m is €0.381m or 3.9% higher than the outturn of €9.792m for 2010. The opening ELS allocation provided for a further increase but the Department of Public Expenditure and Reform are budgeting for savings as set out above

Subhead A3 – Economic and Social Research Institute (G-i-A)

Background

The ESRI is a private company limited by guarantee which receives a grant-in-aid from the Exchequer. It is also a registered charity. In addition, the ESRI is a public body for the purposes of several Acts, including the Official Languages Act, the Financial Emergency Measures in the Public Interest (No. 2) Act 2009, and the Ethics in Public Office Act 1995.

Purpose of the Grant

The Grant in Aid (GIA) payment to the Economic and Social Research Institute (ESRI) is intended to support the public interest elements of the Institute's activities. This involves the regular publication of independent analyses of economic and social policy issues which are available to the main stakeholders in the economy and to the social partnership process. Some of the more specific public interest elements are as follows:

- Publication of the Quarterly Economic Commentary and the Medium Term Review;
- The maintenance and development of economic models;
- Basic research in key areas that contribute to understanding economic and social change and that inform public policymaking and civil society in Ireland;
- Bringing commissioned work to the scientific standard required for publication;
- Participation in public and professional bodies, committees; briefing of visiting delegations (IMF, OECD etc.) and membership of international research networks.

The ESRI has been in receipt of Exchequer funding since the mid-1960s, following the ending of initial funding from the US-based Ford Foundation. However, the portion of the Institute's income funded by the Grant-In-Aid (GIA) has been progressively reduced, from 73% in 1987 to approximately 23% of the Institute's income in 2009.

The ESRI has continually sought to expand the share of its income derived from commissioned research, as well as pursuing other less significant sources of income such as corporate membership and fund-raising activities. The main source of income for the ESRI – some 74% in 2009 – was derived from research, which amounted to €10.71m in 2009, down from €12.68m in 2007 (but still strong when compared to the 2006 figure of €7.5m). Most of this work was commissioned by Government Departments and other public bodies - including the EU - following competitive tendering procedures.

ESRI Funding 2008 - 2011	2008	2009	2010	2011
Grant-in-aid allocation (GIA) Total	3,370	3,300	3,075	2,700
Gross Income (including GIA)	15,706	14,440	12,178	14,557

Estimate for 2011 and outturn for 2010

For 2010, the grant-in-aid allocation was €3.075m down by €0.225m or 6.8% over 2009. In the 2011 Estimates, the Institute has been allocated a grant-in-aid allocation of €2.7m - a reduction of €0.375m or 12.2% on the 2010 level. For 2010, the grant-in-aid allocation was €3.075m (all current), a reduction of €0.225m or 6.8% over 2009. Over the period 2008-2011, and excluding the once-off €2.m capital grant in 2008, the Institute's grant-in-aid will have fallen by €0.67m or 20%.

Over the period 2008-2011, and excluding the once-off €2m in 2008, the Institute's Grant-in-aid will have therefore fallen by €0.8m or 22.8%. Over the same period, the Institute of Public Administration (IPA), which is the normal comparator for the ESRI, has seen its Grant-in-Aid from this Department go from €3.9m in 2008 to an estimate of €2.7m in 2011, a fall of €1.2m or 30.8%

We are renewing this level of funding in the context of the ESRI's public policy remit.

Subhead A4 – Structural Funds Technical Assistance & Other Costs

This subhead provides the technical assistance costs which relate to the preparatory, management, monitoring, evaluation, information and control activities of the Ireland's EU Structural Funds Programmes.

The costs in this area relate to the following areas of work:

- the National Strategic Reference Framework (NSRF) Monitoring Committee (meetings held twice a year)
- the information and publicity requirements of the NSRF
- the ERDF Financial Control Unit – this unit which operates with the direct authority of the Minister for Public Expenditure and Reform is the audit authority for the 2007-2013 ERDF programmes in Ireland
- the Structural Funds IT Unit – this unit is the certifying authority for the 2007-2013 programmes in addition to responsibility for the provision of the electronic audit trail for all ERDF/ESF claims.

This subhead provides the necessary finance to implement these requirements by providing funding of the activities of:

- the NSRF;
- the Structural Funds IT Unit;
- the ERDF Financial Control Unit;

Technical Assistance costs relating to EU Structural Funds can be recouped from the EU Commission at the appropriate aid rate. The average co-financing rate is 45%.

Some €0.690m of the provision on this subhead relates to pay and accordingly has been dealt with in the paybill section. The remainder of the subhead covers the travel costs of the ERDF unit and certain IT costs associated with the Structural Funds IT unit.

Breakdown by Business Unit

Business Unit	Description	2010 Provisional Outturn €000	2011 Estimate €000	Increase/ (Decrease) €000
207745	Admin costs of NSRF	4	30	26
207765	IT Unit	101	130	29
207755	Financial Control Unit	661	745	84
207770	NDP/CSF Information Unit	126	0	-126
Total		892	905	13

For the IT Unit, the increase in the 2010 estimate over 2009 is required because of additional works necessary to fulfil the 2007-13 Structural Funds Regulations in relation to provision of an electronic audit trail.

The increase in the estimate in respect of the Financial Control Unit for 2011 arises because of the following factors:

- the Unit will still be dealing Commission queries on closure of the 2000-06 programmes;
- the Unit will be auditing the peak years of expenditure for the 2007-13 period – expenditure is “front-loaded” for early years of programmes; and because

- the auditing and reporting regime set by the European Commission is considerably more rigorous than that which applied previously – audit samples are larger and there is a new requirement for annual reports and opinions (in place of end of programme opinion).

All audit work is being conducted by Unit staff and it is not outsourced to internal audit units as was the case for a significant proportion of the audit work in 2000-06. In regard to the NDP Information Unit, many elements of the NDP Information Office work programme, including advertising and publicity measures, were suspended due to cost saving measures in 2009. This continued to be the case for 2010 and 2011.

In overall terms, it is envisaged that a saving of circa €100,000 will be achieved on this subhead.

Subhead A5 – Technical Assistance Costs of Regional Assemblies (Grant-in-Aid)

General Introduction

The Regional Assemblies are comprised of the Border Midland and Western Regional Assembly and the Southern & Eastern Regional Assembly.

Estimate for 2011 and outturn for 2010

The estimate for 2011 for this area of work is €740,000 – this is €70,000 or 10% higher than the provisional outturn for 2010 of €670,000.

The increase in the estimate for 2011 (€0.70m) over the 2010 outturn of (€0.670m) arises because of timing issues around the submission of claims to the Regional Authorities. The provision for 2011 has been reduced by €0.190m compared to the 2010 Estimate.

Border Midland and Western Regional Assembly

The Border Midland and Western Regional Assembly was one of two Regional Assemblies established in 1999 by the Irish Government to give effect to the division of the country into two regions for Structural Funds purposes. The BMW region retained full Objective 1 status for period to 2006, and the Southern and Eastern region qualified for a six year phasing-out regime for Objective 1 funding up to the end of 2005. For the 2007-13 funding period, the BMW region no longer qualifies for Objective 1 funding (having a GDP per capita above 75% of the EU average) and qualifies instead as a phasing-in region for Objective 2 funding (Regional Competitiveness and Employment Objective). The BMW Region receives European Regional Development Fund (ERDF) funding of €229m and a further €229m from the European Social Fund (ESF).

The Regional Assembly comprises 29 elected members nominated by 14 the constituent Local Authorities, within the BMW region. The main roles of the BMW Regional Assembly are to:

- Manage the BMW Regional Operational Programme
- Monitor the general impact of all EU and Irish exchequer-funded programmes in the Border, Midland and West region;
- Promote the co-ordination of the provision of Public Services in the region; and
- Ensure that national policies take regional issues into account

The Headquarters of the Border, Midland and Western Regional Assembly is located in Ballaghaderreen, Co. Roscommon. Meetings of the Assembly take place six times per annum. A joint meeting with the Southern and Eastern Regional Assembly takes place annually.

Staffing

The Regional Assembly employs 14 staff to carry its various executive and corporate functions in relation to financial management and control, programme monitoring, information and publicity, policy development, promotion of INTERREG Programmes and the administration of Regional Programmes of Innovative Actions.

The BMW Regional OP 2007-2013 has a planned investment of €458m of which €229m is provided by the EU Structural Funds.

BMW Regional Operational Programme 2007- 2013

The BMW Regional Operational Programme 2007-2013 has a planned investment of €458m of which €229m is provided by the EU Structural Funds under the Regional Competitiveness and Employment objective. One of the conditions of the Region's designation as an Objective 2 'phasing in' region is that 79% of the EU contribution has been committed over the first three years of the programme. The programme has three main priorities, taking account of EU priorities, national policies and regional needs:

- ICT, Innovation and the Knowledge Economy;
- Environment and Risk Prevention; and
- Urban Development and Secondary Transport Networks.

Southern & Eastern Regional Assembly (S&ERA)

In 1999, two regions were established in Ireland to create a more balanced approach to the design and delivery of EU-funded programmes. Creating the two regions allowed for the particular needs of each region to be taken into account when designing EU co-funded programmes. The regions are the Southern and Eastern (S&E) Region and the Border Midland and Western (BMW) Region.

An assembly was set up in each region to oversee a programme of investment. The Southern & Eastern Regional Assembly is the managing authority tasked

with monitoring the S&E regional programme. Forty one councillors are appointed to the Assembly in the S&E region. They are not directly elected, but nominated by their respective local & regional authorities. The councillors are supported by 24 staff members based at the Assembly headquarters in Waterford City, 9 of whom work in the Ireland Wales Programme Joint Technical Secretariat.

The Assembly is co-funded by the Irish exchequer and the European Regional Development Fund (ERDF) in carrying out its functions as the Managing Authority for the Regional Programme.

Assembly Functions

The Assembly's main functions are to:

- Manage and monitor the Regional Programme 2007-2013;
- Promote the co-ordination of public services in the region;
- Monitor and make proposals in relation to the general impact in the region of EU funding;
- Make public bodies aware of the regional implications of their policies and plans.

The Assembly normally meets on the second Friday of every second month at its headquarters in Waterford.

A Monitoring Committee, consisting of representatives from all the prescribed groups, meets annually to review the effectiveness and quality of the implementation of the themes under the Regional Programme. The Regional Assembly provides the Chair and Secretariat for the Monitoring Committee of the Southern & Eastern Regional Programme.

If it was considered to bring this work into the with associated cost savings, the Government will have to consider the administrative structures for the next round of EU Funding.

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Subhead A6 – Peace Programme /Northern Ireland INTERREG

Introduction

The Department of Public Expenditure and Reform provides funding for two INTERREG priorities (Public Sector Collaboration and Technical Assistance) and two PEACE priorities (Institutional Capacities for a Shared Society and Technical Assistance).

The gross cost to the Department of the two PEACE III Priorities 2007-2013 is projected at approximately €20.91m. The net cost, after 54% ERDF recoupment, will be approximately €9.5m over the period.

The gross cost to the Department of the two INTERREG IVA Priorities 2007-2013 is projected at approximately €12.128m. The net cost, after 75% ERDF recoupment, will be approximately €3.03m over the period.

Estimate for 2011 and outturn for 2010

The estimate for 2011 for this area of work is €4.040m – this is €459,000 or 13% higher than the provisional outturn for 2010 of €3.581m. The 2011 Estimate is higher than the 2010 Outturn because programmes are gaining momentum and some are reaching peak levels of cyclical funding.

The estimates reflect the fact that Programme funding is provided on a gross-funding basis i.e. it includes both the EU portion and the Exchequer matching funds. Ireland provides the EU portion upfront and recoups the EU portion as an Appropriation-in-Aid when the expenditure is certified. The EU monies recouped relating to the PEACE/INTERREG funding provided by the Department of Public Expenditure and Reform are returned to the Department as an Appropriation-in-Aid. The EU monies recouped in relation to PEACE/INTERREG funding provided by other Irish Departments are returned to the Central Fund.

Funding for PEACE and INTERREG

It should be noted that SEUPB receives PEACE and INTERREG funding from a multiplicity of funding sources. Other Departments in the south that finance SEUPB programmes include Environment; Transport; Health; Tourism, Culture and Sport; Enterprise. Funding from these Departments would be complemented by their counterpart Departments in Northern Ireland.

A significant and ongoing burden falls on southern Departments in terms of finding money from within greatly reduced resources for the SEUPB Programmes. Nonetheless, given the commitments made and high level Government policy, it is incumbent on other Government Departments, as it is on the Department of Public Expenditure and Reform, to fund the SEUPB as requirements arise.

Peace Programme

The PEACE Programme encompasses Northern Ireland and the Border Region of Ireland (namely: Louth, Monaghan, Cavan, Sligo, Leitrim and Donegal). Its aim is to promote reconciliation and to help to build a more peaceful and stable society in Northern Ireland and the border region of Ireland. The PEACE III programme operates from 2007-2013.

The overarching objective of the PEACE III Programme is to reinforce progress towards a peaceful and stable society and to promote reconciliation in Northern Ireland and the Border Region of Ireland. The PEACE III Programme is a €333 million initiative which has the overall objective; “to reinforce progress towards a peaceful and stable society and to promote reconciliation”. It focuses on two key priorities:

- **Reconciling Communities**

Key activities are aimed to facilitate relationships on a cross community and/or cross-border basis to assist in addressing the issues of trust, prejudice and intolerance and accepting commonalities and differences. Key activities will seek to acknowledge and deal with the hurt, losses, trauma and suffering caused by the Northern Ireland conflict; and

- **Contributing to a shared society.**

Key activities include addressing the physical segregation or polarisation of places and communities in Northern Ireland and the Border Region of

Ireland with a view to encouraging increased economic and social cross-border and cross-community engagement.

The Programme has an overall allocation of €333m. To date, 135 projects have been approved at a value of over €228m. The programme has committed almost three quarters of its total allocation.

The Department itself directly funds the southern portion of two of the Priorities for PEACE III (Priority 2.2 “Key institutional capacities are developed for a shared society” and Priority 3 Technical Assistance). The Irish funding for the other Priorities is provided by DOECLG and DCENR.

The PEACE III Programme is delivered through four themes and examples of projects supported under each of these themes are provided below and overleaf:

Theme 1.1 Building Positive Relations at the Local Level (€140m)

Rural Community Network – The Rural Enabler (£2.7m)

This project is a people centred community development approach to tackling the impact of conflict and modern day racism within rural Northern Ireland and the rural border regions of the Republic of Ireland. The project adopts an integrated and interdependent thematic approach involving up to 73 locally responsive programmes of intervention to address sectarianism, racism, community polarisation, mistrust and hatred.

Theme 1.2 Acknowledging and Dealing with the Past (€50m)

Cavan Family Resource Centre – Buandochas Counselling (£355,000)

This project has been providing high quality advice and counselling services for those directly affected by the legacy of the conflict including support for those who work with victims and survivors of the conflict.

Theme 2.1 Creating Shared Public Spaces (€82m)

The Peace Bridge – Ilex – (£14.6m)

This iconic bridge in Derry/Londonderry has been designed to act as a positive catalyst for change, bringing communities together in a safe and neutral environment. The bridge is set to contribute to a much welcomed tourism boost that will provide long term social and economic benefit to the area. The launch of the Bridge has been confirmed for June 2011.

Theme 2.2 Developing Key Institutional Capabilities (€40m)

Rural Development Council - Building Relationships in Communities (£3.5m)

The RDC, the NI Housing Executive and TIDES will seek to promote a greater degree of sharing within the currently highly segregated social housing market in Northern Ireland. This will be conveyed via a delivery model that will encourage “Changing Minds, Sharing Visions” and “Crossing Borders” within NIHE.

INTERREG IVA Programme

The overall objective of the INTERREG IVA Programme is to support strategic cross-border co-operation for a more prosperous and sustainable region. It has a total allocation of €256m and focuses on the development of a dynamic economy and provision of support to cross-border infrastructure that will improve access to services and thereby improve the quality of life for those living in the eligible region of Northern Ireland, the Border Region of Ireland (namely: Louth, Monaghan, Cavan, Sligo, Leitrim and Donegal) and Western Scotland.

The **INTERREG IVA** Programme has two key priorities:

- **Co-operation for a more prosperous cross-border region.**

This priority aims to diversify and develop the economy of the eligible region by encouraging innovation and competitiveness in enterprise and business development and promoting tourism;

- **Co-operation for a sustainable cross-border region.**

This priority aims to support activities that promote cross border co-operation in policy development and improve access to services so as to improve the quality of life for those living in the area.

The Department of Public Expenditure and Reform funds the southern portion of two Priorities for INTERREG IVA (Priority 2.1c Public Sector Collaboration and Priority 3 Technical Assistance). Irish funding for the other Priorities is provided by: Environment; Transport; Communications; Health; Tourism, Culture and Sport; Enterprise.

As of 30 April 2011, the Programme had provided support to 53 projects at a value of over €150m. Overall, the programme has committed almost two-thirds of its total allocation.

The Programme is delivered through four themes which are outlined below and overleaf, together with examples.

Theme 1.1 – Enterprise (€70m)

Northern Regional College - The Innovation Factory (£1.7m)

This project is designed to increase both the innovation capability and capacity of small and micro businesses across the eligible region.

Theme 1.2 - Tourism (€30m)

Donegal County Council – Sail West (€7m)

Officially launched in 2010, the project will create a network of highly developed boating, angling and marine tourism related infrastructure across the northwest coast of Ireland, the north and east region of Northern Ireland and Western Scotland.

Theme 2.1 - Collaboration (€65m)

This theme facilitates cross-border co-operation and the exchange of expertise, information and best practice between public bodies and other relevant stakeholders to improve access to services under Health, Rural Development and Public Sector Collaboration sub-themes.

DHSSPS – Driving Change (£1.3m)

This project will help to reduce the numbers of people killed or seriously injured in road traffic incidents along the border region. The three year project brings together several partners, on a cross-border multi-agency basis.

Theme 2.2 – Infrastructure (€75m)

This theme supports cross-border infrastructure projects across four sub-themes: Telecommunications; Transport; Energy; and Environment.

DETI (NI) and DCENR – Project Kelvin (€30m)

This project involved the development of a fibre optic cable or telecommunications link which will connect North America with Europe. This project will enhance direct international communication services to businesses, particularly small to medium sized enterprises across the region.

Subhead A7 – Special EU Programmes Body

Introduction

The Special EU Programmes Body (SEUPB) is the administrative arm for the Peace/INTERREG funding programmes. The SEUPB is one of six North-South Implementation Bodies set up under the Good Friday Agreement. It is the Managing and Paying Authority of the PEACE and INTERREG EU programmes.

The Headquarters of the SEUPB is in Belfast and it operates regional offices in Monaghan and Omagh, Co. Tyrone. The Body currently has 62 staff in posts

and is also carrying some unfilled vacancies. Nine of the staff are based in the Monaghan office.

The operating costs are met by this Department and the Department of Finance and Personnel, Northern Ireland. The provision in A.7 relates to the running costs (pay and non-pay) of the SEUPB. Administration costs are, in the main, apportioned 50/50, with the exception of the salaries of the Central Payments Unit in Belfast and the Regional Partnership Board in Omagh, which fall to the North.

Estimate for 2011 and outturn for 2010

The estimate for 2011 for this area of work is €4.040m – this is €459,000 or 13% higher than the provisional outturn for 2010 of €3.581m.

The 2011 Estimate is based on the draft SEUPB 2011 Business Plan and Budget. The SEUPB operates a sterling budget. The draft 2011 sterling budget shows a 3% saving over the 2010 figure, in accordance with the efficiency savings requirement agreed by the two Departments. Although the Department of Public Expenditure and Reforms' 2011 estimate includes the 3% efficiency saving, it is higher than the 2010 estimate due to exchange rate movements (i.e. the euro has weakened against Sterling).

The 2011 salary cost of the 41 core staff for the SEUPB is €1.532m, so the average annual salary is €37,000. This is a low per head cost compared to comparable Irish staff, due to the significantly lower salary ranges obtaining in Northern Ireland where the majority of SEUPB staff are based. The Department contributes half of these costs with the remainder contributed by Dept of Finance and Personnel Northern Ireland.

The Body also has 24 staff funded via Technical Assistance. DPER contributes towards these salaries via their contribution to the PEACE III and INTERREG IVA Technical Assistance. Much of the SEUPB's work, particularly which funded

by Technical Assistance, requires a particular set of skills and experience not readily available in DPER. It is also necessary for staff to be based in or close to the SEUPB's activity area (Northern Ireland and the border counties).

A draft staffing review of the SEUPB, conducted in late 2010, has recommended a staffing level of 65 for 2011 and 2012. A further review is recommended in late 2012, when significant reductions in numbers could be possible (information on the post-2013 round of EU programmes will be available at that point). The review was mostly carried out by a team from the Business Consultancy Service division of DFPNI. In lieu of a financial contribution, this Department made available an analyst from the Department's Central Expenditure Evaluation Unit.

The Review is now being considered by the two Departments prior to consideration by both Ministers.

With regard to staffing, it should be noted that:

- Neither jurisdiction can make unilateral decisions in relation to the operation of the SEUPB; staffing of the SEUPB is decided jointly by the DFPNI and Dept of Public Expenditure and Reform;
- The Minister for Finance (June 2009) agreed to exempt SEUPB and the other N/S bodies and Tourism Ireland from the moratorium on recruitment and promotions in the Public Service on condition that:
 - the efficiency savings guidance is applied;
 - staffing levels are kept to the minimum needed to deliver programmes; and
 - the ISER and the special career break and shorter working year schemes do not apply.

It is not possible at this point to accurately predict the staff or cost savings which may accrue following the 2012 review of staffing. The consultants were asked to do this as part of the 2010 Review TOR, but considered that it was not possible to properly assess post-2012 staffing requirements in the absence of information on what EU N/S programmes would be agreed for the post-2013 round. However, the working assumption at this point is that the staffing complement will reduce in 2013 to a number in the 50s and in 2014 to a number in the 40s, with the exact number determined by a further staffing review in 2012. These figures will be very much dependant on the nature and size of any post-2013 EU Programmes and SEUPB's role in delivering them.

Subhead A8 – Ireland/Wales and Transnational INTERREG

Introduction

This subhead provides for contributions to the running costs (technical assistance) of INTERREG Programmes in which Ireland participates. INTERREG Programmes are ERDF funded European Community Initiatives to promote cross border and transnational co-operation between Member States, or regions of a Member State of the European Union. This involves funding joint projects in two or more of the Member States participating in each INTERREG Programme. The Programmes are managed by dedicated Secretariats, some outside of Ireland.

In addition to its main functions, the Southern and Eastern Regional Assembly is also the Managing and Certifying Authority for the Ireland/Wales Territorial Co-operation Programme 2007-2013, having being appointed to this role on 1st January 2007, taking over from the Welsh Assembly Government, who managed the Ireland/Wales Programme 2000-2006. The Assembly hosts the Joint Technical Secretariat for the programme.

Estimate for 2011 and outturn for 2010

The estimate for 2011 for this area of work is €385,000 – this is €51,000 or 12% lower than the provisional outturn for 2010 of €436,000. This reduced estimate

reflects targeted costs across the various Secretariats which are covered by this subhead.

Programme Aim

Through an integrated approach to economic, environmental, social and technological issues the Ireland Wales Territorial Cooperation Programme seeks to further develop the cross border region and:

- Contribute to its greater competitiveness and sustainable development
- Improve its overall economic, environmental and social wellbeing
- Achieve a more cohesive, balanced and sustainable development of the Ireland Wales cooperation area, and thus to contribute to the overall competitiveness of the Community territory in a globalised world

The Assembly is the designated national contact point and provide the first level financial control function for the North West Europe Programme and is involved in the Atlantic Area, the Northern Periphery Programme and INTERREG IVC Programme, acting as contact point and/or first level financial control for the NPP & INTERREG IVC programmes.

The INTERREG IV Programmes run from 2007 until 2013. The principal types of expenditure for which provision is made include the following:

- A contribution towards the running costs of the 2007-2013 Ireland/Wales INTERREG IVA Programme which is run and managed by the Southern & Eastern Regional Assembly.
- Support for the costs of servicing the transnational INTERREG Programmes by the Southern and Eastern and the Border, Midlands and West Regional Assemblies.
- Ireland's contribution to Technical Assistance budgets for the salaries and expenses of the Secretariats for all the INTERREG Programmes. The annual contribution to each Programme is governed by Agreements, entered into by this Department and the relevant INTERREG Programme.

This Subhead provides support for Ireland's participation in the following Programmes:

- Ireland/Wales INTERREG IVA - cross-border Programme with Wales.
- North West Europe INTERREG IVB - transnational Programme involving Ireland, UK, Benelux countries, northern France, North West Germany and Switzerland. (cantons that border France and Germany)
- Atlantic Area INTERREG IVB - transnational Programme involving Ireland, UK, Portugal, northern Spain, western France.
- Northern Periphery Programme - Ireland (west coast), UK (coastal areas of Northern Ireland, northern part of Scotland) Sweden and Finland plus the non-EU territories of Norway, Faroe Islands, Iceland and Greenland.
- INTERREG IVC (West Zone) - Ireland, UK and North West Europe
- INTERACT Programme – support, advice and training programme for all INTERREG Programmes.

If it was considered to bring this work into the with associated cost savings, the Government will have to consider the administrative structures for the next round of EU Funding.

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Conclusions in relation to the above (A.4 to A.8) Subheads

Subheads A.4 to A.8 cover the following areas:

- A.4 - Structural Funds Technical Assistance and Other Costs
- A.5 - Technical Assistance Costs of Regional Assemblies (Grant in Aid)
- A.6 - Peace/INTERREG Programmes
- A.7 - Special EU Programmes Body (SEUPB)
- A.8 - Ireland/Wales and Transnational INTERREG

The expenditure covered by the A.4 to A.8 subheads falls under three broad headings:

1. Expenditure over which we have control and, therefore, can make decisions about cuts;
2. Expenditure where cuts will have consequences that we have to be mindful of, e.g. our ability to maximize our drawdown of EU funds;
3. Expenditure which is the subject of bilateral agreement with Northern Ireland or the UK.

The following are the rates at which EU funds are recouped to Ireland:

- Interreg – 75%
- Ireland/Wales – 75%
- Peace – 54%
- BMW – 50%
- Southern & Eastern region – 40%.

Overall, the aim has been to maximize the drawdown of EU funds while ensuring the efficient operation of the bodies concerned.

A.4 - Structural Funds Technical Assistance and Other Costs

This covers the Financial Control Unit (FCU), the Structural Funds IT compliance system, and the administrative costs for the NSRF.

The 2012 allocation includes provision for a post in the FCU which is currently vacant. Leaving the post unfilled would save **€5,000**. In addition we propose to reduce the NSRF administration costs by €10,000, giving a total saving of **€15,000**.

A.5 - Technical Assistance Costs of Regional Assemblies (Grant in Aid)

This covers administrative costs in the BMW and Southern & Eastern regions.

There is an arguable case for applying the same level of reduction as to other State agencies. However, any reduction would have the effect of reducing the amount of EU funding we could draw down for this purpose. On balance, a reduction of €50,000 would seem reasonable.

A.6 - Peace/INTERREG Programmes

This covers Ireland's contribution to the North/South Peace and Interreg programmes.

As a result of a revision of split in the relative contributions by North and South, the amount of funding required for 2012 will now be of the order of €5,895k. The precise amount will depend on agreement with Northern Ireland. Nevertheless, the allocation required for subsequent years will be of then order of **€6,481,000 in 2013, €6,222,000 in 2014 and €5,149,000 in 2015**.

As with other Peace and Interreg payments, any adjustment to the contribution levels would require the agreement of the Northern authorities. In addition, the final amounts involved depend on the timing of claims over the period of the programme as well as currency fluctuations.

A.7 - Special EU Programmes Body (SEUPB)

This covers the administrative costs of the Special EU Programmes Body (SEUPB).

The corporate and business planning guidance for North/South bodies that has been issued by this Department and DFP (NI) already requires an efficiency saving of 3%, or €37,000. Any further reduction would require agreement with the Northern authorities. In addition, the final amounts involved depend on currency fluctuations.

A.8 - Ireland/Wales and Transnational INTERREG

This covers Ireland/Wales Interreg expenditure – no saving is proposed at this time.

Subhead A9 – Procurement Management Reform

The estimate for 2011 for this area of work is €140,000 – as this is a new area of work, there was no expenditure in this area in 2010.

This Subhead funds procurement management reform measures in relation to the implementation of the Government Decision on Public Sector Construction Procurement Reform. This provision is intended to cover the costs of training some 400 Contracting Authority Technical Personnel in order to ensure proficiency in the area of cost certainty on construction contracts and facilitate the successful delivery of the Construction Procurement Reform Initiative.

Procurement Planning

As part of the process of procurement management reform, the National Public Procurement Policy Unit in the Department of Public Expenditure and Reform is developing a procurement training and education website which aims to provide and encourage a systematic and consistent approach to the procurement of goods and services by making available appropriate best practice methodology, including a set of guidance notes, templates and tools for each stage of the

procurement process. The Unit is also supporting the development and implementation by public bodies of corporate procurement plans which are intended to improve value for money outcomes from procurement.

Procurement of Goods and Services

The National Procurement Service (NPS) has been established in the OPW under the leadership of a senior officer who has extensive experience in the procurement of goods and services. A Project Board, under the Chairmanship of Minister of State Hayes, has been set up to oversee the development of the Unit. It contains representatives of the Departments of Public Expenditure and Reform, Education and the Environment, the OPW, the HSE and Department of Finance and Personnel, Northern Ireland.

It has been decided that the NPS will manage the purchase of goods and services common to all areas of the public service, e.g. office equipment, furniture and fittings, fuel, electricity, printing, stationery and office supplies, uniforms and transport fleets. The Government Supplies Agency in the OPW has been disbanded and its duties in the above areas will be assumed by the NPS.

Sector-specific items, such as drugs, medicines and military equipment, will continue to be managed within the relevant sectors, e.g. the HSE and the Department of Defence.

A key factor for the success of the NPS will be the extent to which its range of activities can be expanded. There is plenty of room for expansion, as the total value of the categories which it is proposed should be placed in the NPS remit amounts to about €500m.

An allocation of €350,000 was made in 2010 for Procurement Management Reform. However, none of the 2010 allocation was spent on this subhead. The allocation had envisaged spending on two proposed areas of work – review of

the new public works contracts and training for public servants on the construction contract reforms. During the year, the Unit had to re-prioritise its work plan to focus on more pressing matters (measures to facilitate SMEs (small and medium-sized enterprises) in competing for public contracts and dealing with the Construction Contracts Bill 2010), and these two specific work items did not proceed. The 2010 under-spend also recognised the increasing need as the year progressed to achieve savings on the Vote.

Some training was provided when the new contract arrangements were rolled-out, and the Department is also aware that relevant sectors of the public service have been addressing their own training needs. The subhead's 2011 allocation of €140,000 is for further training for public servants on the construction procurement reforms. This training will be directed at improving competency in the use of the contracts and their practical application so as to achieve the Government objective of cost certainty on construction contracts. It is anticipated that some 400 Contracting Authority Technical Personnel (Architects and Engineers) will be trained.

An allocation of €140k has also been made in the 2012 ELS figure and it is proposed that this be surrendered as a saving.

Subhead A10 – Consultancy and other services

This subhead is used for the payment of non-administrative consultancies and other services, namely the fees for Ministers nominees to various bodies especially where there is a requirement to be a trustee of a pension fund.

The amount is small and will be required as long as recipients (trustees of pension funds) retain responsibility for this work. The estimated provision for 2011 is €16,000 which is the same as the outturn for 2010.

This estimate is used to pay the fee of the Minister's current nominee to both the trust of Coillte Superannuation Fund and the trust of Eircom Superannuation Fund; the fees in 2010 in respect of Coillte were €7,200 and in respect of Eircom were €9,000.

Programme B – Public Service Management Policy

The table below shows the Programme B budgets for 2011, the 2012 existing level of service allocation and the proposed savings that have been identified by the Programme Managers.

PSMP Programme Subheads		2011 Estimate €000	2012 ELS €000	Proposed Savings €000
B.3	Institute of Public Administration (IPA)	3,000	3,000	500
B.4	Gaeleagras	120	120	75
B.5	Civil Service Arbitration and Appeals	65	65	30
B.6	Review Body on Higher Remuneration in the Public Sector	1	1	0
B.7	Public Service Benchmarking Body	1	1	0
B.8	Committee for Performance Awards	1	1	0
B.9	CMOD	1,530	1,530	150
B.10	Change Management Fund <i>Of which pay</i>	2,780 870	2,780 870	1,103
B.11	CS Childcare Initiative	25	25	0
B.12	Consultancy	159	100	0
	Total	7,682	7,623	1,858

The estimate of €7.682m is €2.416m or 45.88% higher than the outturn of €5.266m for 2010. This increase primarily reflects an increase in the provision for the Change Management Fund (a rise of €2.456m) and, to a lesser extent, CMOD – an increase of €0.407m.

From an analysis of the various subheads under this Programme, it is proposed that savings of €1,858,000 or 24% can be attained compared to 2012 ELS. These savings primarily arise in relation to the Institute of Public Administration (IPA) and the Change Management Fund.

Subhead B3 – Institute of Public Administration (Grant in Aid)

Background

The Institute of Public Administration (IPA) is an independent private limited company, in respect of which the Minister has no statutory role. Its main sources of income are training, education, research and sale of publications in the area of public sector management. The Institute has been in receipt of Exchequer funding since 1964.

The Institutes annual report identifies its principal activities as:

- promoting the study of, and developing the standard of, Public Administration;
- developing a sense of vocation in public servants; and
- fostering mutual understanding between public servants and the public.

The main areas that the Institute operates under are:

- Education Division - third-level courses;
- Training and Consultancy Division;
- Research Division; and
- Publishing & Library services.

All IPA divisions have a public sector focus. All Government Departments are corporate members of the IPA and, as such, enjoy a reduction in costs when availing of learning interventions. The Department of Public Expenditure and Reform is represented on the board of the IPA by Mr. Michael Errity, Assistant Secretary.

Grant in Aid

The Grant-in-Aid is paid as a contribution to the general expenses of the Institute, particularly in the area of the provision of third and higher level education and research activities. The department has no role in monitoring the expenditure of the grant.

Unlike other educational institutions, many of the courses provided by the IPA have a particular focus on the public sector and it is true to state the IPA has contributed to the current level of capability in the public service. It has published research into the public service area which might not have been provided otherwise.

Provision for 2011 and outturn for 2010

The estimate for 2011 is €3m, some €400,000 or 12% less than the outturn for 2010 which was €3.4m.

Review

An expenditure review of the Grant-in-Aid to the IPA was completed in 2005. The review considered the impact of the withdrawal of the grant and concluded that it was preferable to continue to use the grant to support the IPA, with the proviso that the Institute submits an annual performance statement to the Department as part of the estimates process.

The 2005 review recommended that the grant should be paid to the IPA, rather than fragment the support across multiple organisations. This recommendation is still valid as the IPA is best placed to provide public-sector focused training etc.

The review also recommended that the grant should be paid as a grant towards general expenses. As a percentage of annual turnover, expenses have remained relatively constant over the last five years. Actual expenses have reduced significantly in the last two years. The course fee reductions secured by corporate membership could be negotiated with other providers if sufficient numbers wish to avail of a specific training intervention. The payment could be perceived by other providers as putting them at a disadvantage when it comes to securing public-sector business.

Recommendation

The Special Group on Public Service Numbers and Expenditure Programmes recommended that the subvention paid to the IPA be reduced to reflect efficiency contributions.

The amount of the Grant in Aid for 2011 has been set at €3m. To date, €1.5m has been drawn down from the grant.

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It is recommended that the amount of the grant should be reduced by €0.5m in 2012.

Subhead B4 – Gaeleagras na Seirbhíse Poiblí

Gaeleagras plays a role in promoting the policy of bilingualism by providing the training required to enable Departments and Offices to provide improved services through Irish to its customers and to help Departments and Offices meet their obligations under the Official Languages Act 2003. Gaeleagras also provides in-house and intensive courses at the request of Departments, including courses for Members of the Oireachtas, the Department of the Taoiseach and Arás an Uachtaráin among others. In addition, a service is provided in relation to the 6% bonus marks for the proficiency in Irish at Civil Service promotion competitions.

The 2011 estimate for Gaeleagras is €120,000 – this is €113,000 or 48% lower than the outturn for 2010 which was €233,000. The reduction in the 2011 provision reflects a number of retirements and a re-organisation of services generally.

In recent years the services of this unit have gradually reduced and it is now proposed that the unit be discontinued.

In the time available, it has not been possible to fully assess the implications of this wind-down which will have to take factors into account such as: the continued provision of a translation service to the Department and the Department of Finance; the provision of provides in-house and intensive courses to Departments, especially for Members of the Oireachtas; and the future approach to the 6% bonus marks for the proficiency in Irish at Civil Service promotion competitions.

As a start, an initial reduction of €75,000 is proposed.

Subhead B5 – Civil Service Arbitration and Appeals Procedure

This subhead provides for the remuneration of the three-person Civil Service Arbitration Board, the Civil Service Adjudicator, the Civil Service Disciplinary Appeals Board and the Mediation Officer appointed under the Civil Service Mediation Procedure.

The 2011 estimate is €65,000 – this is €33,000 or 103% higher than the outturn for 2010 which was €32,000. Costs are variable and are determined by the number of times the Board is required to meet.

With effect from 2006 the Subhead also provides for a contribution towards the operational expenses of the Civil Service Staff Panel, which is the collective term for the Civil Service Unions; this was previously provided for by non-programme expenditure. The contribution is €22,000 per annum.

Notwithstanding the dependence of costs on the frequency of meetings, it is proposed that it may be possible to secure savings of €30,000.

Subhead B6 – Review Body of Higher Remuneration in the Public Service

The Review Body on Higher Remuneration in the Public Sector is a standing body whose primary function is to advise the Government periodically on the general levels of remuneration appropriate to top public servants including civil servants, local authority and health board officers, chief executives of non-commercial state-sponsored bodies, the senior ranks in the Garda Síochána and the Defence Forces, members of the Government and the Judiciary.

The Review Body on Higher Remuneration in the Public Sector undertakes pay reviews of top level public servants on request of the Minister for Public Expenditure and Reform.

There are currently no requests with the Review Body for further work therefore only a token estimate of €1,000 for 2011 has been provided; this is €47,000 or 98% less than the outturn for 2010.

Subhead B7 – Public Service Benchmarking Body

There are currently no requests with the Public Service Benchmarking Body for any further work therefore only a token estimate of €1,000 for 2011 has been provided.

Subhead B8 – Committee for Performance Awards

The Committee for Performance Awards was established to oversee the schemes of performance-related awards for Assistant Secretaries and Deputy Secretaries in the civil service, Deputy Commissioners and Assistant Commissioners in the Garda Síochána and Major Generals and Brigadier Generals in the Defence Forces.

The schemes of performance-related pay for which the Committee for Performance Awards had oversight responsibilities has been terminated and the Committee has been stood down.

Therefore, no fees will be payable in 2011 and a token provision of €1,000 is provided on this subhead in order to keep the subhead open.

Subhead B9 – Centre for Management and Organisation Development

Introduction

This subhead covers two over-arching areas:

- (i) Centre for Management and Organisation Development (CMOD)
- (ii) Civil Service Training and Development Centre (CSTDC)

Provision for 2011 and outturn for 2010

The 2011 estimate is €1.53m - this is €407,000 or 36% higher than the outturn for 2010 which was €1.123m.

The costs are purely programme-based and pay costs are covered under the B.1 Administrative Budget Pay allocation for Public Service Management Policy which has already been discussed in Section 3 in regard to the overall paybill costs of the Department.

The CMOD programme costs) budget has two components:

Area	2010 Provisional Outturn	2011 Estimate	2012 ELS
CMOD	€1.025m	€1.380	€1.380
CSTDC	€0.098m	€0.150	€0.150
	€1.123m	€1.530m	€1.530m

Centre for Management and Organisation Development (CMOD)

The Centre for Management and Organisation Development (CMOD) is responsible for five key areas which it provides to all Government Department and Offices on a shared services basis, namely:

1. IT Control (sanction for ICT expenditure public service wide) and CMOD Administration – responsible for control and sanction of ICT expenditure throughout the public service to ensure VFM, compliance with Government policies and strategies in the ICT area, compliance with all shared approaches, and alignment with business strategies of organisations;
2. e-Government policy and central infrastructures in keeping with Circular 6/09 and the eGovernment Strategy 2010;
3. Telecommunications policies, central infrastructures and procurement frameworks for the public service;
4. Technology policy and procurement frameworks for the public service; and
5. Common/Shared systems for payroll and HR management.

In addition, CMOD also covers the IT Unit for the Department which provides a shared service to the Department of Finance in the areas of Systems Development Unit and the IT Infrastructures Unit.

The CMOD budget in 2010 was used for funding the following:

- Development of new eGovernment policies and strategies.
- Operation of central eGovernment infrastructure.
- Trial and procurement of a solution for improving management of customer identity data and for developing an on-line identity authentication service.
- Management functions and equipment for Government Networks and digital radio for the security and emergency services, Internet access for the public service, and development and management of telecommunications procurement facilities.

- Research of technology approaches and development and management of procurement frameworks for ICT commodity products.
- Initiation of research trials in Cloud Computing.
- Maintenance and support of the centralised, shared Human Resources Management System (HRMS).
- Development and maintenance of the common CorePay payroll system.

Sanctioning remit of CMOD

Following a Government Decision in 2008, CMOD issued Circular 2/09 "Arrangements for ICT Expenditure in the Civil and Public Service" in early 2009. This Circular brings the Local Authority Sector, the Education Sector, and all non-Commercial Semi State Bodies within the CMOD ICT-expenditure approval remit. These organisations and sectors are additional to Central Government Departments and Offices, the HSE, the Courts Service, the Prison Service and An Garda Síochana which were already within the approval process. The Circular provides for a more evaluative and assessment role for CMOD in terms of:

- Increasing self-sufficiency and reducing reliance on external providers as directed by the Government. Considerations include re-skilling and training; re-deployment; and more targeted recruitment as outlined in the Report of the Special Group on Public Service Numbers and Expenditure Programmes;
- undertaking an ex-ante evaluations of significant ICT projects taking into consideration matters such as suitability/fit-for-purpose, complexity, future usability, long term supportability, and cost;
- ensuring compliance with procurement requirements;
- utilising centrally managed frameworks where these provide better value for money than other offerings; and
- addressing significant drift on projects at an early stage.

e-Government Policy

In 2008, the Government transferred responsibility for eGovernment Policy to CMOD. The Government prioritised those 24 services included in the EU eGovernment Benchmarking exercise and a number of others agreed in a joint Dáil motion of April 2008. Additionally, it required the development of a Rolling Programme of projects and sought progress reports every six months from this Department. Substantial work has been undertaken since. Department of Finance Circular 6/09 "Arrangements for eGovernment" was issued by CMOD in March 2009. This Circular requires each public body to develop an eGovernment Plan in accordance with definitions and advisories issued by CMOD.

CMOD also developed a new eGovernment Strategy which was approved by the Cabinet Committee on Transforming Public Services in December 2009. This Strategy sets out the primary objectives for 2010, acknowledges the particular difficulties in putting some services online, and sets out possible approaches that could be used by public bodies to deal with those difficulties. CMOD provided two reports on progress to Government in 2009 and a further detailed one in 2010. During 2009, CMOD worked with public bodies to develop new online services and with the EU Commission to ensure that Ireland's progress was properly reflected in the 2009 EU Benchmark. This resulted in an increase in Ireland's ranking from 17th in 2007 to joint 7th of the 32 countries benchmarked (equal with the UK and Finland). Continuation of that work in 2010 has now resulted in Ireland being ranked 1st of the 32 countries. CMOD also produced an initial eGovernment Programme of 14 projects in early 2010. As projects are fully planned and resourced, there are added to the Rolling Programme. A total of 41 projects have now been included, of which 14 are now complete.

Over the course of 2011, CMOD, in conjunction with public bodies, will develop a new eGovernment Strategy as part of the new Reform Plan.

e-Government Solutions

In 2008, CMOD examined the potential to integrate customer identity data from various national identity repositories across the public service. The aim was to provide a unified view of the most accurate set of identity data for each person. A technology platform for this project was procured in 2009. Over the course of 2010, CMOD developed a range of prototype applications, which were demonstrated to public bodies to determine their usefulness. These applications are aimed at improving data quality by helping public bodies to correct inaccurate or out-of-date information, at helping public bodies implement greater controls (e.g., check that someone was registering proper addresses across the public service etc.), at allowing public bodies to verify the PPSN details of a customer who presents to them, and at providing a shared on-line authentication service that would be relatively easy for customers to use to access online public services. CMOD has now agreed a legislative base for the operation of this system and is in the process of moving it to live operation.

Additionally, CMOD has implemented a system to publish death events electronically within the public service. This solution can also be used to electronically publish birth and marriage events should that prove necessary.

CMOD is now working with the Citizens Information Board to enhance the availability and quality of information about all public services and bring all of this information together in one central portal. This is being launched mid-2011.

Government Networks (previously referred to as the Government VPN)

Each year CMOD pays for a range of central infrastructure and services to provide voice and data communications and interoperability to all non-commercial public bodies. This expenditure covers operation and management charges; equipment purchases, maintenance and hosting; software licences; alternative communications links to provide resilience; and Internet connectivity.

A yearly investment has allowed us to build a national secure Government Networking environment to which most of the major non-commercial public bodies and most of the significant telecommunications operators in the country are directly connected. Additionally, central procurement frameworks have been put in place for fixed voice, Voice over IP, mobile voice and mobile data services. Standard RFTs have been developed for broadband data services. These allow public bodies to get the best possible prices for telecommunications products and services and ensure continuing competition in their provision. This approach has also resulted in a greater degree of standardisation in networking across public bodies facilitating easier interoperability and removing duplication in network links.

Digital Radio

CMOD put in place a central drawdown contract for the provision of digital radio services for the emergency and security services of the State. CMOD is overseeing the rollout of the national infrastructure to provide these services, is managing the contract, and is providing advice and assistance to public bodies seeking to avail of the services. The national rollout is now complete with approximately 16,000 emergency and security personnel using the service.

Technology Policy

CMOD operates a range of central procurement frameworks for IT items such as PCs, Notebooks, Mono and Colour Laser Printers. These frameworks ensure that the public service gets the best prices available to public service bodies. An additional framework is in development for software asset management services in an effort to ensure that public bodies get the best prices for software and associated licensing and support. CMOD is also working with various players in the market to determine how best cloud computing infrastructure can be provided to the public service securely, reliably and cost-effectively. In this context, actual trials are being conducted with number of major multinational IT companies to research technology solutions, licensing solutions and commercial models.

Civil Service Human Resource Management System (HRMS)

The project to implement a central Civil Service Human Resource Management System (HRMS) to record all service details (including absence data etc) of Civil Service staff was completed in 2007 and rolled out to 39 Departments and Offices in one single shared database, hosted centrally. Ongoing costs to support this are shared between all the Civil Service Departments and Offices involved to ensure they retain a sense of ownership and responsibility for the system. CMOD expenditure during 2010 related to networking costs. CMOD is now assisting with the market exercise to procure external assistance for the setup and transition phases of a shared HR service.

Common Payroll System

During 2010, CMOD oversaw extensive work in designing the changes to payroll systems required as a result of major budgetary changes. CMOD is now designing approaches to providing payroll as a shared service for the civil service.

The CMOD budget in 2011 will be used for funding the following:

- Development of new eGovernment policies and strategies.
- Operation of central eGovernment infrastructure.
- Live implementation and operation of a solution for improving management of customer identity data and for developing an on-line identity authentication service.
- Development and implementation of web-based systems to publish Departmental data online.
- Management functions and equipment for Government Networks.
- Management functions and equipment for digital radio for the security and emergency services.
- Centralised, shared Internet access for the public service.

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The IT Infrastructures Unit is responsible for the development, operation and support of ICT infrastructures and services for both the Department and the Department of Finance. The Technology and Telecommunications Policy Unit is responsible for:

- Nationwide, private, secure Government Networking infrastructure and services for the entire public service.
- Digital Radio for the emergency and security services of the State.
- ICT Procurement Frameworks for the public service.
- Research and trialing of new technology approaches.
- Developing technology architectures to reduce costs.
- Trialing and developing strategies for Cloud Computing
- Providing ICT advice and guidance to public bodies.

While the work of both units could be outsourced, the experience across the system proves that would be considerably more costly than providing it in-house. This is also in keeping with the Government Policy of ICT Self-Sufficiency. Ceasing the work is not an option.

In the case of the Technology and Telecommunications Unit, it is clear that the offering would suffer considerably if outsourced. The primary value of this function is that its work results in considerably reduced costs across the system ranging from 20% to 70% depending on the topic and nature of the public body, and amounting to tens of millions of euro per annum.

The cost of the ICT Infrastructure Unit has been falling considerably over the past few years. Budget for 2011 has been reduced substantially to €625K, despite a significant influx of staff requiring ICT infrastructures and services.

The cost of the Technology & Telecommunications Unit has also been falling considerably over the past few years. This Unit is continuously striving to reduce costs through development of new architectural approaches, negotiation with market suppliers, regular tendering of business, etc. Reducing its budget further will nullify its ability to continue the development of shared approaches and services, and the considerable cost reductions it is achieving across the system. It will also make it impossible to advance the development of Cloud Computing for the public service. The Unit is essentially a shared service provided by the Department with the value accruing elsewhere.

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Civil Service Training and Development Centre (CSTDC)

The Civil Service Training and Development Centre (CSTDC) are responsible for two broad areas of work:

- Peer review of major ICT projects across Departments and Offices on foot of Government decision of 11 October 2005; and
- Provision of training for staff from Departments and Offices in support of modernisation of the Civil Service.

In 2010, the CSTDC's business were re-focussed under four main headings:

1. Programmes and Services Supporting Civil Service Modernisation.
2. Management Development Programmes.

3. Technical and Knowledge- Based Programmes.
4. Language Development Services

The CSTDC will continue to assist in establishing the training needs and requirements of Departments and Offices and to provide appropriate services. The CSTDC has already begun a process to evaluate training interventions in line with the Framework for Civil Service Training & Development 2004-2008. It has provided a Manual and a "Training Needs Analysis - Toolkit" to assist Departments and Offices in this regard. Its primary purpose is to help organisations incorporate 'training needs analysis' into their business planning process. However, its usefulness as a tool of analysis is not confined solely to the analysis of training needs; other uses include decision making, issue analysis, project management and environmental analysis.

The development of this resource was prompted by a Task Force Report recommendation for a more rigorous approach to the evaluation of "spending on training and development in the Public Service" and also arising out of concerns expressed by the C&AG in the VFM Report on Training & Development (2000).

At this critical time when staffing resources are coming under budgetary pressure and there is an apparent lack of key skills and expertise in a number of areas across the public service, it is considered that it is essential to identify capacity deficits within the Civil Service and provide appropriate training to address them. As a result, the CSTDC has developed a new Civil Service Training and Development Strategy 2010-2014.

CSTDC – potential savings

From an initial analysis of the CSTDC in the context of budgetary pressures and the emerging needs of Department and Offices for training and development over the coming years, it appears that there may be capacity to identify savings. In the main, these arise from a number of factors which relate to the staffing

resources of the CSTDC; a number of seconded trainers are due to return to their parent organisations while it appears that other staff may be contemplating early retirement.

It is proposed that a deeper examination of the staffing requirements of the CSTDC be undertaken in the light of the current and likely future demands from Departments and Offices for training and development over the 2012-15 period. Over those years, there may be a potential move away from centrally provided training and development (undertaken, in this case, by the CSTDC) and towards interventions which are more tailored for the needs of individual organisations especially in the areas of work undertaken by the CSTDC, namely:

1. Programmes and Services Supporting Civil Service Modernisation.
2. Management Development Programmes.
3. Technical and Knowledge- Based Programmes.
4. Language Development Services

Under this scenario, the role of the CSTDC may have to move from that as the provider of training and development to Departments and Offices to that of a facilitator or even the provider of a quality assurance process to training and development put in place by organisations. This will result in Departments and Offices utilising an out-sourced model of training and development.

In particular, it is proposed that the area of language training be examined as a priority given the requirements of Departments and Offices in the approach to Ireland's Presidency of the EU in 2013. In this regard, the continuing provision of non-EU languages such as Mandarin and the provision of non-certified training from a recognised Institution should be critically assessed. For example, there may be a requirement to move towards the provision of training in languages by recognised organisations such as the Alliance Francais for French, rather than by French teachers in the CSTDC. If there are scarce resources, the continued

provision of training for languages such as Spanish and German may have to be questioned especially when there may not be a critical business need for staff to be undertaking such courses for their work and the work of their Departments and Offices.

In overall terms, an initial saving of **€150,000** from a scaling-back of the current activities of the CSTDC is proposed; this will mean that the activities of the CSTDC will cease in 2012.

Under this scenario, the staffing resources associated with the CSTDC will be used for other parts of the Department or rationalised by returned seconded trainers to their parent Departments and Offices combined with the non-replacement of retiring staff. Further analysis will be needed to provide a fuller picture of the staffing implications.

Subhead B10 – Change Management Fund (CMF)

Introduction

The Change Management Fund, held and administered centrally in the Department of Public Expenditure and Reform (and formerly in the Department of Finance), is used to finance the cost of implementing initiatives related to the improvement of Public Service administration and service delivery. The Department of Public Expenditure and Reform oversees the administration of the CMF, which was established in 1999 with the aim of supporting Departments/Offices in their efforts to implement the strategic change agenda (for example, the CMF supported the introduction of PMDS in the Civil Service).

Provision for 2011 and outturn for 2010

The 2011 estimate is €2.78m - this is €2.456m or 758% higher than the outturn for 2010 which was €324,000. It should be noted that €1.5m had been provided within the 2010 Estimate but the funding requirement was pushed into 2011. Had

work proceeded within the original timescales, the increase would have been c €0.956m (64%). An allocation of €1.5m was made for 2010 as it was anticipated that a number of projects arising from the Public Service Reform agenda (Transforming public Services, as it was then) would require significant funding during 2010. However, while progress was made on many of these projects, a significant funding requirement did not arise during 2010 and the figures for 2010 indicate a saving of approx. €1,176,000. In particular, the 2010 outturn was considerably less than anticipated (€324,000 out of the estimated €1,500,000), primarily due to key projects:

- not commencing within that year; or
- commencing late in the year and therefore not incurring considerable expense; or
- general cost efficiencies pursued and delivered.

A total of €2,780,000 has been allocated for the CMF in both 2011 and 2012 ELS, which has been provisionally divided as follows:

	2012 ELS	Proposed Requirement
HR Shared Service	800,000	TBA
Head of Shared Services, Head of Procurement and Chief Information Officer (and support staff)	750,000	300,000
*Public Service Reform – communications/ promotion	320,000	750,000
CMF – General	250,000	0
*Senior Public Service	210,000	119,000
*Better Regulation Unit	180,000	0
Implementation Body	150,000	150,000
Business Process Re-engineering / Improvement - Staff	120,000	358,000
TOTAL CMF	2,780,000	1,677,000

The Estimate for 2011 (€2,780,000) includes provision for a number of important (new and existing) reform-related projects, which will yield net cost efficiencies over the longer-term. These include expenses related to the Public Service/Croke Park Agreement Implementation Body; the establishment of the Civil Service HR Shared Service Centre; appointment of and support for lead officials on a number of key reform-related issues; support for a central resource for Business Process Improvement; support for the Senior Public Service; and support for general reform-related communications and promotion activities.

Public Service Reform and Delivery Section

The Public Service Reform and Delivery section in the Department of Public Expenditure and Reform currently comprises one Principal Officer, two Assistant Principal Officers, two Administrative Officers, one Executive Officer and one Clerical Officer. This composition effectively reflects that of the Transforming Public Services Programme Office, which transferred from the Department of the Taoiseach in May, 2011.

The overall objective of the section is to drive, promote and communicate the Public Service reform agenda, in line with the Programme for Government and in the context of the Croke Park Agreement, the Comprehensive Review of Expenditure and other (sectoral / functional) reform-related initiatives. Within this, the main areas of responsibilities involved are as follows:

- Coordination of activities related to the Cabinet Committee on Public Service reform and the supporting sub-groups, including production of implementation plans and general coordination of the reform programme across the Civil and Public Service;
- Support for Minister and Minister of State (PQs, speeches, briefs, representations etc.) as required;
- Promoting specific elements of the reform programme, including Shared Services, Outsourcing and Business Process Improvement;

- Ongoing support and promotion of the Quality Customer Service (QCS) Initiative, including the QCS Officers' Network, the Customer Charters and Action Plans process and customer surveys;
- Communication of the Public Service reform programme, including through:
 - the organisation of seminars and conferences (four-six per year) as well as presentations to other events, networks etc.;
 - the production and distribution across the Civil and Public Service of OneGov Newsletter (four issues per year);
 - ongoing commitment to providing up-to-date and relevant information on the Public Service Reform section of the www.per.gov.ie website;
- Organisation of the biennial Taoiseach's Public Service Excellence Awards. Promotion of the 2012 Awards has recently commenced. Submissions for these Awards will be assessed and 20 projects selected to receive Awards at a major conference in Dublin Castle in Spring, 2012. The 2010 Awards attracted over 200 entries;
- Management of the Change Management Fund (CMF) for the Civil Service, which has been allocated a total of €2,780,000 for this year, divided between a range of reform-related projects including support of the Croke Park Agreement Implementation Body, the Senior Public Service and the promotion and communication of the reform agenda across the Public Service.

The section is currently working on an Implementation Plan for Public Service Reform, for the consideration of the Cabinet Committee on Public Service Reform. This Implementation Plan will form the basis for the Government's Public Service Reform programme in the coming years and will be the basis for more detailed sectoral and organisation plans.

New Office of Public Service Reform and Delivery

It is intended that the Public Service Reform section will form the basis of the proposed new Office for Public Service Reform and Delivery. This new Office, to be established in September/October, 2011, will drive and support the reform programme, with a particular focus on delivering cross-cutting and whole of government reform.

The Office will work closely with organisations across the Public Service enabling them to drive the delivery of reform at a local level, as well as implementing central initiatives in conjunction with the wider Department of Public Expenditure and Reform. It is intended that it will be led by a Programme Director and will include staff from this Department and from elsewhere in the Civil/Public Service, and will also draw on private sector expertise where necessary. It will include appropriate expertise in areas such as shared services, business process improvement etc.

Public Service reform is a key and essential aspect of the Programme for Government. In changing how the Public Service operates – both in terms of what it does and how it does it – an initial investment is often required, on a strategic basis, in order to increase efficiency and effectiveness, and to reduce costs in the medium to longer term.

Future Role of the Change Management Fund (CMF)

A facility such as the CMF is of huge importance to promote and support change in the Public Service. This is particularly the position as the Public Service embarks on the most ambitious and important programme of political and administrative reform since the foundation of the State. To quote Minister Howlin, *“Public Service reform is a key and essential aspect of the Programme for Government. In changing how the Public Service operates – both in terms of what it does and how it does it – an initial investment is required, in order to support increased efficiency and effectiveness, and to reduce costs in the*

medium to longer term. The Change Management Fund plays an important central role in supporting reform initiatives.”

It is, therefore, proposed to re-position the CMF as an active and dynamic resource to drive change. The CMF should be seen as an investment; as a very small expenditure to leverage better value for money, greater efficiency, increased productivity and improved outcomes for citizens.

As well as the need for a strategic focus on the future role of the CMF as a driver of change, there is also a requirement to assess the current status of the CMF this year, with a view to identifying areas where savings can be made so that these resources can be re-invested into important reform projects as identified under the Programme for Government and the Public Service Reform Implementation Plan.

In relation to the specific items of cost please note the following:

Implementation Body

Most of the allocation for 2011 (and 2012) is given over to salary/expenses associated with the Chair of the Implementation Body, PJ Fitzpatrick, and John White, Chair of the State Agency Sector Implementation Body, and provision for the costs associated with engaging external auditors to verify selected savings under the Croke Park Agreement. The existing allocation of €150,000 is very tight and there does not appear to be scope to trim back further, either in 2011 or 2012.

HR Shared Service

It is intended that there will be no significant expenditure from the CMF on the Civil Service HR Shared Service this year. Arrangements for funding in 2012 are currently under consideration and it is understood that a separate note on this has been provided.

Senior Public Service

The Senior Public Service (SPS) was based in the Department of the Taoiseach and was allocated a total of €110,000 in 2011. At the same time, a figure of €100,000 was reserved for the SPS in the Department of Finance, presumably on a contingency basis.

It is estimated that €102,000 will be required in 2011, including expenditure involved in the development and launch of the SPS website and secure extranet; networking events; and coaching and other leadership development initiatives.

It is proposed that there will be only one allocation for the SPS in 2012, with an allocation of €119,000. This will include spending on the development of interactive web services, real-time conferencing facilities, web publishing; development of talent management information applications; networking events (consisting of SPS membership only; wider public sector; and cross-border events); training & leadership development (inter alia tailored induction; coach-the-coach; selected external courses, e.g. UK National School of Government courses); and coaching and mentoring services.

Heads of Shared Services, Procurement and Chief Information Officer

It is intended that a Head of Shared Services (or equivalent) post would be advertised shortly, with a view to the position being filled for the last 3-4 months of 2011. This would incur an estimated cost of €40,000. It is not envisaged that the Head of Procurement and Chief Information Officer posts will be filled this year.

An allocation of €200,000 has been set aside for the salary of the new Head of Shared Services and office-related expenses in 2012. This is an approximate figure and depends on the nature and role of the post. Obviously, if the other two posts (outlined above) are filled, additional costs will arise.

Given the progress to date, it is anticipated that support staff for a Head of Shared Services this year would be minimal. An allocation of €50,000 has been made for this year. This allocation, assuming support staff of one AP, one AO/HEO and one CO, will rise to €200,000 in 2012. Again, if the other two posts (outlined above) are filled, additional costs will arise.

CMF – General

The allocation of €250,000 for CMF General in 2011 was intended to fund projects from around the Civil Service as they arose. It is now proposed to use this allocation to support the establishment and functions of the Programme Director of the new Reform and Delivery Office in 2011.

It is proposed that this category would be merged with the Programme Office allocation (see later) for 2012.

TPS Programme Office

The TPS Programme Office was established in the Department of the Taoiseach and was transferred to the new Department of Public Expenditure and Reform in May, 2011. The allocation to the Programme Office of €320,000 in 2011 was to fund communication of the reform agenda (5-7 seminars / conferences on key reform-related themes; quarterly production of OneGov newsletter), funding of specific reform-related initiatives across the Public Service, support of the Taoiseach's Public Service Excellence Awards etc. This work continues in the Department of Public Expenditure and Reform. It is also now proposed that this allocation will be used to fund (up to €75,000 approximately) the external expertise currently assisting with the development of implementation plans in the Department. The revised estimate for this category has been lowered to €282,000.

It is proposed that, for 2012, this allocation would be merged with CMF – General (see 6 above) to form a category called "Reform and Delivery". Based on

previous experience and the need to cover the costs associated with the Programme Director, his/her communications strategy and also to (co)fund worthwhile initiatives across the Public Service as they arise, an estimated €750,000 will be required in 2012. It should be noted that it is quite difficult to identify in advance specific projects and initiatives that might arise at relatively short notice. A previous example of this is the €50,000 provided to the Department of Education and Science to co-fund the development of the new on-line facility for student grants. It is envisaged that as the reform programme is rolled out, this approach would be used to stimulate innovative reform initiatives across the system in a range of activities including BPI, Shared Services, eGovernment etc.

Another issue that may arise for funding in 2012 but is not factored into the estimated costs in the above table is the proposal to place Change Agents in each Government Department. Assuming that these officers are at AP level, this could amount to approximately €280,000 for three months in 2011 and up to €1,125,000 in 2012. This would be a major investment and does not feature in the table on page 1.

Business Process Improvement

It is envisaged that the full allocation of €120,000 for Business Process improvement (BPI) would be used in 2011, with costs being incurred on staffing for the new resource (one PO, three AO/HEOs and one CO) as well as training for staff and other public servants.

A figure of €358,000 is estimated for 2012, to cover a wide range of BPI activities. These include the cost of salaries and support for the staff of the new resource, training (of BPI staff and other public servants) and promotion of BPI across the system.

Better Regulation Unit

The Better Regulation Unit in the Department of the Taoiseach has effectively been disbanded. Apart from an outstanding commitment to Indecon of €5,000,

there will be no further expenditure in 2011, and no planned expenditure under this item in 2012.

Summary of position – Change Management Fund

Based on the information above, there is scope for estimated cost savings from the CMF of €1,780,000 this year. The estimated expenditure for 2012, at €1,677,000, also represents a significant decrease (€1,103,000) from the initial 2011 estimate of €2,780,000.

It is essential to note that the estimated figures for 2012 are subject to change as the priorities and requirements of the Public Service Reform Programme (and particularly related to the operations of the new Reform and Delivery Office) are clarified in the coming months. Given the evolving nature of the work on the area of the HR Shared Service, the Programme Manager has advised that there will be expenditure pressures which will have to be addressed through the allocation of additional funding over and above the current provision. As this work is currently engaged in a competitive tendering process in relation to the HR Shared Service it is not possible to quantify these costs at this stage.

Subhead B11 – Civil Service Childcare initiative

Introduction

The funding in this subhead relates to the operation of the Interim Board of the Civil Service Childcare Initiative. The budget in this subhead primarily covers the costs of audit and policy work related to the programme.

From 1 January 2009, responsibility, and related capital funding for the maintenance of the seven crèches transferred to the OPW. In Budget 2001, the Minister for Finance allocated €12.7m for the provision of 10-15 crèches for the children of civil servants throughout Ireland. The allocation was part of a major initiative by the Government to improve childcare provision and increase the number of childcare places available in Ireland. Over the following 7 years, 7

crèches were taken over or completed to a total capital cost of €10 million. Following a VFM review published in 2008, there will be no further crèches built under this programme.

The seven crèches are located in Athlone, Celbridge (Backweston), Cork, Ennis, Sligo and Dublin (Mount Street and Marlborough Street). Following a public tendering process in 2008, and in line with the recommendations of the VFM study, a single operator was appointed to operate 4 of the crèches, including the new Cork crèche, in 2008. The Cork crèche, which has 135 childcare places, was completed in 2008 and started operating in February 2009.

Provision for 2011 and outturn for 2010

The estimate for this area for 2011 is €25,000 – this is €20,000 or 44% less than the outturn for 2010 which was €45,000. The 2010 Outturn of €45,000 includes a payment for an outstanding claim to a previous crèche operator. The estimate for 2011 relates to audits to be carried out during the year and, therefore, there are no savings available on the subhead.

Subhead B12 – Consultancy and other Services

Introduction

This subhead is used for the payment of non-administrative consultancies and other services. The costs relate to the central payment of fees associated with the Central Travel Policy, the Decentralisation Implementation Group and other non-administrative consultancies which may occur.

Provision for 2011 and outturn for 2010

The estimate for this area for 2011 is €159,000 – this is €98,000 or 161% higher than the outturn for 2010 which was €61,000.

The estimate is provided to the central payment of fees associated with the Central Travel Policy, the Decentralisation Implementation Group and other non-administrative consultancies which are scheduled to occur in 2011; therefore, there are no savings available on the subhead.

Section 4 - Further Information

The following proposals/risks are also presented for consideration by the Secretariat:

- A significant proportion of the Programme Budget is allocated to the Change Management Fund. While accepting that investment in the area of Reform is essential, there may be some merit in revisiting some of the allocations;
- Since more than half of the Estimate is tied up in pay, regard must be given to and a complete reassessment taken of all staff allocations and cost/benefit analysis of both the outputs and the in-house provision of same.
- All savings requirements must be addressed in the context of a need for the Department to secure people with the skills and expertise needed for expenditure control, expenditure evaluation and public service reform (including change management and business process improvement). Securing these whole-of-government goals may require either an increase in costs or a scaling-back of the proposed savings for the Vote. The overall impact on Ireland inc. has to be factored-in when considering these options rather than simply examining them on a Departmental-specific basis.
- Given the evolving nature of the work in the area of HR Shared Services, the Programme Manager has advised that there will be expenditure pressures which will have to be addressed through the allocation of additional funding over and above the current provision. As this work is currently the subject of a competitive tendering process it is not possible to quantify these costs at this stage.